

400 South Main Street

Memphis, TN 38103



APPLICANT: Kenny Lipschutz, Founder & Principal of Blue Suede Properties, LLC (“BSP”)

- Address: 24 Washington Square North
New York, NY 10011
- Phone: (914) 980-9685

MANAGEMENT: Blue Suede Properties, LLC (the “Sponsor”)

- The Sponsor team is comprised of members with experience and expertise tailored to individual roles in the development and management of the Property, outlined here.

Kenny Lipschutz

Real Estate Investment & Strategy

Kenny’s experience is focused on real estate development and investment, including serving as Head of Acquisitions for two real estate private equity firms. Kenny’s focus has included repositioning underutilized multifamily assets. Kenny will serve as the project lead throughout development and management.

Yin Lin

Property & Guest Management

Yin is the founder and CEO of Sage Vacations, a growing real estate management company focused on short-term rental properties. Yin and Kenny will partner to manage Blue Suede Management, which will provide property management services for the project.

Bryan Cannon

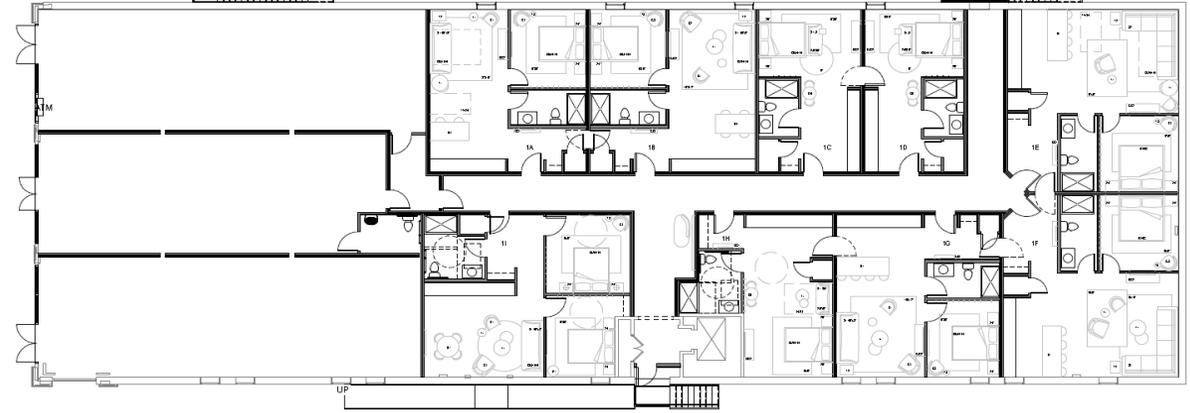
Construction & Maintenance

Bryan has run Construction and Facilities Management for a Memphis-based public corporation with 580 locations and \$2 billion in annual revenue. Bryan has led construction projects and contractor teams over his 10-year career in similar roles.

PROPOSED PROJECT: OVERVIEW

- **Location/SF** - the project is located at 400 South Main Street, a two-story, 30,600 square foot property previously used as a single-family residence, situated on 0.40 acres and located at 400 South Main Street, at the northeast corner of South Main Street and Huling Avenue (the "Property").
- **Intended Use** - the BSP plan centers on a complete redevelopment of the Property, building out 18 apartments that will be positioned as short-term rental units, leveraging platforms such as Airbnb, VRBO, Expedia, and Booking.com in addition to direct rentals via a booking website. The Property will also include three ground-floor retail units with frontage on South Main Street.
- The redevelopment plan is summarized as follows:
 - **1st Floor (Street Level)**
 - **Current Use:** vacant
 - **Redevelopment Use:** 9 short-term rental units, 3 retail units, and a welcome lobby landing
 - **2nd Floor**
 - **Current Use:** vacant
 - **Redevelopment Use:** 9 short-term rental units, positioned for group demand, and designed with flexibility to accommodate events
- **Economic Impact** - BSP has purchased the Property with the intention of committing significant resources to a substantial redevelopment, which, in partnership with the DMC, will unlock the currently-vacant building's potential, and position the Property to attract visitors to the area via its short-term rental units, while simultaneously providing vibrant retail on a critical corner in the South Main Arts District. The plan also includes cosmetic and lighting upgrades to the surrounding sidewalk.
- **Relevant History** - The Property was previously owned by a Memphis resident, who kept the 1st Floor vacant, and lived on the 2nd Floor of the building as a single-family residence.

1ST FLOOR (STREET LEVEL): 3,500 SF Retail & 9 Short-Term Rental Units



2ND FLOOR: 9 Short-Term Rental Units



TOTAL PROJECT: 3,400 SF Retail & 18 Short-Term Rental Units

- Parking for the project will be self-sustained via on-site parking at the Property, alleviating the need for additional public parking. This on-site parking will include:
 - **Indoor Parking Garage** – secure, gated indoor parking garage with 12 parking spaces
 - **Additional Surface Lot** – supplemental gated surface lot, with 6 additional parking spaces

INDOOR PARKING GARAGE



SUPPLEMENTAL SURFACE LOT



Marketing Plan –

- The Property will be designed to offer a high-end, elevated guest experience, providing large, well-designed rental units, and featuring a flexible layout and attractive, loft-style aesthetic that will maximize guest experience and RevPAR productivity of the units.
- The Property will contain the following short-term rental units. This unit mix responds to the identified supply/demand dynamics in the submarket:
 - 1st Floor -**
 - 3, Studio Units
 - 5, 1-BR/1-BA Units
 - 1, 2-BR/1-BA Unit
 - 2nd Floor -**
 - 3, 1-BR/1-BA Units
 - 2, 2-BR/1-BA+ Units
 - 3, 3-BR/2-BA+ Units
- In addition to leveraging the exposure offered by short-term platforms such as Airbnb, BSP will deploy a comprehensive, omni-channel marketing strategy that will maximize the exposure of the Property via search engine optimization, utilizing social/traditional media, and establishing strategic partnerships with local organizations, entertainment venues and companies.

Guest/Property Management –

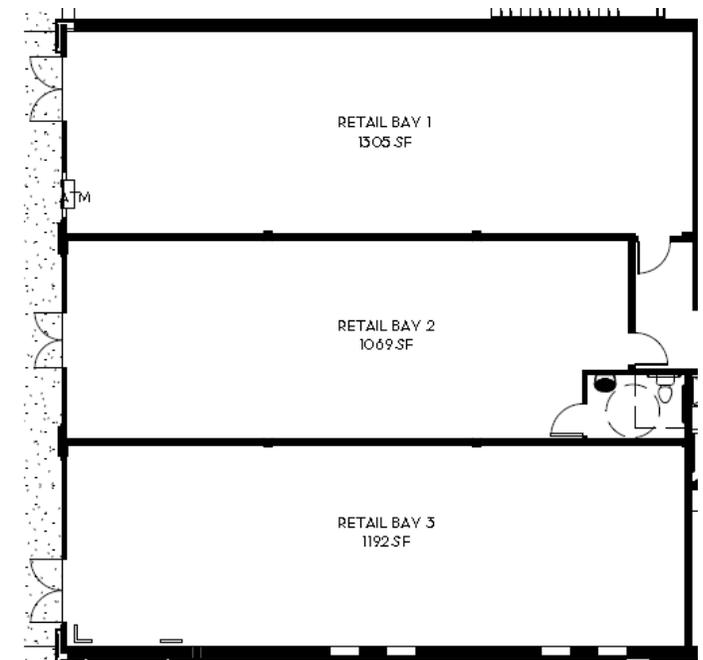
- BSP will provide institutional-level guest and property management, prioritizing guest interaction, response time, and producing five-star guest reviews.

Hosts Downtown Memphis Short-Term Rental Host Distribution



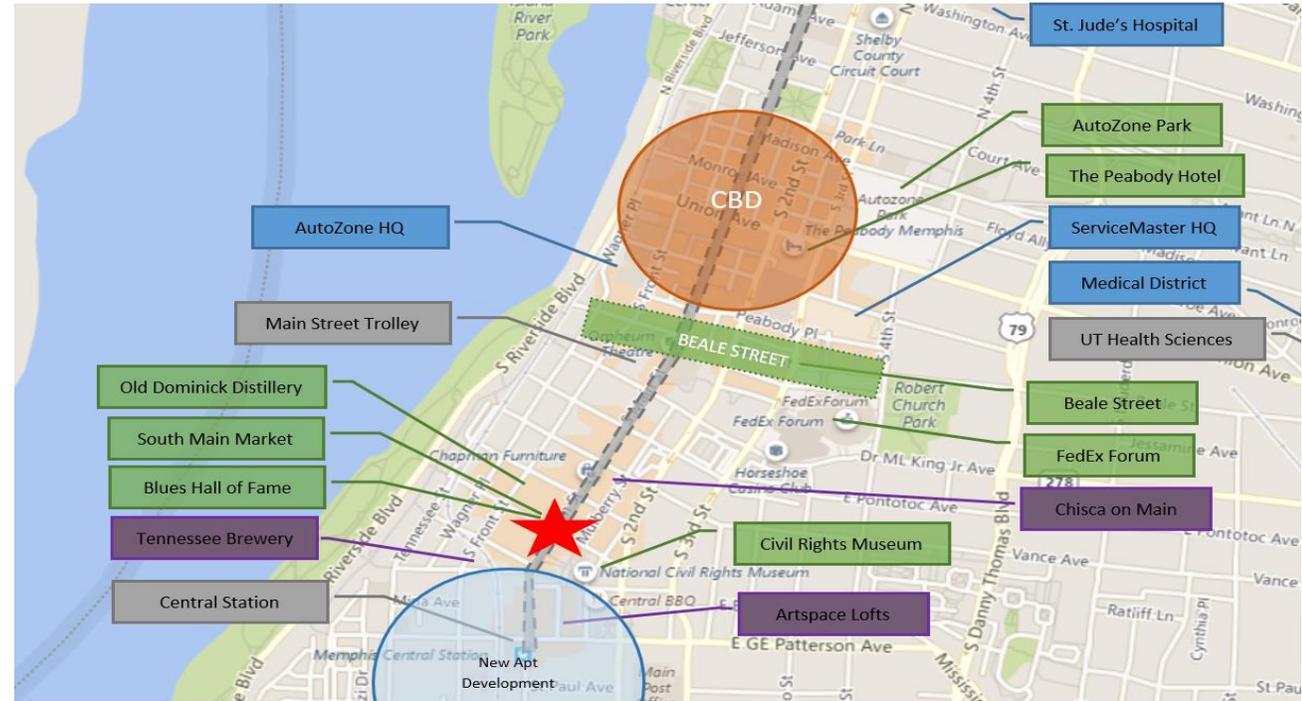
PROPOSED PROJECT: RETAIL STRATEGY SUMMARY

- Upon completion, the Property will have 3,500 SF of retail space, with frontage on South Main Street, the primary commercial corridor in downtown Memphis.
- The space comprises Retail Bays #1, #2, & #3, with the option to combine Bays #2 & #3 into one, larger corner retail unit.
- BSP is focused on actively identifying retail uses that will activate and add vibrancy to this critical corner in the South Main Arts District retail corridor, providing supplemental amenities for the surrounding community and visiting population to the area.



PROPOSED PROJECT: MARKET SUMMARY - DEMAND DRIVERS

- The Property is located at 400 South Main Street, in the center of the Historic South Main Arts District, and in the core of the Memphis downtown.
- The Property benefits from frontage on South Main Street, the primary entertainment and retail corridor through the downtown area, and is positioned at the corner of South Main and Huling Avenue.
- The South Main Arts district is the center of new development and investment in the downtown Memphis area, and serves as the intersection of Memphis's core entertainment, business, and institutional demand drivers, further supported by key transportation and logistics hubs.
- The Property further benefits from its advantageous location within 0.5 miles of key demand drivers including Beale Street, the National Civil Rights Museum, the FedEx Forum, AutoZone Park, AutoZone and ServiceMaster corporate HQs, major medical and educational institutions, and significant new and planned development. Additional market demand driver information is provided in Appendix (3).



CORPORATE / INSTITUTIONAL DEMAND DRIVERS

ENTERTAINMENT DEMAND DRIVERS

INFRASTRUCTURE & DEVELOPMENT



- Following an all-cash purchase in 2019, the Property is owned free and clear by 400 South Main, LLC. The Sponsor will use bank financing to complete the project
- 400 South Main, LLC is Managed by Blue Suede Properties, LLC, the General Partner in the project, and the Applicant
- The Managing Member of 400 South Main, LLC and Blue Suede Properties, LLC is Kenny Lipschutz

- ***Financial Background*** - to be provided to the Chairman or Board Attorney as requested
- ***Financing / Options / Liens*** – 400 South Main, LLC has purchased the Property, and will use bank financing to complete the redevelopment
- ***Financing History*** – previous owners and potential buyers have had difficulty in attempts to have financials work for the needed redevelopment to unlock the Property’s potential. The Property’s unusual layout and lack of a sprinkled fire safety system have rendered it underutilized, requiring a large-scale and costly renovation. BSP believes that the combination of DMC support in the form of a PILOT program and the contemplated short-term rental strategy will enable the Property to add density and vibrancy to the downtown core, while attracting a new set of visitors to the market.

- Without the impact of the PILOT, annual real estate taxes post-redevelopment are estimated to be approximately \$70K per year. As shown in the Projected Cash Flows in the Appendix, the financial performance of the project without the PILOT is insufficient to justify the contemplated redevelopment. This is because:
 - Construction Financing** –
 - The contemplated construction loan necessary to facilitate the project will not be eligible for funding without the impact of the PILOT, as the resulting Debt Service Coverage Ratio (“DSCR”) falls below the bank’s requirement for loan approval with the increased tax level.
 - Without the funding of the construction loan, which comprises approximately 60% of the total capital stack (shown below), this project is not able to move forward.
 - Risk-Adjusted Return** –
 - Factoring in cost of capital, the required risk-adjusted minimum return threshold for the equity investors of a development project of this nature is 7.0%, with an unlevered equity multiple of 1.0x.
 - Without the impact of the PILOT, these hurdles will not be achieved, making the project ineligible for equity investment consideration as well. As illustrated in Projected Cash Flows in the Appendix, the impact of the PILOT enables the project to clear these equity hurdles.

WITH PILOT IMPACT		
SOURCES		
	Amount	%
Construction Loan	\$3,062,794	64%
Equity	\$1,749,000	36%
Total Sources	\$4,811,794	100%
USES		
	Amount	%
Acquisition Cost	\$1,590,000	33%
Closing Costs	\$59,000	1%
Y1 Operating Reserve	\$100,000	2%
Construction: Hard Costs	\$2,865,344	60%
Construction: Soft Costs	\$197,450	4%
Total Uses	\$4,811,794	100%

- Upon PILOT approval, BSP will file permits, receive loan funding, and prepare to start construction. To date, acquisition and pre-development soft costs have been incurred.
- Once permits are received and construction is underway, the project is expected to take 5-6 months, with a planned opening in July 2020.

PROJECT TEAM

The applicant/guarantor does not have any previous or ongoing relationship with any board member or legal counsel of the board.

ARCHITECT: *Arch, Inc.*

- Award-winning, Memphis-based architecture firm that has a specialty in adaptive reuse of historic buildings in the downtown area.
- Spans commercial, institutional, and residential projects across the southeastern United States, and was the architect for key Memphis projects including the Crowne Plaza Memphis, the Memphis Science and Technology Museum, and B.B. King’s Blues Club.
- Role includes leading the Schematic Design, Design Development, Construction Document, and Contract Administration phases of the project.

ENGINEERS: Gordon Engineering, LLC & Allen Engineering Services, PLLC

- Electrical – Gordon Engineering, LLC
 - Address: 2537 Oak Crossing Drive
Hernando, MS 38632
- Mechanical – Allen Engineering Services, PLLC
 - Address: 1708 Fairway Drive
West Memphis, AR 72301

GENERAL CONTRACTOR: TBD

COUNSEL FOR APPLICANT: *Bradley Arant Boult Cummings, LLP (“Bradley”)*

- HQ Address: One Federal Place
1819 5th Avenue North
Birmingham, AL 32503
- Real Estate Counsel: Ginger Gray – (205) 521-8399
- Corporate Counsel: Danny Feltham – (205) 521-8000



GORDON ENGINEERING, LLC

ALLEN ENGINEERING SERVICES, PLLC



ITEMS FOR LEASE PREPARATION / DISCLOSURES / APPLICANT AFFIRMATION

Blue Suede Properties

LEASE PREPARATION:

400 South Main, LLC will be the lessee for the Project.

- a) Tax Parcel Number: **002118 B00001C**
- b) Assessed Value: **\$734,250**
- c) Are there any assessments presently under appeal? **No**
- d) Will the Project result in the subdivision of any present tax parcel? **Yes**

DISCLOSURES

- e) Please disclose whether applicant, guarantor or any other person involved with the project is currently engaged in any civil or criminal proceeding. **No**
- f) Also, disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. **No**
- g) Please supply detailed information. **N/A**

APPLICANT AFFIRMATION

400 South Main, LLC
24 Washington Square North
Apartment 4R
New York, NY 10011

Kenneth Lipschutz
(914) 980-9685
kenneth.j.Lipschutz@gmail.com

APPENDIX: PROJECTED CASH FLOWS [WITHOUT PILOT]

Years	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Income															
Potential Gross Short-Term Rental Income	\$ 156,956	\$ 951,156	\$ 960,667	\$ 970,274	\$ 979,977	\$ 989,777	\$ 999,674	\$ 1,009,671	\$ 1,019,768	\$ 1,029,966	\$ 1,040,265	\$ 1,050,668	\$ 1,061,175	\$ 1,071,786	\$ 1,082,504
Potential Gross Retail Income	\$ 57,230	\$ 103,440	\$ 105,508	\$ 107,619	\$ 109,771	\$ 111,966	\$ 114,206	\$ 116,490	\$ 118,820	\$ 121,196	\$ 123,620	\$ 126,092	\$ 128,614	\$ 131,187	\$ 133,810
Total Potential Gross Income	\$ 214,186	\$ 1,054,596	\$ 1,066,176	\$ 1,077,893	\$ 1,089,748	\$ 1,101,743	\$ 1,113,880	\$ 1,126,161	\$ 1,138,588	\$ 1,151,162	\$ 1,163,963	\$ 1,176,982	\$ 1,190,155	\$ 1,203,483	\$ 1,216,968
Vacancy and Credit Loss	\$ (2,861)	\$ (5,172)	\$ (5,275)	\$ (5,381)	\$ (5,489)	\$ (5,598)	\$ (5,710)	\$ (5,824)	\$ (5,941)	\$ (6,060)	\$ -	\$ -	\$ -	\$ -	\$ -
Effective Gross Income	\$ 211,325	\$ 1,049,424	\$ 1,060,901	\$ 1,072,512	\$ 1,084,259	\$ 1,096,145	\$ 1,108,170	\$ 1,120,337	\$ 1,132,647	\$ 1,145,102	\$ 1,163,963	\$ 1,176,982	\$ 1,190,155	\$ 1,203,483	\$ 1,216,968
Expenses															
Repairs/Maintenance	\$ (30,000)	\$ (72,120)	\$ (72,240)	\$ (72,361)	\$ (72,481)	\$ (72,602)	\$ (72,723)	\$ (72,844)	\$ (72,966)	\$ (73,087)	\$ (73,209)	\$ (73,331)	\$ (73,453)	\$ (73,576)	\$ (73,698)
Utilities	\$ (30,000)	\$ (72,120)	\$ (72,240)	\$ (72,361)	\$ (72,481)	\$ (72,602)	\$ (72,723)	\$ (72,844)	\$ (72,966)	\$ (73,087)	\$ (73,209)	\$ (73,331)	\$ (73,453)	\$ (73,576)	\$ (73,698)
Platform Hosting Fee	\$ (4,709)	\$ (28,535)	\$ (28,820)	\$ (29,108)	\$ (29,399)	\$ (29,693)	\$ (29,990)	\$ (30,290)	\$ (30,593)	\$ (30,899)	\$ (31,208)	\$ (31,520)	\$ (31,835)	\$ (32,154)	\$ (32,475)
Elevator Contracts	\$ (14,556)	\$ (14,580)	\$ (14,605)	\$ (14,629)	\$ (14,653)	\$ (14,678)	\$ (14,702)	\$ (14,727)	\$ (14,751)	\$ (14,776)	\$ (14,800)	\$ (14,825)	\$ (14,850)	\$ (14,875)	\$ (14,899)
TV/Internet Connectivity	\$ (6,000)	\$ (14,424)	\$ (14,448)	\$ (14,472)	\$ (14,496)	\$ (14,520)	\$ (14,545)	\$ (14,569)	\$ (14,593)	\$ (14,617)	\$ (14,642)	\$ (14,666)	\$ (14,691)	\$ (14,715)	\$ (14,740)
Pool Cleaning	\$ (5,046)	\$ (5,148)	\$ (5,252)	\$ (5,358)	\$ (5,466)	\$ (5,576)	\$ (5,689)	\$ (5,804)	\$ (5,921)	\$ (6,040)	\$ (6,162)	\$ (6,287)	\$ (6,414)	\$ (6,543)	\$ (6,675)
Insurance	\$ (45,000)	\$ (45,075)	\$ (45,150)	\$ (45,225)	\$ (45,301)	\$ (45,376)	\$ (45,452)	\$ (45,528)	\$ (45,604)	\$ (45,680)	\$ (45,756)	\$ (45,832)	\$ (45,908)	\$ (45,985)	\$ (46,061)
Property Management Fee	\$ (28,529)	\$ (141,672)	\$ (143,222)	\$ (144,789)	\$ (146,375)	\$ (147,980)	\$ (149,603)	\$ (151,245)	\$ (152,907)	\$ (154,589)	\$ (156,301)	\$ (158,041)	\$ (159,803)	\$ (161,585)	\$ (163,388)
Room Cleaning and Unit Turnover	\$ (25,009)	\$ (50,080)	\$ (50,163)	\$ (50,247)	\$ (50,331)	\$ (50,415)	\$ (50,499)	\$ (50,583)	\$ (50,668)	\$ (50,752)	\$ (50,837)	\$ (50,922)	\$ (51,006)	\$ (51,092)	\$ (51,177)
Real Estate Taxes	\$ (69,974)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)	\$ (69,989)
Maintenance Labor	\$ (12,004)	\$ (24,038)	\$ (24,078)	\$ (24,119)	\$ (24,159)	\$ (24,199)	\$ (24,240)	\$ (24,280)	\$ (24,320)	\$ (24,361)	\$ (24,402)	\$ (24,442)	\$ (24,483)	\$ (24,524)	\$ (24,565)
Disposable Supplies	\$ (3,750)	\$ (9,015)	\$ (9,030)	\$ (9,045)	\$ (9,060)	\$ (9,075)	\$ (9,090)	\$ (9,106)	\$ (9,121)	\$ (9,136)	\$ (9,151)	\$ (9,166)	\$ (9,182)	\$ (9,197)	\$ (9,212)
	\$ (274,576)	\$ (546,796)	\$ (549,237)	\$ (551,702)	\$ (554,192)	\$ (556,705)	\$ (559,244)	\$ (561,808)	\$ (564,398)	\$ (567,013)	\$ (569,665)	\$ (572,352)	\$ (575,067)	\$ (577,794)	\$ (580,577)
Operating Expenses PSF	\$ (13.46)	\$ (26.80)	\$ (26.92)	\$ (27.04)	\$ (27.17)	\$ (27.29)	\$ (27.41)	\$ (27.54)	\$ (27.67)	\$ (27.79)	\$ (27.92)	\$ (28.06)	\$ (28.19)	\$ (28.32)	\$ (28.46)
Net Operating Income	\$ (63,252)	\$ 502,628	\$ 511,663	\$ 520,810	\$ 530,068	\$ 539,439	\$ 548,926	\$ 558,528	\$ 568,249	\$ 578,089	\$ 594,298	\$ 604,630	\$ 615,088	\$ 625,689	\$ 636,391
Capital Expenditures															
Leasing Commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Renovation Cost	\$ (3,062,794)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Expenditure Reserves	\$ (14,400)	\$ (14,400)	\$ (14,832)	\$ (15,277)	\$ (15,735)	\$ (16,207)	\$ (16,694)	\$ (17,194)	\$ (17,710)	\$ (18,241)	\$ (18,241)	\$ (18,241)	\$ (18,241)	\$ (18,241)	\$ (18,241)
Total Capital Expenditures	\$ (3,077,194)	\$ (14,400)	\$ (14,832)	\$ (15,277)	\$ (15,735)	\$ (16,207)	\$ (16,694)	\$ (17,194)	\$ (17,710)	\$ (18,241)					
Cash Flow Before Debt Service	\$ (3,140,446)	\$ 488,228	\$ 496,831	\$ 505,533	\$ 514,333	\$ 523,232	\$ 532,232	\$ 541,334	\$ 550,539	\$ 559,848	\$ 576,057	\$ 586,388	\$ 596,847	\$ 607,448	\$ 618,150

Unlevered Return Analysis	
Unlevered IRR	6.01%
Unlevered Multiple	0.96

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Potential Gross Retail Income	\$ 57,230	\$ 103,440	\$ 105,508	\$ 107,619	\$ 109,771	\$ 111,966	\$ 114,206	\$ 116,490	\$ 118,820	\$ 121,196	\$ 123,620	\$ 126,092	\$ 128,614	\$ 131,187	\$ 133,810
Total Potential Gross Income	\$ 214,186	\$ 1,054,596	\$ 1,066,176	\$ 1,077,893	\$ 1,089,748	\$ 1,101,743	\$ 1,113,880	\$ 1,126,161	\$ 1,138,588	\$ 1,151,162	\$ 1,163,963	\$ 1,176,982	\$ 1,190,155	\$ 1,203,483	\$ 1,216,968
Vacancy and Credit Loss	\$ (2,861)	\$ (5,172)	\$ (5,275)	\$ (5,381)	\$ (5,489)	\$ (5,598)	\$ (5,710)	\$ (5,824)	\$ (5,941)	\$ (6,060)	\$ -	\$ -	\$ -	\$ -	\$ -
Effective Gross Income	\$ 211,325	\$ 1,049,424	\$ 1,060,901	\$ 1,072,512	\$ 1,084,259	\$ 1,096,145	\$ 1,108,170	\$ 1,120,337	\$ 1,132,647	\$ 1,145,102	\$ 1,163,963	\$ 1,176,982	\$ 1,190,155	\$ 1,203,483	\$ 1,216,968
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Utilities	\$ (30,000)	\$ (72,120)	\$ (72,240)	\$ (72,361)	\$ (72,481)	\$ (72,602)	\$ (72,723)	\$ (72,844)	\$ (72,966)	\$ (73,087)	\$ (73,209)	\$ (73,331)	\$ (73,453)	\$ (73,576)	\$ (73,698)
Platform Hosting Fee	\$ (4,709)	\$ (28,535)	\$ (28,820)	\$ (29,108)	\$ (29,399)	\$ (29,693)	\$ (29,990)	\$ (30,290)	\$ (30,593)	\$ (30,899)	\$ (31,208)	\$ (31,520)	\$ (31,835)	\$ (32,154)	\$ (32,475)
Elevator Contracts	\$ (14,556)	\$ (14,580)	\$ (14,605)	\$ (14,629)	\$ (14,653)	\$ (14,678)	\$ (14,702)	\$ (14,727)	\$ (14,751)	\$ (14,776)	\$ (14,800)	\$ (14,825)	\$ (14,850)	\$ (14,875)	\$ (14,899)
TV/Internet Connectivity	\$ (6,000)	\$ (14,424)	\$ (14,448)	\$ (14,472)	\$ (14,496)	\$ (14,520)	\$ (14,545)	\$ (14,569)	\$ (14,593)	\$ (14,617)	\$ (14,642)	\$ (14,666)	\$ (14,691)	\$ (14,715)	\$ (14,740)
Pool Cleaning	\$ (5,046)	\$ (5,148)	\$ (5,252)	\$ (5,358)	\$ (5,466)	\$ (5,576)	\$ (5,689)	\$ (5,804)	\$ (5,921)	\$ (6,040)	\$ (6,162)	\$ (6,287)	\$ (6,414)	\$ (6,543)	\$ (6,675)
Insurance	\$ (45,000)	\$ (45,075)	\$ (45,150)	\$ (45,225)	\$ (45,301)	\$ (45,376)	\$ (45,452)	\$ (45,528)	\$ (45,604)	\$ (45,680)	\$ (45,756)	\$ (45,832)	\$ (45,908)	\$ (45,985)	\$ (46,061)
Property Management Fee	\$ (28,529)	\$ (141,672)	\$ (143,222)	\$ (144,789)	\$ (146,375)	\$ (147,980)	\$ (149,603)	\$ (151,245)	\$ (152,907)	\$ (154,589)	\$ (156,301)	\$ (158,041)	\$ (159,803)	\$ (161,585)	\$ (163,388)
Room Cleaning and Unit Turnover	\$ (25,009)	\$ (50,080)	\$ (50,163)	\$ (50,247)	\$ (50,331)	\$ (50,415)	\$ (50,499)	\$ (50,583)	\$ (50,668)	\$ (50,752)	\$ (50,837)	\$ (50,922)	\$ (51,006)	\$ (51,092)	\$ (51,177)
Real Estate Taxes	\$ (33,455)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)	\$ (33,462)
Maintenance Labor	\$ (12,004)	\$ (24,038)	\$ (24,078)	\$ (24,119)	\$ (24,159)	\$ (24,199)	\$ (24,240)	\$ (24,280)	\$ (24,320)	\$ (24,361)	\$ (24,402)	\$ (24,442)	\$ (24,483)	\$ (24,524)	\$ (24,565)
Disposable Supplies	\$ (3,750)	\$ (9,015)	\$ (9,030)	\$ (9,045)	\$ (9,060)	\$ (9,075)	\$ (9,090)	\$ (9,106)	\$ (9,121)	\$ (9,136)	\$ (9,151)	\$ (9,166)	\$ (9,182)	\$ (9,197)	\$ (9,212)
Operating Expenses PSF	\$ (238,057)	\$ (510,269)	\$ (512,710)	\$ (515,176)	\$ (517,665)	\$ (520,179)	\$ (522,718)	\$ (525,281)	\$ (527,871)	\$ (530,486)	\$ (533,138)	\$ (535,826)	\$ (538,540)	\$ (541,275)	\$ (544,051)
Net Operating Income	\$ (26,733)	\$ 539,154	\$ 548,190	\$ 557,336	\$ 566,594	\$ 575,966	\$ 585,452	\$ 595,055	\$ 604,776	\$ 614,616	\$ 630,825	\$ 641,157	\$ 651,615	\$ 662,208	\$ 672,918
Capital Expenditures															
Leasing Commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Renovation Cost	\$ (3,062,794)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Expenditure Reserves	\$ (14,400)	\$ (14,400)	\$ (14,832)	\$ (15,277)	\$ (15,735)	\$ (16,207)	\$ (16,694)	\$ (17,194)	\$ (17,710)	\$ (18,241)	\$ (18,241)	\$ (18,241)	\$ (18,241)	\$ (18,241)	\$ (18,241)
Total Capital Expenditures	\$ (3,077,194)	\$ (14,400)	\$ (14,832)	\$ (15,277)	\$ (15,735)	\$ (16,207)	\$ (16,694)	\$ (17,194)	\$ (17,710)	\$ (18,241)					
Cash Flow Before Debt Service	\$ (3,103,927)	\$ 524,754	\$ 533,358	\$ 542,059	\$ 550,859	\$ 559,759	\$ 568,759	\$ 577,861	\$ 587,065	\$ 596,374	\$ 612,583	\$ 622,915	\$ 633,373	\$ 643,967	\$ 654,676

Unlevered Return Analysis	
Unlevered IRR	7.10%
Unlevered Multiple	1.03

APPENDICES

Appendix I – PILOT Grading

A project must meet at least one primary qualification category in order to be eligible for any applicable secondary qualifications and/or additional term accumulation. Exceptions for projects that further the priorities of the CCRFC may be granted at the discretion of the CCRFC board.

PRIMARY QUALIFICATION	SECONDARY QUALIFICATION
RESIDENTIAL	
2 to 5 Units: 1 Year	2 to 5 Units: .5 Year
6 to 10 Units: 2 Years	6 to 10 Units: 1 Year
11 to 15 Units: 3 Years	11 to 15 Units: 1.5 Years
16 to 25 Units: 4 Years	16 to 25 Units: 2 Years
26 to 50 Units: 5 Years	26 to 50 Units: 2.5 Years
51 Units +: 6 Years	51 + Units: 3 Years
OFFICE	
Below 15,000 sf: 1 Year	Below 15,000 sf: .5 Year
15,000 to 50,000: 2 Years	15,000 to 50,000: 1 Year
50,001 to 100,000: 3 Years	50,001 to 100,000: 1.5 Years
100,001 to 200,000: 4 Years	100,001 to 200,000: 2 Years
200,001 to 300,000: 5 Years	200,001 to 300,000: 2.5 Years
300,001 sf +: 6 Years	300,001 sf +: 3 Years
EDUCATION	
Below 15,000 sf: 1 Year	Below 15,000 sf: .5 Year
15,000 to 50,000: 2 Years	15,000 to 50,000: 1 Year
50,001 to 100,000: 3 Years	50,001 to 100,000: 1.5 Years
100,001 to 200,000: 4 Years	100,001 to 200,000: 2 Years
200,001 to 300,000: 5 Years	200,001 to 300,000: 2.5 Years
300,001 sf +: 6 Years	300,001 sf +: 3 Years
HOTEL	
2 to 10 Rooms: 1 Year	2 to 10 Rooms: .5 Year
11 to 25 Rooms: 2 Years	11 to 25 Rooms: 1 Year
26 to 50 Rooms: 3 Years	26 to 50 Rooms: 1.5 Years
51 to 100 Rooms: 4 Years	51 to 100 Rooms: 2 Years
101 to 200 Rooms: 5 Years	101 to 200 Rooms: 2.5 Years
201 Rooms +: 6 Years	201 Rooms +: 3 Years
INDUSTRIAL	
Below 50,000 sf: 1 Year	Below 50,000 sf: .5 Year
50,000 to 150,000: 2 Years	50,000 to 150,000: 1 Year
150,001 to 250,000: 3 Years	150,001 to 250,000: 1.5 Years
250,001 to 350,000: 4 Years	250,001 to 350,000: 2 Years
350,001 to 500,000: 5 Years	350,001 to 500,000: 2.5 Years
500,001 sf +: 6 Years	500,001 sf +: 3 Years
PARKING STRUCTURES	
200 to 300 cars: 1 Year	200 to 300 cars: .5 Year
301 to 400 cars: 2 Years	301 to 400 cars: 1 Year
401 to 500 cars: 3 Years	401 to 500 cars: 1.5 Years
501 to 600 cars: 4 Years	501 to 600 cars: 2 Years
601 to 700 cars: 5 Years	601 to 700 cars: 2.5 Years
701 cars +: 6 Years	701 cars +: 3 Years

RETAIL	
15,000 to 20,000 sf: 4 Years	Below 5,000 sf: .5 Year
20,001 to 30,000 sf: 5 Years	5,000 to 9,999 sf: 1 Year
30,001 sf +: 6 Years	10,000 to 14,999 sf: 1.5 Years
	15,000 to 20,000 sf: 2 Years
	20,001 to 30,000 sf: 2.5 Years
	30,001 sf +: 3 Years

TOTAL PROJECT DEVELOPMENT COST	
\$1 – 5 Million: 1 Year	
\$5+ – 10 Million: 2 Years	
\$10+ – 15 Million: 3 Years	
\$15+ – 20 Million: 4 Years	
\$20+ Million: 5 Years	

CCRFC Priorities	
General Location	
Located in CBID (Appendix II):	3 Years
Located outside CBID, but inside CCRFC boundaries (Appendix II):	1 Year

Core & Historic	
Project may only qualify for one of the following five:	
Construction of a new structure in the Downtown Core:	1 Year
Renovation of an existing structure in the Downtown Core:	2 Years
Renovation of a structure listed as non-contributing property in a National Register or Landmarks Commission Historic District:	3 Years
Renovation of a structure listed as significant or contributing in a National Register or Memphis Landmarks Commission Historic District:	4 Years
Renovation of a structure listed individually on the National Register of Historic Places:	5 Years

Community-based Initiatives & Economically Distressed Areas	
Project may qualify for up to two of the following:	
Fronting the Main to Main Multi-Modal Connector Route (Appendix II):	3 Years
Located within the boundaries of the Edge Neighborhood (Appendix II):	3 Years
Located within the boundaries of the South City Impact Area (Appendix II):	3 Years
Located within the boundaries of the Pinch Neighborhood (Appendix II):	4 Years
Located in a Census Tract with a Poverty Rate over 20 percent*	2 Years
Located in a Census Tract earning 80 or less of Area Median Income (AMI)*	2 Years

Design & Energy	
Project may qualify for one or more of the following:	
Including permanent public art (qualification determined by the DMC Design Review Board):	1 Year
Including enhanced architectural lighting (qualification determined by the DMC Design Review Board):	1 Year
Leadership in Energy and Environmental Design (LEED) Certification:	4 Years

Net Zero Energy Building (NZE) Certification:	4 Years
Memphis Light, Gas and Water (MLGW) Energy Advantage Certification:	1 Year

* Applicants may refer to the HUD map to confirm qualification: <https://www.huduser.gov/gct/qcmap.html>
PILOT TERM CALCULATION

Primary Qualification:	4 years
Secondary Qualification A:	0.5 years
Secondary Qualification B:	
Secondary Qualification C:	
Total Project Development Cost:	2 years
CCRFC Priorities:	11 years
PILOT TERM:	17.5 years

PILOT Request	
Requested PILOT Term (years)	15.0
Project Type	Rehabilitation
Located in the CBID?	Yes
Current Amounts	
Base Appraisal	\$734,250
Base Assessment	\$293,700
Annual City Tax on Base Assessment	\$9,387
Annual County Tax on Base Assessment	\$11,895
Annual RE Taxes on Base Assessment	\$21,281
Project Costs	
Acquisition Cost	\$1,590,000
Hard Costs	\$2,800,000
Soft Costs	\$200,000
Total Project Costs w/o PILOT fee	\$4,590,000
Hard Costs Investment Check - 61.0%	YES
Public grants eligible for PILOT fee basis reduction	\$0
PILOT fee basis	\$4,590,000
PILOT fee	\$68,850
Total Project Costs w/ PILOT fee	\$4,658,850
Valuation & CBID Assessment	
Base Appraisal	\$734,250
Percentage of Hard Costs	\$1,680,000
Estimated Appraisal after Improvements	\$2,414,250
Estimated Assessment after Improvements	\$965,700
Estimated Annual CBID Assessment after Improvements	\$6,212
Annual RE Taxes	
<i>Hypothetical annual taxes without PILOT*</i>	
Estimated Hypothetical Annual City Tax without PILOT*	\$30,864
Estimated Hypothetical Annual County Tax without PILOT*	\$39,111
Estimated Hypothetical Total Annual Taxes without PILOT*	\$69,974
<i>Estimated annual taxes with PILOT</i>	
Estimated Annual City Tax with PILOT	\$14,756
Estimated Annual County Tax with PILOT	\$18,699
Estimated Total Annual Taxes with PILOT	\$33,455
Estimated Annual Benefit	\$36,520
Cumulative RE Taxes	
<i>Hypothetical cumulative taxes without PILOT*</i>	
Estimated Hypothetical Cumulative City Tax without PILOT*	\$462,955
Estimated Hypothetical Cumulative County Tax without PILOT*	\$586,663
Estimated Hypothetical Total Cumulative Taxes without PILOT*	\$1,049,617
<i>Estimated cumulative taxes with PILOT</i>	
Estimated Cumulative City Tax with PILOT	\$221,338
Estimated Cumulative County Tax with PILOT	\$280,483
Estimated Total Cumulative Taxes with PILOT	\$501,821
Estimated Cumulative Benefit over 15-Year PILOT	\$547,797
Estimated Cumulative Increase in Taxes due to PILOT	\$182,599

**Staff has concluded that this project would not go forward without a PILOT. Hence, the "Estimated Hypothetical" amounts are fictional/moot numbers used to calculate the benefit of the PILOT to the project. The benefit figure does not represent lost tax revenue to the City or County. Without the PILOT, the property would remain unimproved and the tax assessment would continue to be based upon the unimproved value. With the PILOT, the amount listed above as "Estimated Cumulative Increase in Taxes due to PILOT" would be the approximate benefit over the PILOT term to the City and County from newly generated property tax revenue. That amount does not include any new sales taxes that will be generated by the construction and operation of the project. Furthermore, after the PILOT term has finished, it is expected that the annual taxes will be approximate to the amount listed as "Estimated Hypothetical Total Annual Taxes without PILOT".*