

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: August 9, 2023
RE: Development Loan Request – Uptown Cottages, 164 Keel Ave. & 701 Third St.

The enclosed Development Loan application has been submitted for consideration at the August 16, 2023, CCDC Board Meeting.

Project: **Uptown Cottages, 164 Keel Ave. & 701 Third St.**

Applicant/Owner: Mr. Jittapong “JT” Malasri
65 Union Ave, STE 800
Memphis, TN 38103

Applicant’s Request: Development Loan in an amount up to \$300,000.

Project Description: The subject property consists of two adjacent residential lots in the Uptown neighborhood. The 0.23-acre site is located on the north side of Keel Avenue, in the block between Lyceum Lane and North Third Street and about 1 block south of Chelsea Avenue.

The applicant proposes to build four new residential units in the model of “missing middle” housing. This approach to building new housing seeks to fill the gaps in established neighborhoods with smaller-scale housing units and building typologies that more closely reflect what was traditionally built in the core city prior to World War II. For this specific project, the applicant is proposing a total of four cottage-style residential buildings. Two of the buildings will be 1-bedroom units and two of the buildings will be 2-bedroom units. All four buildings will be market-rate rental housing. The two lots have received the necessary land use approvals from the Board of Adjustments (BOA 21-73 & BOA 21-174), ensuring that the developer’s vision aligns with the city’s zoning regulations for new growth in Uptown.

Contingent on CCDC approval of a Development Loan, the applicant intends to begin construction in Q3 2023 and be complete in Q3 2024.

Overall Budget:

The following is the estimated development budget for the Uptown Cottages project:

Sources:

Project Debt	\$120,000	(17%)
Owner's Equity	\$48,700	(7%)
Owner's Contribution	\$215,750	(32%)
CCDC Dev. Loan	\$300,000	(44%)
Total Sources	\$684,450	(100%)

Uses:

Land Purchase	\$18,700	(3%)
Hard Construction Costs	\$630,000	(92%)
Soft Costs	\$19,500	(3%)
Financing Fees	\$5,750	(1%)
Other Professional Fees	\$10,500	(1%)
Total Uses	\$684,450	(100%)

Dev. Loan Program:

The Development Loan is permanent financing at an interest rate of 1%. While the loan has a 10-year term, the amortization schedule is based on a 20-year period in order to offer lower monthly payments. This program was redesigned in 2018 to better support emerging developers and small-scale commercial development in urban neighborhoods. While the Development Loan Program typically has a limit of \$200,000 per project, staff is recommending approval of an exceptional loan of up to \$300,000 for this project.

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent HVAC equipment, and first floor, non-residential tenant improvements that are permanent in nature are also eligible uses. Removable fixtures and equipment and soft costs are not eligible expenses under the program.

Given the fact that the entire project is new construction, eligible uses for the Development Loan in this case will far exceed the requested loan amount. Most all proposed hard construction costs (such as plumbing, electricity, framing, roofing, carpentry, masonry, and flooring) will be eligible uses for the Development Loan.

Design Review:

The applicant will submit design plans to the DRB in the near future.

EBO Program:

Any project that is awarded a financial incentive from the DMC must comply with the Equal Businesses Opportunity (EBO) Program. The EBO program requires that the applicant make a best faith effort to reach no less than 25% participation by minority and women-owned businesses (MWBE) for the portion of the project scope that is eligible for bidding or subcontracting. The portion of a project subject to meeting the EBO requirements typically involves the hard and soft costs for design & construction.

The specific steps required for each applicant to be compliant with the DMC's EBO Program takes into consideration the size, scope of work, and development costs associated with the project. The applicant has a clear understanding of the EBO Program and has worked with the DMC staff to identify the following key steps that will be included in their Outreach & Inclusion Plan:

- The applicant will use the City of Memphis Business Diversity & Compliance Registry and the resources at the Shelby County Office of Equal Opportunity Compliance to continue identifying qualified tradespeople to perform the needed work.
- The applicant will contact a minimum of 3 certified MWBE businesses for each trade or type of subcontractor needed, and provide each a fair opportunity to submit a bid and be considered for the work.
- Once the service providers have been identified, the applicant will submit the form titled "Proposed Utilization Plan" to DMC staff for review and approval. The applicant will also be asked to provide a full record of the outreach steps taken and the results thus far. This documentation can include items such as a phone call log, copies of emails, meeting notes, and similar materials.
- After construction has started, the applicant will provide regular updates to DMC staff detailing the project status and level of MWBE involvement at each major phase of the project.

Minimum MWBE Goal:

With an estimated budget of approximately \$660,000 for hard construction costs, soft costs, and other professional fees, a 25% level of MWBE inclusion will be approximately **\$165,000.**

Staff Evaluation:

The DMC’s Strategic Plan encourages facilitating and accelerating real estate development, incentivizing Downtown development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment Downtown.

While the Development Loan Program typically has a limit of \$200,000 per project, staff is recommending approval of an exceptional loan of up to \$300,000 for this project for several key reasons.

First, supporting new infill housing in the Uptown neighborhood and the North CBID is highly consistent with the DMC’s dual goals of increasing population density and improving commercial property values through high-quality commercial development. Second, the project increases Downtown housing options and diversity of offerings by adding unique cottage-style housing product to the market. This type of “missing middle” housing is contextually appropriate infill that can help stitch back together the fabric of urban neighborhoods with a history of disinvestment and a reality of far too many vacant lots.

Finally, the applicant for the project is an emerging developer and Downtown resident with a strong interest in urban revitalization. Growing the Memphis developer ecosystem and supporting new and emerging developers are important goals of both the DMC and CCDC. The Downtown Development Loan program was reimagined by DMC staff and reapproved by the CCDC Board in 2018 to better support emerging developers and small-scale commercial development projects. This type of project is exactly the kind of investment that the changes to the Development Loan program were intended to encourage.

Recommendation:

Staff recommends approval of a Development Loan in an amount up to \$300,000, based on approved receipts and subject to all standard closing requirements and conditions.