

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: January 10, 2019
RE: Exterior Improvement Grant & Development Loan Request – 345 S. Main

The enclosed Exterior Improvement Grant & Development Loan applications have been submitted for consideration at the January 16, 2019, CCDC Board Meeting.

Project: **345 S. Main (Ambassador Hotel)**

Applicant: GEM Investments, LLC
Representative - Matthew Pierce
345 S. Main St.
Memphis, TN 38103

Current Owner: David Couch
9950 Center Hill Rd.
Collierville, TN 38017

Applicant's Request: Development Loan in an amount up to \$200,000.
Exterior Improvement Grant in an amount up to \$60,000.

Project Description: The subject property is a vacant 3-story building on the west side of South Main Street, in the block between Talbot and Vance.

345 S. Main includes the Main Street section of the historic Ambassador Hotel building. Subject to approval of a Development Loan and an Exterior Improvement Grant, the applicant plans a full renovation of the 15,000 sq. ft. building for a commercial tenant on the ground floor and a total of 10 apartments on the upper floors. Approximately half of the apartments will likely be used for short-term rental, such as Airbnb.

The applicant is requesting CCDC approval for an Exterior Improvement Grant (EIG) and a Development Loan. EIG grant funds will be used to renovate the building exterior including new windows and doors, exterior signage, and commercial storefront.

The applicant is also requesting a \$200,000 Development Loan to assist with permanent building improvements such as roof repair, permanent interior walls, mechanical and electrical systems, and a new elevator.

The applicant is completing due diligence and has an active option to purchase the property. The applicant plans to close on financing and acquisition in mid-February. Construction could begin as early as March 2019 and be completed within 12-18 months.

Overall Budget:

The following budget describes the overall project:

Sources:

Owner's equity	\$366,291	(14%)
CCDC Dev. Loan	\$200,000	(8%)
CCDC EIG Grant	\$60,000	(2%)
Debt	\$2,047,000	(76%)
Total Sources	\$2,673,291	(100%)

Uses:

Property Acquisition	\$831,500	(31%)
Hard Costs	\$1,534,500	(57%)
Soft Costs	\$307,291	(12%)
Total Uses	\$2,673,291	(100%)

Dev. Loan Program:

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent 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. 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.

The program has a maximum loan amount of \$200,000 per project. Staff is highly confident that the project will have significantly more than \$200,000 in Development Loan eligible improvements. In fact, most of the estimated \$1.5MM in hard costs will meet the eligibility criteria. As permanent financing, the final loan amount is reimbursable and based on approved receipts.

EIG Program: The Exterior Improvement Grant (EIG) is designed to help Downtown commercial property owners and businesses make high-quality cosmetic improvements to the exterior of their property. A secondary goal of the grant is to help new and existing businesses succeed by enhancing their curb appeal in ways that might not be possible without assistance. The Exterior Improvement Grant is for exterior work only and requires minimum leverage of 1 to 1. The maximum grant for this location is \$60,000.

EIG Budget: The following budget describes the EIG scope:

Sources:

Owner's match	\$60,000	(50%)
CCDC EIG	\$60,000	(50%)
Total Sources	\$120,000	(100%)

Uses:

Exterior doors	\$20,000	(17%)
New exterior windows	\$20,000	(17%)
Commercial storefront	\$50,000	(41%)
Exterior signage	\$30,000	(25%)
Total Uses	\$120,000	(100%)

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

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 following estimated costs are subject to the EBO program:

Engineering Fees	\$500
Architectural Fees	\$26,500
Hard Construction Costs	\$1,534,500
Subtotal	\$1,561,500

According to the above estimates, a 25% level of MWBE inclusion for the estimated hard and soft costs will be approximately **\$390,375**.

Staff Evaluation:

This project is clearly aligned with the DMC's primary goals of improving commercial property values, encouraging new investment, and fighting blight. With major neighborhood investments underway or recently completed at Tennessee Brewery, Central Station, Artspace Lofts, Malco Theater, Arrive Hotel, Slider Inn, Oden Marketing, Wiseacre, Museum Lofts, Century House, and the Arcade building, this project will only add to the significant momentum seen in South Main.

Moreover, ameliorating the blighted condition of the Ambassador Hotel has been a high priority of the DMC's Anti-Blight Committee over the past 18 months. This building has been open to the elements, open to casual entry, and in a deteriorating physical condition due to roof failure and the resulting water damage. Staff is in full support of approving a Development Loan and an Exterior Improvement Grant to help save this historic building and put it back into productive use.

Recommendation:

Staff recommends approval of a Development Loan in an amount up to \$200,000 and an Exterior Improvement Grant in an amount up to \$60,000, based on approved receipts and subject to all standard closing requirements and conditions.