

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: July 3, 2018  
RE: PILOT Request – 18 S. Main Street

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The enclosed request is for consideration at the July 10, 2018, CCRFC Board Meeting.

**Project:** **18 S. Main**

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Applicant: Mr. Tom Intrator  
18 S. Main Mem, LLC  
3839 Flatlands Ave. Suite 206  
Brooklyn, NY 11234

Current Owner: Steve A. Mitchell  
18 S. Main St.  
Memphis, TN 38103

Applicant's Request: 13.5-Year PILOT for redevelopment of the existing building as a mixed-use development

Background: The subject property is located on the east side of the Main Street Mall, in the block between Madison Avenue and Monroe Avenue.

As part of its Main Street Strategy, the Downtown Memphis Commission (DMC) has a strategic focus on fighting blight, adding vibrancy, and improving property values within the Downtown Core and along the Main Street Mall.

In October 2017, the Center City Development Corporation (CCDC), an affiliate of the DMC, secured an option contract to purchase the property and issued an Request for Proposals (RFP) to identify developers potentially interested in purchasing and renovating 18 S. Main. The original RFP acknowledged that prospective developers may need to apply for a Development Loan and/or a PILOT to make the project financially viable.

The option contract provided an opportunity for the CCDC to purchase the property for \$710,000 (plus the cost of optional extensions, if needed) in the event the RFP process yielded a viable development plan. The selected developer

will pay a development fee of \$510,000 in exchange for the property, subject to the terms of an approved development agreement. Under this approach, CCDC will fund the difference between the purchase price and the development fee, plus the cost of any required extensions to the option contract. Subject to an approved development agreement, the applicant will own the property and be responsible for all costs associated with the improvements to the property.

**Project Scope:**

The PILOT applicant, Mr. Tom Intrator, has been active in the Memphis market since 2013. Through affiliated entities, he owns seven multi-family properties containing 1,630 units in Memphis and other holdings outside of Memphis. Mr. Intrator also controls an affiliated property management company that manages his Memphis holdings. Outside of Memphis, Mr. Intrator owns approximately 2,000 additional multi-family units. For purposes of this project, Mr. Intrator will self-finance and will not incur debt to complete the building renovation.

Contingent upon PILOT approval, the applicant will renovate the building as a mixed-use development. The ground-floor and basement will be available for retail and similar commercial uses. The upper floors will be developed as creative office space. The applicant plans an extensive renovation of the building and a contemporary reimagining of the previously-altered building façade.

Upon approval of a PILOT and property closing, the applicant will file for permits and begin construction. Overall building improvement and façade renovations are expected to take nine to twelve months to complete. Tenant buildout will be completed after tenants are secured.

The following parcel is included in this PILOT application:

- 18 S. Main Street (Parcel ID 002057 00006)

**Development Budget:**

The total development cost is approximately \$4,696,030. 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:**

Owner's Equity	\$4,696,029	(100%)
<b>Total Sources</b>	<b>\$4,696,029</b>	<b>(100%)</b>

**Uses:**

Land Acquisition	\$510,000	(11%)
Hard Costs	\$3,675,737	(78%)
Soft Costs	\$367,574	(8%)
LC	\$142,719	(3%)
<b>Total Uses</b>	<b>\$4,696,029</b>	<b>(100%)</b>

PILOT Grade:

Per the PILOT scoring system, the project achieves a base grade of 11.5 years and could achieve a total of 13.5 years with approved public art and enhanced architectural lighting.

**Primary Qualification:**

Office (Below 15,000sf) 1 Year

**Secondary Qualification:**

Retail (10,000 – 14,999sf) 1.5 Years

**Total Project Development Costs:**

\$1-5 Million 1 Year

**Priorities & Initiatives:**

Located within CBID 3 Years

Renovation in DT Core 2 Years

Main to Main Route 3 Years

**Optional Credits:**

Public Art 1 Year

Enhanced Architectural Lighting 1 Year

Total Base Grade: 11.5 Years

Total Grade with Art & Lighting: 13.5 Years

**Applicant's Request: 13.5 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 20% 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	\$3,675,737
Soft Costs	\$367,574
<b>Total</b>	<b>\$4,043,311</b>

According to the above estimates, a 20% level of M/WBE inclusion for the combined hard and soft costs will be approximately **\$808,662**.

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 **\$8,459**. During the 13.5-year PILOT term, the annual payment in lieu of taxes would equal approximately **\$24,739**. This represents a **192%** 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 **\$219,772**.

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 and warrant equity investment. Staff is highly supportive of the proposed project as it meets multiple strategic objectives. First, the adaptive reuse of existing buildings Downtown is a goal of the CCRFC and its affiliates. Second, attracting new development in the Downtown Core, and especially along the Main Street Mall, is a top-priority for the DMC. Third, addressing vacancy at this location is highly consistent with the DMC's dual objectives of increasing density and improving commercial property values. Lastly, redevelopment of this property as a mixed-use building will help provide new ground-floor animation on Main Street with the addition of new space for retail and similar commercial uses.

**Recommendation: Staff recommends approval of a 13.5-Year PILOT, subject to all standard approval requirements and conditions.**