

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: September 4, 2018
RE: PILOT Request – 80 W. Virginia Ave.

The enclosed request is for consideration at the September 11, 2018, CCRFC Board Meeting.

Project: 80 W. Virginia Ave.

Applicant/Owner: Mike Kennedy
Parachute Investment Company
1350 Concourse Avenue
Memphis Tennessee, 38104

Applicant's Request: 11.5-Year PILOT for the renovation of 80 Virginia into a multi-family residential building.

Included Parcels: 012047 00011
012047 00007C

Project Scope: 80 Virginia is a vacant 3-story industrial building, resting on a .64 acre site. The applicant plans to convert the building into a 24-unit residential building, with 1,000 square feet of commercial space on the ground floor. The commercial space is intended for office use. There will be 31 surface parking spaces provided on site, as well as landscaping and patio space. Additional outdoor amenity space, including a walking path and dog park, will be provided on adjacent land leased from the BNSF Railway.

Development Budget: The total development cost is approximately \$3,847,082. To be eligible for a PILOT, the value of the proposed building renovations, site improvements, or new construction must be equal to, or greater than, at least 60% of the total project cost. Based on the preliminary budget, the project meets this requirement.

Sources:

Project Debt	\$3,085,082	(80%)
Owner's Equity	\$762,000	(20%)

Total Sources	3,847,082	(100%)
<u>Uses:</u>		
Land Costs	\$327,000	(8%)
Hard Costs	\$3,111,000	(81%)
Engineering / Architecture	\$160,000	(4%)
Other Soft Costs	\$192,312	(5%)
PILOT Fee	\$56,770	(1.5%)
Total Uses	\$3,847,082	(100%)

PILOT Grade:

Per the PILOT scoring system, the project achieves a base grade of 8.5 years and could achieve a total of 11.5 years with approved public art, architectural lighting, and MLGW Energy Advantage certification.

Primary Qualification:

Residential (16-25 rooms) 4 Years

Secondary Qualification:

Office (Below 15,000 sf) .5 Years

Total Project Development Costs:

\$1-5 Million 1 Years

Priorities & Initiatives:

Located within CBID 3 Years

Optional Credits:

Public Art 1 Year

Enhanced Architectural Lighting 1 Year

MLGW Energy Advantage Certification 1 Year

Total Base Grade: 8.5 Years

Total Grade with Art, Lighting, and Energy: 11.5 Years

Applicant's Request:

11.5 Years

EBO Program:

Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC), or any of its affiliate boards, shall include a best faith effort to attain no less than 25% participation by minority and/or women-owned businesses (M/WBEs) in the project's development costs (design soft costs and construction hard costs). Compliance with this Equal Business Opportunity (EBO) Program is a closing requirement. If the requirements of the EBO Program are not met, the CCRFC reserves the right to cancel the incentive.

The following project costs are subject to the EBO program:

Hard Costs	\$3,111,000
Engineering / Architecture	\$160,000
Total	\$3,271,000

According to the above estimates, a 25% level of M/WBE inclusion for the combined hard and soft costs will be approximately **\$817,750**.

Design Review Board: The applicant will submit design plans to the DRB in the coming months.

Estimated Payments: The current annual city and county taxes on the property total **\$5,620**. During the 11.5-year PILOT term, the annual payment in lieu of taxes would equal approximately **\$19,285**. This represents a **243%** increase from the amount of taxes currently generated by the property. Over the course of the PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$157,142**.

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

Staff agrees with the applicant that a PILOT is needed for the project to be economically viable, attract financing, and warrant equity investment.

Staff is supportive of a PILOT for the proposed residential development at 80 Virginia. The development will take a vacant, blighted property and put it into productive use. Increasing residential density is a key step to increasing vibrancy, and this development will add 24 units of high-quality housing to a street that has seen little development until now. The development will also continue the momentum of the South End, building on successes like Crescent Bluffs, and increasing development interest in other vacant properties on the area.

Recommendation: **Staff recommends approval of a PILOT up to 11.5 years in length, subject to all standard approval requirements and conditions.**