

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: November 7, 2018
RE: Development Loan Application – The Marine Residence, 360 Metal Museum Drive

The enclosed Development Loan application has been submitted for consideration at the November 14, 2018, CCDC Board Meeting.

Project: The Marine Residence, 360 Metal Museum Drive

Applicant/Owner: Mr. Lauren T. Crews, Representative & Partner
Desoto Pointe Partners, LLC
2285 Lansingwood Drive
Germantown, TN 38139

Applicant's Request: Development Loan in an amount up to \$300,000.

Background: The subject property (Parcel ID# 012008 00012) is the site of the former U.S. Marine Hospital, located on the southern end of Downtown in the French Fort neighborhood. The U.S. Marine Hospital compound was originally built in the 1880s and is listed on the National Register of Historic Places. The Nurses Quarters is the oldest building that remains on site. The maintenance structure and primary hospital buildings were built in the 1930s. The property was used as recently as the 1990's as a headquarters for the National Guard.

Project Description: The Marine Hospital and its companion buildings will be renovated and converted for use as 71 market-rate apartments. Amenities will include a pool, covered parking, courtyards, water features, storage, bike care facilities, pet wash area and common gathering areas in the buildings and on the grounds.

The following structures on site will be renovated:

Main Hospital building	87,937 sq. ft.
Maintenance Building	10,629 sq. ft.
<u>Nurses Building</u>	<u>3,889 sq. ft.</u>
Total	102,455 sq. ft.

Subject to the applicant receiving all required approvals, construction will likely begin in 2019 and be completed in approximately 13 months.

Project Budget:

The following budget describes the overall financial structure of the project.

Sources:

Project Debt	\$8,350,000	(45%)
CCDC Development Loan	\$300,000	(2%)
Infrastructure Support	\$575,530	(3%)
Historic Tax Credits	\$2,469,343	(13%)
Owner's Equity	\$3,838,859	(21%)
Property Cost	\$788,558	(4%)
Deferred Development Fee	\$2,385,000	(13%)
Total Sources	\$18,707,290	(100%)

Uses:

Property Acquisition	\$788,558	(4%)
Hard Costs	\$13,696,401	(73%)
Soft Costs	\$4,222,331	(23%)
Total Uses	\$18,707,290	(100%)

Dev. Loan Program:

The Development Loan can be used for 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 CCDC 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 Development Loan program has a maximum loan amount of \$200,000. As permanent financing, the final loan amount is reimbursable and based on approved receipts. The applicant is requesting an exception to policy to allow a Development Loan up to \$300,000. Per CCDC policy, loans in excess of the program cap require that the applicant provides a personal guarantee.

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 women and minority-owned businesses (M/WBE) 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:

Construction Costs	\$12,135,694
<u>Architecture & Engineering</u>	<u>\$619,500</u>
Total	\$12,755,194

According to the above estimates, a 25% level of M/WBE inclusion for the combined hard and soft costs will be approximately **\$3,188,798**.

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 is highly supportive of the project, including approval of an exceptional Development Loan amount, as the full redevelopment of this historic property has been an organizational priority for many years. Although the property has significant historic and architectural value, it has sat vacant and in a deteriorating condition for almost two decades. The Marine Hospital has been listed by the Tennessee Preservation Trust as one of the Top Ten most endangered historic buildings in the state.

Moreover, remediating the blighted condition of this property for multi-family use aligns closely with the DMC's dual goals of improving commercial property values and increasing Downtown's population. Even with approval of an exceptional Development Loan, the overall project is still a complex and expensive undertaking. Approval of a CCRFC PILOT and CCDC Development Loan will be important steps forward as the developer works to make this project a reality.

Recommendation:

Staff recommends approval of a Development Loan in an amount up to \$300,000, based on approved receipts and subject to all standard closing requirements and conditions, and subject to the applicant providing a personal guarantee per program policy.