

# UNION AVENUE

Mixed Use Development

*Request for Section 108  
Financing from  
The City of Memphis*



December 15, 2015



PROPERTY LOCATION



EXISTING VIEW



LRK  
Looney Ricks Kiss

Union & McLean Mixed-Use

Memphis, TN

Architectural Spirit Imagery

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HARBOUR  
RETAIL PARTNERS  
PHILLIPS



Imagery



Imagery



Proposed View at McLean



Proposed View at Idlewild

Residential Units:	188
Small Shop Retail:	10,521 sf
Anchor Grocery Tenant:	30,500 sf
Garage:	513 spaces
Permanent Jobs:	482
Construction Jobs:	511
Total Project Cost:	\$43,381,077
Debt Financing:	\$29,881,077
Equity:	\$ 9,500,000
Section 108:	\$4,000,000
Average Debt Coverage Ratio:	1.45



## Scenario A Project Description

**Harbour Retail Partners Management, LLC  
Mid-Town Mixed-Use Development Project  
Economic Impact Analysis of New Investment - Summary**

<b>Annual Impact from Operations At Full Operation</b>								
	Direct/Indirect Jobs	Total Economic Impact	Annual Wages	Local Sales Tax (Direct & Indirect)	Local Other Taxes	Indirect Property Tax	Direct Property Tax (PILOT Payments)	Total Local Taxes
Residential Space	35	\$ 3,792,108	\$ 1,902,075	\$ 21,570	\$ 6,708	\$ 84,928	\$ 250,174	\$ 363,380
Anchor Space	395	\$ 42,381,600	\$ 21,466,275	\$ 783,428	\$ 75,706	\$ 958,468	Included in the	\$ 1,817,602
Retail Space	52	\$ 5,624,392	\$ 2,825,940	\$ 103,709	\$ 9,966	\$ 136,474	above total	\$ 250,149
<b>Total Annual Impact</b>	<b>482</b>	<b>\$ 51,798,100</b>	<b>\$ 26,194,290</b>	<b>\$ 908,707</b>	<b>\$ 92,380</b>	<b>\$ 1,179,870</b>	<b>\$ 250,174</b>	<b>\$ 2,431,131</b>

<b>One-Time Impact from Construction</b>								
	Direct/Indirect Jobs	Economic Impact	Annual Wages	Local Sales Tax	Local Other Taxes	Indirect Property Tax	Direct Property Tax	Total Local Taxes
Residential & Retail Development	511	\$ 74,209,769	\$ 27,770,295	\$ 753,246	\$ 97,970	N/A	N/A	\$ 851,216

<b>15-Year Cumulative Impact from Operations</b>								
	Direct/Indirect Jobs	Total Economic Impact	Annual Wages	Local Sales Tax (Direct & Indirect)	Local Other Taxes	Indirect Property Tax	Direct Property Tax (PILOT Payments)	Total Local Taxes
Residential Space	35	\$ 56,881,620	\$ 28,531,125	\$ 323,550	\$ 100,620	\$ 1,273,920	\$ 1,731,165	\$ 3,429,255
Anchor Space	395	\$ 635,724,000	\$ 321,994,125	\$ 11,751,420	\$ 1,135,590	\$ 14,377,020	Included in the	\$ 27,264,030
Retail Space	52	\$ 84,365,880	\$ 42,389,100	\$ 1,555,635	\$ 149,490	\$ 2,047,110	above total	\$ 3,752,235
<b>Total Annual Impact</b>	<b>482</b>	<b>\$ 776,971,500</b>	<b>\$ 392,914,350</b>	<b>\$ 13,630,605</b>	<b>\$ 1,385,700</b>	<b>\$ 17,698,050</b>	<b>\$ 1,731,165</b>	<b>\$ 34,445,520</b>



**Economic Benefits Scenario A**

Residential Units:	225
Small Shop Retail:	24,000 sf
Anchor Grocery Tenant:	0 sf
Garage:	501 spaces
Permanent Jobs:	167
Construction Jobs:	547
Total Project Cost:	\$45,339,127
Debt Financing:	\$31,839,127
Equity:	\$ 9,500,000
Section 108:	\$4,000,000
Average Debt Coverage Ratio:	1.51



## Scenario B Project Description

**Harbour Retail Partners Management, LLC  
Mid-Town Mixed-Use Development Project  
Economic Impact Analysis of New Investment - Summary**

<b>Annual Impact from Operations At Full Operation</b>								
	Direct/Indirect Jobs	Total Economic Impact	Annual Wages	Local Sales Tax (Direct & Indirect)	Local Other Taxes	Indirect Property Tax	Direct Property Tax (PILOT Payments)	Total Local Taxes
Residential Space	39	\$ 4,142,622	\$ 2,119,455	\$ 24,035	\$ 7,475	\$ 94,634	\$ 313,223	\$ 439,367
Retail Space	128	\$ 13,714,333	\$ 6,956,160	\$ 253,623	\$ 24,533	\$ 335,936	Included Above	\$ 614,092
<b>Total Annual Impact</b>	<b>167</b>	<b>\$ 17,856,955</b>	<b>\$ 9,075,615</b>	<b>\$ 277,658</b>	<b>\$ 32,008</b>	<b>\$ 430,570</b>	<b>\$ 313,223</b>	<b>\$ 1,053,459</b>

<b>One-Time Impact from Construction</b>								
	Direct/Indirect Jobs	Economic Impact	Annual Wages	Local Sales Tax	Local Other Taxes	Indirect Property Tax	Direct Property Tax	Total Local Taxes
Residential & Retail Development	547	\$ 79,378,737	\$ 29,726,715	\$ 805,898	\$ 104,872	N/A	N/A	\$ 910,770

<b>15-Year Cumulative Impact from Operations</b>								
	Direct/Indirect Jobs	Total Economic Impact	Annual Wages	Local Sales Tax (Direct & Indirect)	Local Other Taxes	Indirect Property Tax	Direct Property Tax (PILOT Payments)	Total Local Taxes
Residential Space	39	\$ 62,139,330	\$ 31,791,825	\$ 360,525	\$ 112,125	\$ 1,419,510	\$ 2,676,900	\$ 4,569,060
Retail Space	128	\$ 205,714,995	\$ 104,342,400	\$ 3,804,345	\$ 367,995	\$ 5,039,040	above total	\$ 9,211,380
<b>Total Annual Impact</b>	<b>167</b>	<b>\$ 267,854,325</b>	<b>\$ 136,134,225</b>	<b>\$ 4,164,870</b>	<b>\$ 480,120</b>	<b>\$ 6,458,550</b>	<b>\$ 2,676,900</b>	<b>\$ 13,780,440</b>



Economic Benefits Scenario B

Principal:	\$4,000,000
Term:	20 years
Interest Rate:	0% Years 1-7 4% Years 8-20
Annual Principal Reduction:	\$100,000
Total Reduction:	\$2,000,000
Annual Amortized Payments:	\$227,774.16
Total Repayment:	\$2,961,063



## Section 108 Loan Terms

# A \$4,000,000 City Investment Brings.....

Total Amortized Payments:	\$2,961,063
City PILOT Payments (Years 1-15):	\$ 556,995
City Property Taxes (Years 16-20):	\$1,800,000
Construction Sales Taxes:	\$ 376,623
City Sales Taxes:	<u>\$9,087,370</u>
Total Collections:	\$14,782,051
Less Estimated 108 Payments to HUD:	<u>-6,000,000</u>
Net to City:	\$8,782,051



## Scenario A - 20 Year Bottom Line

# A \$4,000,000 City Investment Brings.....

Total Amortized Payments:	\$2,961,063
City PILOT Payments (Years 1-15):	\$ 556,995
City Property Taxes (Years 16-20):	\$1,800,000
Construction Sales taxes:	\$ 402,949
City Sales Taxes:	<u>\$2,776,580</u>
Total Collections:	\$8,497,587
Less Estimated 108 Payments to HUD:	<u>-6,000,000</u>
Net to City:	\$2,497,587



## Scenario B - 20 Year Bottom Line



Current



Proposed





## RESOLUTION

*A resolution to authorize the Administration of the City of Memphis to prepare and submit an application for Section 108 Loan Guarantee Assistance to the U.S. Department of Housing and Urban Development relative to the Union Avenue Mixed Use Development Project and to appropriate and allocate said funds said Project.*

WHEREAS, the Council of the City of Memphis supports efforts to insure that the Union Avenue Commercial Corridor (the "Corridor") remains viable as an anchor business district of the community; and

WHEREAS, Belz Investco GP and Harbour Retail Partners (the "Developers") propose to combine three parcels of land located at 1801, 1835 and 1837 Union Avenue to create a mixed use development that will remove 176,000 sf of blighted and vacant buildings and will create a transformational change at one of the most visible corners in the Corridor; and

WHEREAS, subject to the final development scenario, the demolition and redevelopment of the Project site will provide either 188 apartments, 10,521 sf small shop retail, a 30,500 sf anchor grocery tenant and a 513 space parking garage ("Scenario A") or 225 apartments, 24,000 sf of small shop retail and a 501 space parking garage (Scenario "B"); and

WHEREAS, the Developers and the City of Memphis, Tennessee believe that the Union Avenue Mixed Use Development Project (the "Project") will serve as an important element for the revitalization of the Corridor as Scenario A will create 482 new permanent jobs and 511 construction jobs, or in the alternative, Scenario B will create 167 new permanent jobs and 547 construction jobs; and

WHEREAS, economic benefits analyses estimate the total annual economic impact of Scenario A at \$51,798,100 or in the alternative Scenario B at \$17,856,955; and

WHEREAS, the Developers and the City acknowledge that with the acquisition of 1835 and 1837 Union, the properties will become current on its City and County property taxes, with an estimated \$550,000 due to the City of Memphis; and

WHEREAS, the Developer and the City agree the demolition of the existing buildings is complicated due to the nature and condition of the structures; and

WHEREAS, the Council of the City of Memphis recognizes that the financing of the development costs associated with the \$43,000,000+ "Scenario A" project or the \$45,000,000+ "Scenario B" project would not be economically feasible without public support and financial assistance; and

WHEREAS, the City of Memphis hereby acknowledges its commitment to assist the project costs associated with the demolition and infrastructure through a Four Million and 00/100 Dollars (\$4,000,000.00) Section 108 Loan Guarantee Assistance through the U.S. Department of Housing and Urban Development; and

WHEREAS, in an effort to insure the financial sustainability of the project, the City of Memphis hereby acknowledges that Two Million and 00/100 Dollars (\$2,000,000.00) of the financial assistance be provided to the project in the form of a grant, forgivable at five percent (5%) per year over a twenty (20) year term and Two Million and 00/100 Dollars (\$2,000,000.00) of the financial assistance be provided to the project in the form of a loan payable at 0% interest from years one (1) through seven (7) and amortizing at four percent (4%) interest from years eight (8) through twenty (20) for a total repayment of Two Million Nine Hundred Sixty One Sixty Three and 00/100 Dollars (\$2,961,063); and

WHEREAS, in conjunction with its application for the Section 108 Loan Guarantee Assistance through the U.S. Department of Housing and Urban Development and as provided at 24 CFR §570.208 (b), and pursuant to Tennessee Code Annotated §13-20-201, the City of Memphis by and through its Division of Housing and Community Development, will complete an analysis for a determination and designation of spot slum and blight for the project site.

NOW, THEREFORE, BE IT RESOLVED, the City of Memphis, hereby approves funding in the amount of Four Million and 00/100 Dollars (\$4,000,000.00) in Section 108 Loan Guarantee Assistance funds for the Union Avenue Mixed Use Development Project; and

BE IT FURTHER RESOLVED that the Mayor of the City of Memphis, through the Division of Housing and Community Development, is hereby authorized to prepare and submit to the U. S. Department of Housing and Urban Development ("HUD") an application and all necessary materials for a Section 108 Loan Guarantee Assistance through the U.S. Department of Housing and Urban Development, subject to the regulations found at 24 CFR §570.700, and to take all other actions required for providing Four Million and 00/100 Dollars (\$4,000,000.00), subject to the financial terms listed herein; and

FINALLY BE IT RESOLVED, the Council of the City of Memphis hereby directs the Four Million and 00/100 Dollars (\$4,000,000.00) of Section 108 Loan Guarantee Assistance funds be appropriated and allocated to the Union Avenue Mixed Use Development Project.



# Resolution

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