



To: Center City Development Corporation (CCDC) Policy Committee
From: DMC Staff
Date: July 23, 2020
RE: Pre-Development Assistance Grant Program

Background:

The Center City Development Corporation (CCDC) Policy Committee works with DMC staff to recommend policy and program changes to the full CCDC board. The CCDC's incentives are meant to be responsive to the needs of the downtown development community, and have been revised many times in recent history to better meet those needs. Examples include the 2019 adoption of the Retail Tenant Improvement Grant, which filled a need that no existing CCDC program addressed, and the 2018 revision of Development Loan policies, which led to that program's success in assisting emerging and minority developers. Now, new challenges suggest a need for an additional tool in the CCDC's incentive toolkit.

Since the beginning of the year, economic conditions in Memphis have rapidly shifted due to the COVID-19 pandemic. Widespread uncertainty is the defining characteristic of the development environment, and traditional development incentives alone may no longer be enough to move the needle on many downtown properties in need of redevelopment. Emerging developers with limited financial capacity, including minority developers, will likely face the greatest challenges in this environment. With these realities in mind, DMC staff has concluded that a new grant program for pre-development work would be a useful tool to maintain development momentum and continue growing the community of downtown developers during this uncertain time.

A pre-development assistance grant would provide funding for the vital work that needs to be completed before a property owner can pursue financing and more significant incentives for a project. Examples of pre-development work include preliminary architectural designs, financial modeling, and environmental testing. Pre-development work is necessary, but often costly, which can discourage property owners who are unsure of whether they will see a financial return for this work. A pre-development assistance grant would reduce this risk and give more downtown property owners a solid road map toward development. Although many property owners could benefit from pre-development assistance, staff believes that this program will be particularly useful for the growing community of emerging and minority developers in Downtown Memphis who often have fewer resources to draw on during the pre-development phase.

Recommendation:

The creation of a **Downtown Pre-Development Assistance Grant** program with the following features:

- A maximum grant of \$5,000 per project.
- A program cap of \$50,000 per year.
- Eligible pre-development work will include:
 - Market studies
 - Financial modeling
 - Professional design work
 - Site assessment
- Applications will be administratively approved by DMC staff.
- Funding priority will be given to historic properties and properties inside the DMC's priority areas.
- Invoices from consultants hired to perform pre-development work will be submitted directly to the DMC for reimbursement.
- The DMC will retain the rights to any materials created using grant funds.

For more information, see the attached **Downtown Pre-Development Assistance Proposal** and **Downtown Pre-Development Assistance Grant Application**.