NORTH POPLAR INFILL
Development opportunity
AGENDA

1. PROJECT OVERVIEW
2. DISTRICT CONTEXT
3. PROJECT DEVELOPMENT
4. PRO FORMA
PROJECT OVERVIEW
CENTRAL MEMPHIS – PROJECT SITE AREA
PROJECT OVERVIEW - SITE

- 64 units of new, high-quality workforce rental housing
- 8 local Emerging Developers building under guidance of Master Developer

25 parcels
3.4 acres

COST: $7.8M
DEVELOPER: Artifex + 8 local
START DATE: Q2 2019
COMPLETION DATE: Q4 2021
PROJECT OVERVIEW - MISSION & GOALS

To be a catalyst for redevelopment of the North Poplar neighborhood by providing **high-quality workforce** and **market-rate housing** in close proximity to the **18,000+ jobs** in the Memphis Medical District.

- Revitalize the neighborhood between St. Jude and Le Bonheur Children’s Hospital as a **model for small-scale neighborhood development** that can be applied to other Memphis neighborhoods.

- **Improve the infrastructure** in the neighborhood in collaboration with the Memphis and Shelby County Community Redevelopment Agency.

- **Build local capacity** for small scale, incremental development by providing the Emerging Developer Cohort with the opportunity to grow their businesses under the mentorship of an experienced Master Developer.

- Create a new increment of **additional property tax revenue** to fund infrastructure and housing in the Uptown Redevelopment Area and TIF District.
PROJECT OVERVIEW - PARTNERS

Project Leadership

▶ Artifex
  ▪ **Master Developer**: Will provide overall project coordination and management including collaboration with local developers from the Memphis Emerging Developer Workshops.

▶ Memphis Medical District Collaborative
  ▪ Will provide pre-development support to the development team including equity investments and connections to capital.
  ▪ Will foster community engagement and neighborhood participation in the project.

Project Support

▶ Methodist Le Bonheur Healthcare
  ▪ Project is seeking a transfer property at fair market value to the project team for development.

▶ Community Redevelopment Agency
  ▪ Project is seeking TIF assistance for infrastructure and affordable housing support.

▶ Downtown Memphis Commission
  ▪ Project is seeking Partial PILOT to reduce property tax burden on the project and achieve lender’s performance requirement.

▶ PRI Investors
  ▪ Project is seeking Program Related Investment (PRI) from philanthropic lenders as well as collaborating with lending institutions to underwrite construction financing.
This scattered lot, infill project will include a mix of housing types similar to the traditional and established designs in the Uptown and North Poplar Neighborhoods. Specifically, we anticipate that this project will include **single family, duplex, quadplex, cottage court, and live-work** housing types as described below.

**Single Family**
Single family plans include prominent front porches, parking behind the building, and elevated foundations. Site plans include accessory dwelling units or studios where feasible.

**Duplex**
The duplex cottages are designed to blend in with single family homes. Plans include prominent front porches, parking behind the building and elevated foundations. Site plans include accessory dwelling units or studios where feasible.

**Quadplex**
The quadplex cottages are designed to complement the single family homes in the area. Plans include front porches, parking behind the building and elevated foundations.
Cottage Courts
Cottage courts combine multiple buildings on a lot into a cohesive development. Individual cottages will are designed to blend in with the single-family homes in the neighborhood. Plans include prominent front porches, parking behind the building and elevated foundations.

Live-Work/Mixed Use
Live-Work buildings provide residential options as well as space that can be used as residential, office, gallery or other lite commercial activities.
Design Approach

Cottage construction will be a combination of on-site construction and modular units. Each building will be designed to be contextually appropriate to the traditional patterns in the neighborhood with special attention given to the elevation of each building, window size, location, and type, roof pitch, and detailing.
DISTRICT CONTEXT
DISTRICT DEMOGRAPHICS

- 28% Black
- 65% White
- 5% Other
- 5% Asian

- 45% Owner-Occupied Homes
- 72.8% Renter-Occupied Homes
- 8% Households below poverty line
- $15,844 Median HH Income

Source: University of Memphis Center for Partnership in GIS & Institutional Data
MMDC

8 INSTITUTIONS

18,000 employees

8,000 students

$2.7B collective operating budget

$3.5B collective capital improvements

250+ acres of property

1 ALSAC/ST. JUDE

2 MLH

3 REGIONAL ONE

4 UTHSC

5 SWTCC

6 BIOWORKS

7 BAPTIST

8 SCO
2017 analysis of market potential for new and existing housing based on the housing preferences and socio-economic characteristics of households in the relevant draw areas.

**Key Findings**

- **2,050 - 2,635 (410-527 annually)** new rental and for-sale dwelling units could be developed and absorbed within the District over 5 years* (2017-2022).

- Over **3,000** households could support base rent of $650 to $2,250 per month.
  - Estimated capture rate of 10-12% (324 - 389 new units annually).
  - Apartments rents range $1,400–$2,250/month.

### Potential Renters & Owners for New Housing Units in District

**Incomes at or above 80% AMI**

<table>
<thead>
<tr>
<th>HOUSING TYPE</th>
<th>NUMBER</th>
<th>RENT/PRICE RANGE</th>
<th>PRICE PSF</th>
<th>ANNUAL EST NEW UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-fam (rent)</td>
<td>3,240</td>
<td>$650-2,250</td>
<td>$1.48-1.87</td>
<td>324 - 389</td>
</tr>
<tr>
<td>Multi-fam (sale)</td>
<td>565</td>
<td>$225-295,000</td>
<td>$164-$170</td>
<td>28-45</td>
</tr>
<tr>
<td>SF attached (sale)</td>
<td>660</td>
<td>$175-315,000</td>
<td>$170-175</td>
<td>33 - 53</td>
</tr>
<tr>
<td>SF detached (sale)</td>
<td>500</td>
<td>$195-350,000</td>
<td>$165-171</td>
<td>25 - 40</td>
</tr>
</tbody>
</table>

**Total Annual Potential** 410 - 527

**Total 5-Year Potential** 2,050 - 2,635

*The study has established that an annual average of 8,250 households represent the potential renters and buyers of new units within the District each year over five years; households with annual incomes below 80 percent AMI qualify for various forms of subsidy.

SOURCE: Zimmerman/Volk Associates
TARGET MARKET – Who Will Live Here?

Analysis of hiring trends of the major anchor institutions in the Medical District reveal that they will need to fill 3,190 support services jobs over the next 5 years.

**Key Findings**

Over the next 5 years MMDC Partners will need:

- **590 Facilities Support Staff** (Custodian, Security Officer, Laundry, Food Service) with a median salary of $21,301
- **2,240 Allied Health Staff** (Nursing Assistant, Medical Tech, Respiratory Therapist, RN) with a median salary of $40,817
- **360 Healthcare Administration Staff** with a median salary of $50,971

Jessica and her four year-old son just moved into the Peabody-Vance area, thanks to the MMDC’s Live Local program. “Everything is going great for me now. A big change in less than a year!”

Vernon is a nine-year resident of the Medical District and works in the janitorial services department at Le Bonheur Children’s Hospital. “When I wake up every morning and put my feet on the ground, I’ve got a reason to smile, and I figure if I do, then I should make sure everybody else does too.”

Jessica Peggs, Healthcare Administration
Le Bonheur Children’s Hospital

Vernon Johnson, EVS Custodian
Le Bonheur Children’s Hospital

*Participants receive up to $2,000 to sign a lease in the District or up to $15,000 to buy a home in the District.
PROJECT DEVELOPMENT
DEAL STRUCTURE & FINANCING

STRUCTURE

- Artifex will serve as fee developer.
- Individual parcels will be held by the Project LLC.
- Because of the scattered nature of the sites, the project will be structured as a series of sub-projects.
- Tolar Anderson Kim will provide planning and urban design services.
- Bruce B. Tolar, Architect will provide architecture services.
- Artifex as well as the cohort of emerging builder / developers will have the option to purchase finished buildings from the Project LLC at a threshold price that produces an internal rate of return for equity investors.

FINANCING

- Projected project cost $7.8M

MMDC ROLE

- MMDC will provide pre-development assistance.
- Additional sources will be sought for expansion of Phase I as well as further strategic land acquisition.
- MMDC will attract and oversee a revolving loan fund for construction. Early commitments for funding the construction debt have been secured.
MEMPHIS COMMUNITY REDEVELOPMENT AGENCY

The CRA will be asked to provide certain investments to the project, pursuant to an appropriate application, which include:

- Money and funds for boundary, topographic and tree surveys of the lots;
- Money and funds to perform utility improvements to the lots, as necessary;
- Conduct streetscape and sidewalk repairs within the project area, as necessary;
- Targeted land acquisitions within the project on a case by case basis; and
- Gap funding for workforce housing affordable to households at 80% AMI in Shelby County, Tennessee.

DOWN TOWN MEMPHIS COMMISSION

The DMC through the Center City Revenue Finance Corporation (“CCRFC”) will be asked to grant a partial PILOT to the project such that the assessed tax value will be commensurate with calculation of assessed value of residential property as opposed to using the commercial assessment as is normally charged for multifamily buildings.
WHY IS A PARTIAL PILOT NECESSARY?

Construction lenders typically require a minimum Debt Service Coverage (DSCR) of 1.25.

Using local rents and construction costs, a four-plex is a viable project with a partial PILOT, reducing the assessed value from the commercial rate of 40% to the residential rate of 25%.

<table>
<thead>
<tr>
<th>Tax Basis</th>
<th>Fourplex Commercial</th>
<th>Fourplex Residential</th>
<th>Single Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Obligation</td>
<td>40%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Taxes (annual)</td>
<td>-$14,288</td>
<td>-$8,930</td>
<td>-$2,229</td>
</tr>
<tr>
<td># of dwelling units</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Dwelling Unit Square Footage</td>
<td>784</td>
<td>784</td>
<td>784</td>
</tr>
<tr>
<td>Taxes per dwelling unit</td>
<td>-$3,572</td>
<td>-$2,232</td>
<td>-$2,229</td>
</tr>
</tbody>
</table>

Viability

| Total project costs        | $492,963            | $492,963             | $123,040           |
| Unleveraged return on project cost | 5.4%              | 6.5%                 | 6.5%               |
| Debt service coverage ratio (DSCR) Note: 1.25 DSCR is Minimum | 0.98               | 1.27                  | 1.18               |
| Cash on cash return (return on down payment) | -0.5%            | 5.6%                 | 3.9%               |

Tax Yield

| Lot size (acres) | 0.25 | 0.25 | 0.25 |
| Tax yield per acre | $57,152 | $35,720 | $8,915 |
PRO FORMA
For financing purposes this project will be completed in two phases: Phase 1A and Phase 1B. The adjacent map shows how these phases work together for a TOTAL OF 64 UNITS.
RESIDENTIAL
- **40,780** total gross SF
- **64** total units
- **336-1,152** SF unit size
- **$700-$1,100** monthly rent

PARKING
- **1** on-site parking space per unit for residents
- Additional street parking available

BUILDING PROGRAM
- **Phase 1A** – **Total Units:** **24**
  - Studio cottage: **1**
  - 1 bedroom cottage: **6**
  - 2 bedroom cottage: **5**
  - 1 bedroom fourplex: **3**

- **Phase 1B** – **Total Units:** **40**
  - 1 bedroom cottage: **7**
  - 2 bedroom cottage: **3**
  - 2 bedroom duplex: **1**
  - 1 bedroom fourplex: **4**
  - 2 bedroom fourplex: **3**
**RENTS**

- Average rent per SF, monthly **$1.33**
- Rents calculated to be affordable at **80% AMI**.
  - $36,000 – 1 person household
  - $41,120 – 2 person household
  - $46,260 – 3 person household
  - $51,360 – 4 person household
- Zimmerman Volk Residential Market Analysis Projects **70%** small households for singles, singles with children and couples.
- Annual rent escalation: **5%**
- Vacancy: **5%**

**CONSTRUCTION COSTS**

- Hard Cost: **$140 PSF**
  - Assumes a mix of site built and modular.
- Hard Cost Contingency: **5%**
- Soft Cost: **$44 PSF**
- Finished Land Costs **$200,000**