

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: December 13, 2018
RE: Exterior Improvement Grant (EIG) Application – 540 S. Main Street (Arcade Building)

The enclosed Exterior Improvement Grant has been submitted for consideration at the December 19, 2018, CCDC Board of Directors Meeting.

Project: 540 S. Main Street (Arcade Building)

Applicant/Owner: Jeff Zepatos
The Arcade Restaurant
540 S. Main St.
Memphis, TN 38103

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

Project Description: The subject property is a 0.39-acre site located at the southeast corner of S. Main Street and G.E. Patterson Avenue in the heart of the South Main neighborhood.

The subject property was constructed circa 1925 and consists of a series of traditional commercial bays with the Arcade Restaurant serving as the anchor tenant at the corner. The single-story building (over 15,543 SF with additional basement space) features a flat roof with a parapet and exterior cladding of brick with large aluminum and wood storefront windows. The property is a contributing structure as part of the South Main National Register Historic District.

The applicant is requesting CCDC approval of an Exterior Improvement Grant (EIG) and a Development Loan. EIG grant funds will be used to renovate the primary building façades on GE Patterson and S. Main Street. Major elements of this work includes exterior masonry and cornice repair, repair/replace wood storefronts, paint exterior wood trim, repair pilasters, and replace a section of the exterior wall facing Main Street with a new infill commercial storefront to match the other bays.

Additionally, exterior improvements are proposed for the secondary facades around the center courtyard and at the south elevation of the building adjacent to the parking lot. The applicant will also make safety and aesthetic upgrades to the

parking lot including new asphalt, lighting, and landscaping. A new hardscaped plaza and pedestrian connection will be added between the southern edge of the building and the parking lot.

The applicant is also requesting a \$200,000 Development Loan to assist with permanent building improvements. The Arcade Restaurant is undergoing a renovation of its second bay space and expansion into an additional commercial bay to the south. The renovation and expansion of the previously vacant commercial bay will include bathrooms, a bar, and a coffee bar, as well as HVAC, electrical, plumbing, and structural work.

The DRB will review the project in early 2019. The applicant plans to begin renovation work in January, 2019 and be finished in May, 2019.

Overall Project Budget

Sources:

Owner's Equity	\$98,806
Bank Financing	\$420,000
CCDC Development Loan	\$200,000
<u>CCDC EIG</u>	<u>\$60,000</u>
Total Project Sources	\$778,806

Uses:

Construction costs	\$718,806
<u>Professional fees</u>	<u>\$60,000</u>
Total Project Uses	\$778,806

EIG Budget:

The Exterior Improvement Grant is designed to help Downtown commercial property owners and businesses make high-quality 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 EIG grant for this location is \$60,000.

Sources:

Owner's Equity	\$58,512
Bank Financing	\$120,000
<u>EIG (CCDC)</u>	<u>\$60,000</u>
Total EIG Sources	\$238,512

Uses:

Excavation/site work	\$22,000
Concrete (sidewalks/patios/curb/gutters)	\$22,500
Parking lot asphalt	\$26,000
Exterior storefronts/windows/doors	\$34,100

Electrical	\$8,200
Masonry repairs	\$9,600
Rough grading, irrigation, hardscape/landscape	\$12,000
Electrical fixtures & permanent equipment	\$6,000
Gutters & downspouts	\$4,000
Vehicular gate/access control	\$14,500
Exterior signage	\$5,000
Fees, rentals, and insurance	\$27,850
Professional fees	\$18,000
<u>Contractor overhead and profit</u>	<u>\$28,762</u>
Total EIG Uses	\$238,512

EBO Program:

Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC) shall include a best faith effort to reach no less than 25% participation by minority and/or women owned businesses (M/WBE) in the project's development cost (design 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 CCDC will cancel the incentive.** Based on the estimated budget, a 25% level of M/WBE inclusion is approximately **\$55,128.**

Staff Evaluation:

Staff is in full support of approving an Exterior Improvement Grant for this project. This project is aligned with the DMC's primary goals of improving commercial property values and encouraging new investment in Downtown Memphis. With major investments underway or recently completed at Central Station, Artspace Lofts, Malco Theater, and Arrive Hotel, this property is well positioned to add to the significant momentum seen in the South Main neighborhood.

The Arcade Restaurant is an essential Downtown landmark and major anchor on South Main Street. Approving an EIG and Development Loan for this project allows the applicant to improve the exterior of the building and expand operations into a vacant commercial bay. Permanent building improvements will allow the building to operate as the home of the Arcade Restaurant and several locally-owned small businesses for the next 100 years. Additionally, improvements to the adjacent parking lot will enhance perceptions of safety while improving the appearance of the parking area as seen from Central Station and the Main Street trolley.

Staff Recommendation:

Staff recommends approval of an Exterior Improvement Grant (EIG) in an amount up to \$60,000 based on approved receipts and subject to all standard closing requirements.