



Downtown Memphis Commission

INNOVATION

Like many other urban districts, the Downtown Memphis Commission (DMC) has an unyielding commitment to diversity, equity, and inclusion. While the City of Memphis is 64% African-American, those involved in the commercial development of property in downtown Memphis have not typically been women or people of color. The DMC saw an opportunity to grow the ecosystem of developers with the intentional recruitment of underrepresented voices.

While most districts genuinely aspire to encourage diversity, direct action can prove elusive, especially in the development realm where financing and access to capital pose challenges to inclusivity. The DMC's approach is innovative in its deliberate focus on a comprehensive suite of policies designed to grow the ecosystem of people developing commercial property in downtown Memphis. Due to these efforts, the makeup of the group formally taking part in redeveloping downtown is more diverse than ever before.

To help define our comprehensive strategy, DMC staff recruited the help of a Diversity Committee composed of board members, city leaders, and key players in the minority business community.

Together, we vetted our concepts and created a DEI Toolkit that sends an unambiguous signal and clear invitation that all voices matter and everyone is encouraged to join the DMC's efforts to build downtown. The desired outcome is simple - more women and people of color represented in economic and commercial development. Our long-term goal is for the makeup of those developing downtown to more closely reflect the full diversity of our community.

OUTCOME

As a result of the DMC's focus on growing the ecosystem of local developers, more diverse voices are now at the table. The Downtown Pre-Development Grant reinvested a total of \$57K to help thirteen (13) emerging developers take the next step to pursue their commercial redevelopment project. These grants were up to \$5,000 per project for a range of professional services, including architectural assistance, environmental assessments, market analysis, and feasibility studies. DMC retains license to use the work-product in the future.

The Downtown Development Loan Program is designed to provide patient capital to emerging developers. Prior to policy changes to program goals and underwriting approach, the loan was used only four (4) times in the prior four years. Since the changes and increased focus on diversity, the use of the loan has grown exponentially, with 18 new development loans approved since 2018.

First adopted in 2019, the Retail TI Grant has shown early results and success in attracting MWBE small businesses to available downtown space. To date, the grant has assisted eight (8) small businesses ready to sign a lease and open their doors with targeted grants of up to \$30,000 per project.

Most importantly, these tools, policies, and programs will not be a one-time effort. This new suite of tools represents the new normal for the DMC and is included in the DMC budget going forward. The new toolkit and policies allow DMC to be proactive and aggressive in achieving the organization's high goals for diversity, equity, and inclusion.

EXECUTION

This work was born out of our existing advocacy. DMC identified the problem and looked for ways to make an impact within our unique sphere of influence.

The first step was a series of candid one-on-one conversations with existing developers, aspiring developers, partner organizations, and financial institutions. We learned that risk and upfront cost during pre-development were top barriers to entry for many emerging developers. Another challenge was access to capital once the project was ready to begin construction. Financial institutions have been reluctant to lend money to a project led by a first-time developer.

In response, our DEI toolkit was created and calibrated to have the greatest impact. The Pre-Development Grant provides direct funding to help emerging developers take the first steps needed to advance their projects, reducing the upfront expense and encouraging aspiring developers to take the next step forward.

Once a developer is ready to move forward, the Downtown Development Loan and Retail TI Grant can help to catalyze the project. The Development Loan provides up to \$200,000 in permanent financing. This funding is subordinate debt and helps lower the risk to traditional banks, helping projects get funded that otherwise don't meet traditional bank underwriting criteria.

REPRESENTATION

The results thus far are a clear indication of the commitment to diversity. With the Pre-Development Grant, 69% of funding went to women and/or people of color. Moreover, 55% of the pre-development grant dollars were spent with MWBE certified service providers.

Following the policy change, 69% of approved Development Loans went to diverse developers. This loan program has supported 16 emerging developers with a total development budget of more than \$18.4M since 2018.

With the Retail TI Grant, 75% of grant recipients have been women and people of color, with a combined total development budget of over \$1.8M.

Throughout, the DMC's Diversity Committee helped guide our work. This committee is led by DMC staff and meets quarterly to set priorities and track progress. Many policy changes and ideas for new programs originate at the committee level.

We believe that creating lasting change doesn't happen overnight - we haven't solved the problem, and there will always be more to do. However, early results are highly encouraging. Aspiring developers have started their first project, and several small business owners have been able to purchase their building and become their own landlords.

REPLICATION

The DMC began this process by identifying barriers to diversifying our local developer ecosystem. The policy ideas and programs included in the DEI toolkit are scalable and adaptable to almost any market.

The Pre-Development Grant lowers the barrier to entry and encourages exploration by new/emerging developers, thus growing the local developer ecosystem. The Downtown Development Loan provides targeted capital to directly support emerging developers and help attract traditional financing to projects led by women and people of color. The Retail TI Grant invites diverse businesses to sign leases and open their doors in downtown by helping close the financial gap to get a retail space move-in ready. The EBO Program grows wealth by directly supporting MWBE service providers, general contractors, and subcontractors through downtown development projects.

At its core, the initiative is focused on taking proactive steps to invite traditionally underrepresented groups to participate in the process. Not all of the tools have to be used. The solution here is a portfolio of tools, each designed to address the inclusivity challenge from a different perspective. Building downtown for everyone must start with an open invitation to participate. The approach is flexible and replicable, based on community needs.

COMPLEXITY/SIMPLICITY

The overall strategy is simple. DMC identified a problem and created a series of policy and incentive tools to begin addressing it. The complexity of the problem ensures that the work will never really be finished; by design, it will evolve and continue.

Some of the challenges we faced focused on shifting our existing tools, which had been successful at encouraging development, but needed tweaking to more strongly promote emerging and minority developers.

To help garner support and further refine our concepts, we sought guidance from our Diversity Committee and key stakeholders. We tracked and studied the early results and feedback from the emerging and minority developer community and used that input to help further adjust our programs.

We fully understand that developing tools to help shift the current landscape, invite new developers into the scene, and ultimately create generational wealth is quite a heavy lift. We understand the importance. We realize that it requires a layered and multi-prong approach, including multiple tools and programs to encourage inclusive practices and multiple outreach and communication strategies to welcome those who might be interested in helping to build our future downtown Memphis.