



To: Center City Development Corporation (CCDC) Board of Directors  
From: DMC Staff  
Date: April 18, 2018  
RE: Suggested Updates to Downtown Development Loan Program

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The Downtown Memphis Commission (DMC) and its affiliate the Center City Development Corporation (CCDC) offer the Downtown Development Loan to support commercial development within the Central Business Improvement District (CBID). Since 2005, CCDC has approved 29 Development Loans totaling \$3.1M to support more than \$61.3M in new Downtown development.

**Development Loans Approved by CCDC**

Date	Number of Loans	Total Loan Amount
2005 - 2009	14	\$1,089,315
2010 - 2014	12	\$1,560,728
2015 - Present	3	\$472,000
Total Since 2005	29	\$3,122,043

**Existing Program Details:**

This financial incentive was originally envisioned as a tool for supporting projects at the smaller end of the development spectrum.

The following describes the current structure and key details of the program:

- The loan is permanent financing for new construction and permanent building renovations. Examples of eligible renovation work include:
  - Exterior facade repairs such as brick tuck-pointing, painting, window and door replacement/repair, cornice line construction, storefront repair and canopy reconstruction.
  - Other exterior improvements such as roof repair and replacement.
  - Interior structural improvements such as floor joist installation and ceiling repairs.
  - Building system improvements such as installation of plumbing and electrical service as well as heating, cooling, and ventilation systems.
  - First floor, non-residential tenant improvements that are permanent in nature.
- Loan is for commercial property located within the CBID.
- 3% loan; maximum loan of \$150,000.
- Loan amount based on grading criteria that reflects CCDC's priorities.

- 10-year loan that is amortized on a 20-year schedule; balloon payment due in year 10.
- Loan requires compliance with DMC's Equal Business Opportunity (EBO) Program.
- \$500 application fee.
- If loan is approved, 3% closing fee due at loan closing.

**Goals in Updating Development Loan Program:**

While the Development Loan program has been successfully used to support reinvestment Downtown, staff believes that the program can be improved. The loan product can be updated in order to more closely align with DMC's objectives and better reflect current priorities.

Goals in updating the Development Loan program include:

- Increase ways for the DMC to support smaller development projects.
- Make the loan attractive to emerging developers to grow the local developer ecosystem.
- Streamline and simplify the loan program.
- Be more aggressive with the tool while still mitigating financial risk to the CCDC.

**Proposed Changes to Development Loan Program:**

Staff recommends keeping the overall program structure intact while making a few strategic changes to the program details. The loan product should remain as permanent financing for new construction and permanent building improvements within the CBID. The loan should also remain a 10-year loan that is amortized on a 20-year schedule. The EBO requirements still apply to all DMC incentives, including the Development Loan.

**DMC staff suggests making the following modifications to the Development Loan program:**

- a) Lower the interest rate from 3% to 1%.
- b) Increase the maximum loan amount to \$200,000 for projects located within the CBID.
- c) Remove the grading criteria matrix. (Note that all eligible projects can request up to the maximum loan amount. However, the loan is reimbursable with the final amount ultimately based on approved receipts.)
- d) Reduce the application fee from \$500 to \$100.
- e) Lower the closing fee from 3% to 1%.

**Conclusion:**

After consulting with members of the development community, local financial institutions, and other key stakeholders, staff believes that the proposed changes to the Development Loan program will make the loan product more robust and useful for accomplishing the DMC's goals of encouraging high-quality development projects and improving commercial property values Downtown.

While the suggested changes will make the program more aggressive and attractive with respect to loan amount, term, and interest rate, those changes are balanced by the loan product remaining as permanent financing, thus limiting financial exposure and risk to the CCDC should a project not be completed as proposed.