

Downtown Parking Authority Board Meeting

To: Downtown Parking Authority (DPA) Board of Directors
From: DMC Staff
Date: August 8, 2017
RE: Parking Garage Development Request: Bakery Project, 400 Monroe

The enclosed parking garage development request has been submitted for consideration at the August 16, 2017, DPA Board Meeting.

Project: Parking Garage Development Request: 400 Monroe

Applicants:

Gary Prosterman, Developer & Principal
DSG Inc; PGK Properties, LLC
40 S. Main St. Suite 2200
Memphis, TN 38103

John Tirrill, Developer & Principal
SWH Partners
1720 Peachtree St. NW #540
Atlanta, GA 30309

Worthington Hyde Partners
Bob Worthington, Developer & Principal
3930 East Jones Bridge Rd Suite 145
Norcross, GA 30092

Primary Project Contact: Ethan Knight
DSG Inc; PGK Properties, LLC
40 S. Main St. Suite 2200
Memphis, TN 38103

Project Background:

The proposed bakery development includes 286 apartment units and over 155,000 sf of renovated space for retail, office, and mixed-use. A new public parking garage with 480 spaces will provide parking for the proposed development as well as general public parking for the neighborhood. The following six properties are to be redeveloped in this \$73,000,000 project:

400 Monroe & 0 Monroe

- Existing: Former Wonder Bread Bakery (3.88 ac.)
- Proposed: 286-unit multifamily development (new construction)
- 75,000 sf office space (adaptive reuse)
- Public parking garage (480 spaces)

421 Monroe

- Existing: Former Memphis Cycle Supply (0.58 ac.)
- Proposed: 27,000 sf office and retail (adaptive reuse)

411 Monroe & 407 Monroe

- Existing: Vacant auto service facility (0.5 ac.)
- Proposed: 17,000 sf office space (adaptive reuse)

435 Madison

- Existing: Vacant office and warehouse building
- Proposed: 35,000 sf mixed-use (adaptive reuse)

Subject to approval of a 20-year PILOT and support for a new public parking garage on site, the applicant intends to begin demolition and new construction at 400 Monroe by the end of 2017. Construction of the new apartments and public parking garage should be complete by Q2, 2019.

Applicant's Request:

In addition to a PILOT, this public-private partnership is proposed to include support from the CCRFC and DPA for a new public parking garage with approximately 480 spaces. The parking garage construction would be financed using up to \$6,000,000 from the PILOT Extension Fund, contingent upon approval from the City of Memphis Mayor, Shelby County Mayor, Memphis City Council, Shelby County Commission, and Downtown Parking Authority. The applicant is funding the remaining cost to construct the garage (\$2,893,353).

The CCRFC/DPA will enter into a 45-year capital lease with the applicant wherein the CCRFC would own the garage. The CCRFC would lease the garage to DPA; then DPA (as lessor) would enter into a capital lease with the project developer (PGK Properties, LLC) which would outline the manner in which the garage would be constructed and operated as a public parking facility, as well as other terms and conditions. The capital lease would provide the applicant the option of eventually purchasing the garage from the CCRFC.

Design Review Board:

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

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 women and/or minority-owned businesses (W/MBEs) 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.

For the overall bakery redevelopment project, including the proposed garage, a 20% level of W/MBE inclusion for the combined hard and soft costs would be approximately **\$12,662,114.**

Staff Evaluation:

The DMC's Strategic Plan encourages the following: facilitating and accelerating real estate development, incentivizing Downtown development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment.

The Edge neighborhood is an area of strategic focus for the Downtown Memphis Commission. The DMC, through its affiliate Center City Development Corporation (CCDC), has made significant recent investments in the neighborhood including \$65,000 in public art, \$110,000 in façade grants, and \$240,000 in streetscape and public realm improvements.

While these investments have made noticeable improvements to the neighborhood, we believe true catalytic change will be created by new development and capital investment on the scale that the applicant is now proposing. This mixed-use project simultaneously addresses multiple key DMC priorities including fighting blight, increasing residential population, attracting new office users, and strengthening the climate for new retail.

DMC staff agrees with the applicant that a new public parking garage in the neighborhood is needed to help unlock the development potential of vacant and underutilized buildings in the Edge district. The former Wonder Bread site at 400 Monroe is one of the largest empty industrial buildings in the district. Putting this site back into productive use will add significant vibrancy to a district that has long been on the verge of transformation. This development will also address prominent blight in the neighborhood. Several of the parcels included in this application, particularly the Cycle Shop at 421 Monroe, are on the DMC's list of blighted properties in need of investment.

This development will add over 120,000 sf of new office space to Downtown. Strengthening the Downtown office market is a high priority for the DMC and its affiliate agencies. With the announced relocation of Service Master, Southern Sun Asset Management, and Wunderlich Securities, the outlook for major office tenants choosing to move their headquarters to Downtown Memphis is strong. This development will continue that momentum by adding new office space to the market in a variety of interesting and unique buildings.

Ultimately, as a result of this project, over 300 new residents will call this neighborhood home. And in addition to adding much needed population density to our core city, new residential development is key to growing Downtown's customer base in order to help attract and retain new retail options.

Staff Recommendation:

Staff recommends building a new public parking garage with approximately 480 spaces, as proposed, with financing from the CCRFC (subject to approval of the mayors of both the City of Memphis and Shelby County, respectively, and approval from the Memphis City Council and the Shelby County Commission) of an amount up to \$6,000,000. Furthermore, staff recommends that DPA enter into a capital lease with PGK Properties, LLC, owner and developer of the bakery redevelopment project, which would outline the manner in which the garage would be constructed and operated as a public parking facility, as well as other terms and conditions.