

**Pershing Park Apartments**

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FHA Insured 221d4 Loan estimated at \$9,500,000

**PILOT Application Summary:** Pershing Park Apartments is a 160-unit apartment community in Memphis, TN. The property is currently restricted to tenants below 60% of Area Median Income through its participation in the Low-Income Housing Tax Credit program. All of the property's units provide Section 8 rental assistance, which limits the resident paid rent to 30% of their monthly income. The property was previously renovated using tax-exempt bonds, Low Income Housing Tax Credits and a PILOT issued by the Health and Educational Facilities Board of the City of Memphis. The property has been well maintained for over 40 years, but it needs a significant renovation to effectively provide quality affordable housing for years to come. Alco's plan is to acquire and renovate the property using 4% Low Income Housing Tax Credits, tax-exempt bonds, an FHA-insured first mortgage, and a proposed PILOT from the Health and Educational Facilities Board of the City of Memphis. If available, Alco will apply for additional resources from the City of Memphis. Upon renovation, the property will have 160 updated units, 100% of which will be both rent and income restricted. Our intent is for Pershing Park Apartments to serve as quality affordable housing to residents at or below 60% AMI. The affordability commitment will be for 30 years.

We are requesting a 20 year PILOT from the Board. With the PILOT, the Pershing Park Apartments project will be feasible and will preserve important existing affordable homes.

The project is financially infeasible without a PILOT. The project shows a DCR below 1.0 with the project expenses necessary to preserve Pershing Park Apartments.

**1. Significant Capital Investment**

The property will receive over \$9,000,000 in much needed physical improvements – upgraded kitchens and bathrooms, new HVAC and water heaters, new windows, new roofs, and new lighting. Our proposed unit upgrades will provide a nicer, more comfortable, and more energy efficient apartment home for the residents. Beyond unit upgrades, we will also improve the amenities and services available at Pershing Park. We will upgrade existing community space for

activities and resident services and upgrade outdoor amenities.

**2. Preservation of Deeply Affordable Housing and Rental Assistance**

Pershing Park has a HAP Contract that provides rental assistance for residents of 149 apartments. The HAP Contract will be renewed and extended for a further 20 years, allowing Pershing Park to provide rental assistance and improved affordable housing for low, very low, and extremely low-income residents for years to come.

**3. Committed to Memphis**

Alco is based in Memphis and has been active in the ownership, development, and management of affordable apartment communities in Memphis for nearly 50 years. With our partners, we have been able to renovate, improve, and preserve thousands of apartment homes over the last 20 years.

**4. Committed to Resident Services**

Alco has a long-standing partnership with the Neighborhood Christian Center to provide resident service programs at several affordable communities in Memphis. As part of this preservation, we will continue to partner with NCC to provide and improve services at Pershing Park, serving the residents of the property. Alco also has a long-standing relationship with Safeways and will continue that partnership at Pershing Park.

| Total Units | BR/BA           | Units | SF  | Rent: Pre/Post Rehab | Rent: Pre/Post \$/SF |
|-------------|-----------------|-------|-----|----------------------|----------------------|
| 160         | HAP 1 BR/       | 40    | 554 | \$755/\$895          | \$1.36/1.62          |
|             | HAP 2 BR/       | 69    | 712 | 840/995              | 1.18/1.40            |
|             | 60% LIHTC 2 BR/ | 11    | 712 | 600/785              | 0.84/1.10            |
|             | HAP 3 BR/       | 40    | 904 | 950/1160             | 1.05/1.28            |

**Total Development Cost:** \$ 25,332,088  
**Development Cost per Unit:** \$ 158,325.55  
**Location:** 3707 Pershing Park Drive, 38127 (1534 Corning)  
**Occupancy:** 94% Occupied (Q4 2023)

**Sources and Uses of Funds:**

| Sources                                  |                     | Uses   |                     |
|--|---------------------|--|---------------------|
| First Mortgage- FHA 221d4-Dwight Capital | \$9,500,000         | Acquisition  | \$7,750,000         |
| LIHTC Equity- Investor TBD               | 9,910,908           | Construction Costs                                 | 8,403,000           |
| Deferred Developer Fee                   | 2,429,879           | Contingency  | 820,800             |
| Seller Financing- Alco Pershing Partners | 2,750,000           | Construction Related Expenses                      | 223,000             |
| Construction Period Income               | 741,301             | Developer/Consultant Fee                           | 4,965,814           |
|  |                     | Financing and Soft Costs                           | 1,796,149           |
|  |                     | Reserves and Working Capital                       | 503,018             |
|  |                     | Taxes, Insurance, and Interest during Construction | 870,307             |
|  |                     |  | <b>\$25,332,088</b> |
| <b>Total Development Costs</b>           | <b>\$25,332,088</b> | <b>Total All Costs</b>                             |                     |

| <b>Tenant Benefit Breakdown</b>                            | <b>Actual Cost</b>       |
|--|--------------------------|
| Neighborhood Christian Center – Resident Services Program  | \$50,000 Annual          |
| Annual Budget for Security                                 | 60,000 Annual            |
| Property Wifi  | 55,000 Annual            |
| Preservation of Section 8 Rental Assistance                | Up to \$1,810,206 Annual |
| Energy Efficient HVAC Equipment + Programmable Thermostats | 1,120,000                |
| Electrical and Lighting Upgrades                           | 1,000,000                |
| Energy Efficient Appliances                                | 250,000                  |
|  |                          |
|  |                          |
| <b>Subtotal</b>  | <b>\$4,345,206</b>       |

**Proposed timing/anticipated dates for the following:**

- a. Closing of the loan, bond, or related supplemental financing: **October 2024**
- b. First expenditure of funds related to the project: **March 2023**
- c. Anticipated date of demolition and/or commencement of construction: **October 2024**
- d. Anticipated completion date of the project: **November 2025**
- e. When the project will be placed into service: **November 2025**
- f. Anticipated closing date for the PILOT: **October 2024**

**Project Schedule**

|                  |   |
|------------------|---|
| January 2024     | Application to HEB for Bond Inducement Resolution<br>Application to HEB for PILOT   |
| March 2024       | Application to THDA for 4% LIHTC and TEB Volume CAP<br>Application to HUD for HAP Contract Renewal<br>Application to HUD for FHA Mortgage Insurance<br>Application to City of Memphis for HOME/HTF (if available) |
| July 2024        | Estimated Allocation of THDA Resources  |
| July – September | Selection of Investment Limited Partner, Preparation of Loan and Financing Documents  |
| October 2024     | Target Closing of all financing and Acquisition of Property   |
| November 2024    | Start of Construction   |
| November 2025    | Construction Completion, Project Placed in Service  |

