

158 Vance Avenue

Capital Pictures Building Redevelopment



1. Background

158 Ventures LLC
c/o Todd Strickland
119 S Main St #300, Memphis, TN 38103
901-578-8055
Todd Strickland, representative
901-260-6525; tstrickland@oden.com

158 Ventures LLC, prospective owner/ developer of 158 Vance, is comprised of F. Carkeet Jr. and Bret A Terwilliger. William F. Carkeet and Bret A. Terwilliger co-own Oden & Associates, Inc., a 40 plus year old marketing communications firm headquartered in downtown Memphis for 20 years. The developers aspire to invest in Downtown's ongoing revitalization while establishing a permanent Downtown office for the creative firm.

2. Project

The historic Capital Pictures building, 158 Vance Ave, will be preserved and adapted as an Office for a 30+ person creative firm. The adjoining warehouse at Vance and BB King will be adapted into an employee parking garage. The project includes 17,250 leasable square-feet, with 32 parking spaces. A loading dock will be remade into a landscaped courtyard facing Vance.

The redevelopment activates a 50,000 sq-ft site reusing vacant buildings at a prominent intersection on the edge of South Main Historic Arts District, near FedEx Forum & Beale Street, and, importantly, within the emergent South City neighborhood.

The project keeps 30 plus creative professionals Downtown for another 20 plus years.

158 Vance Ave



In mid-twentieth century Memphis' central location and transportation network "... was attractive to Hollywood when the Motion Picture studios began planning a distribution system to move their films out quickly to Arkansas, West Tennessee, Mississippi, and Missouri. Theaters changed programs several times a week and the films had to ship at all hours of the night. An area of one-story brick buildings in Memphis was established around Vance and 2nd Street. "Film Row" rose to prominence in 1925 when the major studios began opening their individual distribution buildings. Over 650 theaters were served out of Memphis."

historic-memphis.com/memphis-historic/filmrow/filmrow.html



Vance Ave

BB King St

3. Site Control

Property is under contract by the developers, 158 Ventures LLC, with closing pending PILOT approval.

158 Ventures LLC
c/o Todd Strickland
119 S Main St #300, Memphis, TN 38103
901-578-8055

4. Financials

FINANCIAL BACKGROUND

Developer financial backgrounds and status will be submitted separately by Representative, Todd Strickland.

FINANCING

First Tennessee Bank has committed to finance the project, contingent upon PILOT approval. (Commitment letter attached)	Zac Herring, Vice President First Tennessee Bank Business Banking 4385 Poplar Avenue Memphis, TN 38117 901-681-2327	\$ 2,941,777 loan 4.25% 20-year amortization
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SOURCES & USES

Property Cost	\$ 500,000	16%
Hard Cost	\$ 2,149,875	69%
IT wiring, art, arch lighting, signs	\$ 48,400	2%
Soft Cost	\$ 398,332	13%
USES	3,096,607	
Property	\$ -	0%
Equity	\$ 154,830	5%
Development Loan	\$ 2,941,777	95%
SOURCES	3,096,607	

PRO FORMA

		WITH PILOT							
YEAR		1	2	3	4	5	6	7	8
INFLATION									
Income	1.0%	391,050	394,961	398,910	402,899	406,928	410,997	415,107	419,259
Expense	1.0%	(132,571)	(133,896)	(135,235)	(136,588)	(137,953)	(139,333)	(140,726)	(142,134)
Tax	w/ PILOT	(35,758)	(36,116)	(36,477)	(36,842)	(37,210)	(37,582)	(37,958)	(38,338)
Net Operating Income		\$222,721	\$224,949	\$227,198	\$229,470	\$231,765	\$234,082	\$236,423	\$238,787
Debt Service		(218,598)	(218,598)	(218,598)	(218,598)	(218,598)	(218,598)	(218,598)	(218,598)
Cash Flow		\$ 4,100	\$ 6,400	\$ 8,600	\$ 10,900	\$ 13,200	\$ 15,500	\$ 17,800	\$ 20,200
Return On Equity		2.6%	4.1%	5.6%	7.0%	8.5%	10.0%	11.5%	13.0%
Debt Service Coverage		1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.09
		WITHOUT PILOT							
YEAR		1	2	3	4	5	6	7	8
INFLATION									
Income	1.0%	391,050	394,961	398,910	402,899	406,928	410,997	415,107	419,259
Expense	1.0%	(132,571)	(133,896)	(135,235)	(136,588)	(137,953)	(139,333)	(140,726)	(142,134)
Tax	w/o PILOT	(65,813)	(66,471)	(67,136)	(67,807)	(68,485)	(69,170)	(69,862)	(70,561)
Net Operating Income		\$ 192,666	\$ 194,593	\$ 196,539	\$ 198,504	\$ 200,489	\$ 202,494	\$ 204,519	\$ 206,564
Debt Service		(218,598)	(218,598)	(218,598)	(218,598)	(218,598)	(218,598)	(218,598)	(218,598)
Cash Flow		(\$25,900)	(\$24,000)	(\$22,100)	(\$20,100)	(\$18,100)	(\$16,100)	(\$14,100)	(\$12,000)
Return On Equity		-16.7%	-15.5%	-14.3%	-13.0%	-11.7%	-10.4%	-9.1%	-7.8%
Debt Service Coverage		0.88	0.89	0.90	0.91	0.92	0.93	0.94	0.94

PILOT SCORING

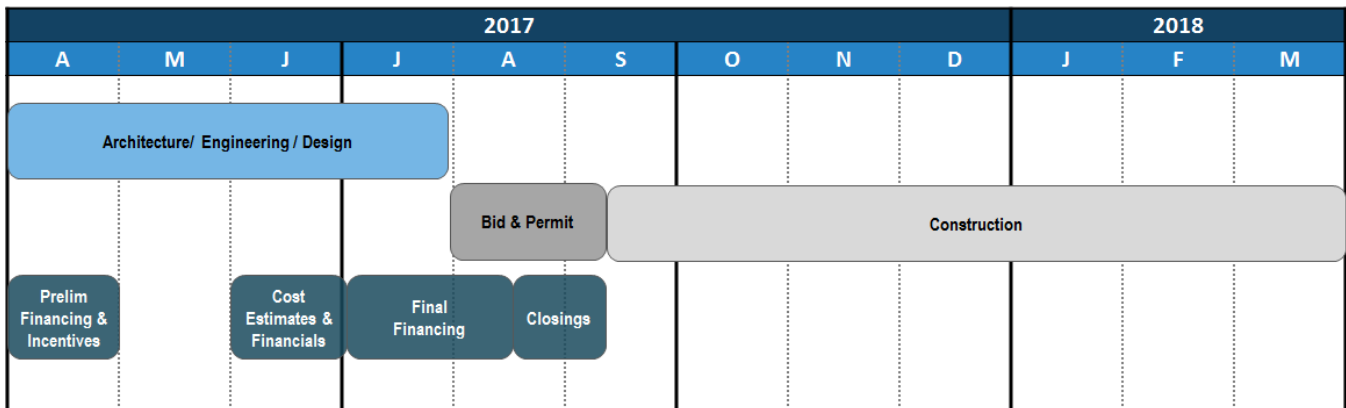
Primary Qualification	OFFICE	15,000-50,000	2.0
Secondary Qualification		n/a	0.0
Project Development Cost		\$1 – \$5 million	1.0
Community-based Initiative		South City	3.0
Design		public art	1.0
Design		architectural lighting	1.0
YEARS			8.0

PILOT NEED

PILOT is needed because, even with financial projections assuming modest construction cost, reasonably high rent, and modest operating expense:

- The development could not qualify for financing without a PILOT
- The development is not financially justifiable as a reasonable investment without a PILOT.

5. Timeline



6. Project Team

OWNER REPRESENTATIVE	Todd Strickland	Todd Strickland 119 S Main St #300, Memphis, TN 38103 901-260-6525; tstrickland@oden.com
PROJECT CONSULTANT	Scott Bojko	589 Montaigne Blvd Memphis, TN 38103 901-527-6932; scott@ScottBojko.com
ARCHITECT	Joey Hagan	Architecture Incorporated 88 Union Center, suite 106, Memphis, TN 38103 901-526-5080
ATTORNEY	Stewart G. Austin, Jr. Member	GLANKLER BROWN 6000 Poplar Avenue Suite 400 Memphis, Tennessee 38119 901-525-1322

MINORITY/WOMEN BUSINESS ENTERPRISE UTILIZATION PLAN

The 158 Vance project will make best-faith efforts, including affirmative steps to include at least 20% participation, of total contract dollars, by Minority/Women Business Enterprises (M/WBEs).

As part of due diligence for 158 Vance, the developer group contacted DMC staff and received orientation on EBO goals. The developer group has also conferred with Memphis Area Minority Contractors Association (MAMCA) for guidance to maximize M/WBE participation.

For construction contracting, contractor will use M/WBE lists and support organizations, as well as reach out to, request bids from, and hold bid conferences with W/MBEs. A M/WBE utilization plan will be provided when construction bidding is complete.

7. Credit References

Developer credit references will be submitted separately by Owner Representative, Todd Strickland.

8. Items for Lease Preparation

LESSEE from CCRFC
158 Ventures LLC
119 S Main St #300
Memphis, TN 38103
901-578-8055

TAX PARCELS
1 of 2: 158 VANCE AVE ID: 002130 00009C
2 of 2: 0 S BB KING ST ID: 002130 00011C

9. Disclosures

Developer disclosures will be submitted separately by Owner Representative, Todd Strickland.

10. Applicant Affirmation

This application is made in order to induce the Memphis Center City Revenue Finance Corporation (CCRFC) to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the CCRFC in its consideration of the application is included. The applicant expressly consents to the CCRFC's investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the CCRFC financial program for which it is applying and agrees to comply with those policies. The applicant shall also be required to show a good faith effort with regard to the employment of M/WBE contractors. The applicant specifically agrees to pay all reasonable costs, fees and expenses incurred by the CCRFC whether or not the incentive is granted or project completed.


Bret A Terwilliger
158 Ventures LLC
119 S Main St #300
Memphis, TN 38103
901-578-8055

DATE 3/25/17

PILOT APPLICATION Exhibits

- Financing commitment letter
- Financial assumptions



Zac Herring
Vice President
Business Banking

March 30, 2017

Re: Oden and Associates, Inc.

Dear Todd,

On behalf of First Tennessee Bank I am pleased to provide you with this commitment letter outlining the terms and conditions for the purchase and renovation of 158 Vance Ave., Memphis, TN 38103, based on the Pro Forma provided.

Purpose: To purchase and renovate commercial building located at 158 Vance Ave., Memphis, TN 38103

Borrower: Oden and Associates, Inc.

Guarantors: William Carkeet and Bret Terwilleger

Amount: \$2,941,777

Collateral: 1st Deed of Trust on 158 Vance Ave., Memphis, TN 38103

Rate: 4.25% fixed rate – subject to change based on what rates are 7 days prior to closing

Term: 10 years from closing

Maturity: 20 year amortization

Fees: 0.025% loan fee

Other Conditions: Approval is contingent upon the project receiving a PILOT as reflected in your Pro Forma. Based on the Pro Forma, the project wouldn't work without the PILOT. According to the Pro Forma, the debt service coverage ratio is below a 1:1 without the PILOT, which is unacceptable to the bank.

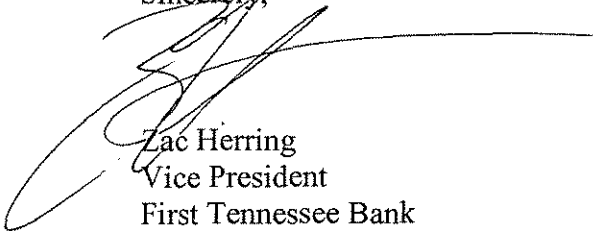
Approval is subject to receipt of plans and specs including a detailed final budget acceptable to the bank.

Bank reserves the right to approve the general contractor

Bank will have said plans, specs and the detailed final budget reviewed by an independent third-party prior to closing

Bank will have progress inspections by an independent third-party during the construction phase of the loan. These inspections will occur during every draw request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Zac Herring', is written over a horizontal line. The signature is stylized and cursive.

Zac Herring
Vice President
First Tennessee Bank

SCENARIO	07	\$/sf	\$/#	%
OFFICE SPACE [sf]	17,250			
GARAGE PARKING #	32			
Office Rent [\$/sf]		\$ 21.00	full service	
Parking [\$/space /mo]		\$	75	
Financing Terms	4.25%	20	year	
DEVELOPMENT BUDGET				
Property Cost	\$ 500,000			16%
Hard Cost	\$ 2,149,875			69%
IT wiring, art, arch lighting, signs	\$ 48,400			2%
Soft Cost	\$ 398,332			13%
USES	3,096,607			
Property	\$ -			0%
Equity	\$ 154,830			5%
Development Loan	\$ 2,941,777			95%
SOURCES	3,096,607			
OPERATING PRO FORMA				
Income	\$ 391,050			
Expense	\$ (168,329)			
Net Operating Income	\$ 222,721			
Debt Service	\$ (218,598)			
Cash Flow	\$ 4,000			
Return On Equity	2.7%			
Return On Equity (w/o PILOT)	-16.7%			
Debt Service Coverage	1.02			
Debt Service Coverage (w/o PILOT)	0.88			

SCENARIO	07	\$/sf	\$/#	%
OFFICE SPACE [sf]	17,250			
GARAGE PARKING #	32			
Office Rent [\$/sf]		\$ 21.00	full service	
Parking [\$/space /mo]		\$	75	
Financing Terms	4.25%	20	year	
DEVELOPMENT BUDGET detail				
Property Cost	\$	500,000		
Office	\$	1,785,000	\$ 103	
Garage	\$	262,500	\$ 8,200	
contingency	\$	102,375		5%
HARD COST	\$	2,149,875		
Furnishings & Equipment, Signs	\$	48,400		
Architecture & Engineering	\$	175,000	% of hard cost	8%
Due Diligence	\$	1,000		
Financing Fees & Expense	\$	65,244		
Historic Tax Credit Expense	\$	-		
PILOT Fee & Expense	\$	32,159		
Legal Other	\$	7,500		
Developer Fee	\$	-		
Project Consulting	\$	-		
Branding, marketing	\$	-		
Interest during Dev	\$	62,513		
Property Tax during Dev	\$	22,448		
Maint/Utility/Insur during Dev	\$	6,000		
Insurance Builder's Risk	\$	7,500		
Lease-up Reserve	\$	-		
contingency	\$	18,968		5%
SOFT COST	\$	398,332		
TOTAL DEVELOPMENT		3,096,607		

SCENARIO	07	\$/sf	\$/#	%
OFFICE SPACE [sf]	17,250			
GARAGE PARKING #	32			
Office Rent [\$/sf]		\$ 21.00	full service	
Parking [\$/space /mo]		\$	75	
Financing Terms	4.25%	20	year	
OPERATING PRO FORMA detail				
Rent Office	\$ 362,250	\$ 21.00		
Rent Parking	\$ 28,800	\$	75	
Expense Reimbursements	\$ -			
Loss vacancy	\$ -			0%
INCOME	\$ 391,050			
Op Expense commercial + parkin	\$ (100,389)	\$ (5.82)		
City Tax	\$ (13,450)			
County Tax	\$ (17,287)	\$ (2.07)		
CBID Tax	\$ (5,021)			
Management Fee	\$ (11,732)			-3%
Reserves commercial	\$ (20,450)	\$ (1.19)		
EXPENSE	\$ (168,329)			
Net Operating Income	\$ 220,000			
Debt Service	\$ (218,598)			
Cash Flow	\$ -			
Return On Equity	2.7%			
Return On Equity (w/o PILOT)	-16.7%			
Debt Service Coverage	1.02			
Debt Service Coverage (w/o PILC	0.88			

		WITH PILOT							
YEAR		1	2	3	4	5	6	7	8
INFLATION									
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Debt Service Coverage		0.88	0.89	0.90	0.91	0.92	0.93	0.94	0.94

Financing & Legal

	TOTAL	Financing	PILOT	Legal
Loan Lender Fees	22,063	22,063		
Appraisal Fees	3,000	3,000		
Environmental Reports	20,000	20,000		
Title Search & Insurance	7,000	7,000		
Flood Certification Fee	100	100		
Plans Review	300	300		
No Start Certification	500	500		
Other Loan closing expenses	200	200		
Construction Inspector Lender	0	0		
Shelby County Register Indebtedness Tax	3,381	3,381		
Shelby County Register Recording & other Fees	700	700		
Legal Closing Developer Loan & PILOT	4,000	4,000		
Legal Closing Lender Loan	4,000	4,000		
PILOT Application Fee	1,000		1,000	
PILOT Fee	30,659		30,659	
PILOT, DRB, other application printing	500		500	
National Park Service Application	0			
Historic Tax Credit Accounting	0			
Historic Tax Credit Marketing & Legal	0			
Historic Tax Credit Accounting Cost Certification	0			
Legal Closing Tax Credit	0			
Legal Owner Partnership	0			0
Legal Project	7,500			7,500
	104,904	65,244	32,159	7,500

2,941,777 loan (2,000) 2,939,777 0.00115 \$ 3,381

3,065,948 1.0% total project cost (PILOT <10 yr)

DEBT SERVICE

Loan	\$ 2,941,777		
Interest Rate term	4.25%	20 year	
Debt service	\$ (218,598)	annual	\$ (18,216) monthly

Property & Taxes

PROPERTY	2016	
158 Vance land	\$ 62,300	002130 00009C
158 Vance building	\$ 112,200	
000 BB King land	\$ 77,300	002130 00011C
000 BB King building	\$ 414,700	
TOTAL PROPERTY	\$ 666,500	Shelby County Tax Assessor

PRE-DEVELOPMENT TAX APPRAISAL	
Land Appraisal	\$ 139,600
Building Appraisal	\$ 526,900
Total Appraisal	\$ 666,500

POST-DEVELOPMENT APPRAISAL (projected)	
Predevelopment Appraisal	\$ 666,500
Improvements x 60%	\$ 1,289,925
Postdevelopment Appraisal	\$ 1,956,000

PROPERTY TAX	
BASIS AFTER DEVELOPMENT	
City Tax basis [w/PILOT]	\$ 988,981 =predevelopment appraisal + 25% added appraisal
County Tax basis [w/PILOT]	\$ 988,981 =predevelopment appraisal + 25% added appraisal
CBID Tax basis [PILOT n/a]	\$ 1,931,000 =postdevelopment appraisal less \$ 25,000

ASSESSED AT:	40% commercial
City Tax rate	3.40%
County Tax rate	4.37%
CBID Tax rate	0.65%
TN F&E Tax	\$ -

	Property Taxes	
	w/o PILOT	w/PILOT
City	\$ 26,602	\$ 13,450
County	\$ 34,191	\$ 17,287
CBID	\$ 5,021	\$ 5,021
	\$ 65,813	\$ 35,758

PILOT SCORING			YEARS
Primary Qualification	OFFICE	15,000-50,000	2.0
Secondary Qualification		n/a	0.0
Project Development Cost		\$1 – \$5 million	1.0
Community-based Initiative		South City	3.0
Design		public art	1.0
Design		architectural lighting	1.0
			YEARS 8.0

# Parking	0	32
Commercial		17,250 sf
TOTAL		17,250 sf

OPERATING EXPENSE

COMMERCIAL	Annual	/unit	/sf
Insurance	\$ 12,000		\$ 0.70
Repairs & Maintenance	\$ 12,574		\$ 0.73
Utilities	\$ 37,722		\$ 2.19
Accounting & Legal	\$ -		\$ -
Supplies	\$ 7,859		\$ 0.46
Contract Services	\$ 11,317		\$ 0.66
Landscaping	\$ 4,715		\$ 0.27
Janitorial & trash removal	\$ 11,002		\$ 0.64
COMMERCIAL Operating Expen:	\$ 97,189		\$ 5.63

FEE & RESERVES

Commercial Reserves			\$ 1.00 /sf
Commercial Management Fee	\$ 11,732		3%
Parking Operating expense	\$ 3,200	\$ 100	/space

VACANCY

Office		0%
Parking		0%