

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: July 3, 2018  
RE: PILOT Request – 380 Beale Street

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The enclosed request is for consideration at the July 10, 2018, CCRFC Board Meeting.

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**Project: 380 Beale Street**

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Applicant: Mr. Nick Patel  
TCH Memphis, LLC  
326 Lovell Rd.  
Knoxville, TN 37934

Current Owner: Miller Memphis Inc.  
8120 E. Jefferson Ave.  
Detroit, MI 48214

Applicant's Request: 15-Year PILOT for new construction of a boutique hotel

Included Parcel: 380 Beale Street (Parcel ID 005006 00029)

Project Scope: The subject property (0.67 acres) is located at the northeast corner of Fourth Street and Beale Street. The existing building on site was formerly used as a night club. The applicant plans to demolish the building and construct a new 5-story boutique hotel with approximately 120 keys. Guest parking will be accommodated off site through a long-term agreement using a nearby surface parking lot.

Upon approval of a PILOT and property closing, the applicant will file for permits and begin construction. Construction is expected to take approximately 24 months to complete.

Development Budget: The total development cost is approximately \$16,087,750. To be eligible for a PILOT, the value of the proposed building renovations, site improvements, or new construction must be equal to, or greater than, at least 60% of the total project cost. Based on the preliminary budget, the project meets this requirement.

**Sources:**

Project Debt	\$12,065,812	(75%)
Owner's Equity	\$4,021,938	(25%)
<b>Total Sources</b>	<b>\$16,087,750</b>	<b>(100%)</b>

**Uses:**

Land Acquisition	\$1,450,000	(9%)
Hard Costs	\$10,500,000	(65%)
Soft Costs	\$3,500,000	(21.5%)
PILOT Fee	\$237,000	(1.5%)
Professional Fees	\$400,000	(3%)
<b>Total Uses</b>	<b>\$16,087,750</b>	<b>(100%)</b>

PILOT Grade:

Per the PILOT scoring system, the project achieves a base grade of 13 years and could achieve a total of 15 years with approved public art and enhanced architectural lighting.

Primary Qualification:

Hotel (101-200 rooms) 5 Years

Total Project Development Costs:

\$15-20 Million 4 Years

Priorities & Initiatives:

Located within CBID 3 Years

New Construction in DT Core 1 Year

Optional Credits:

Public Art 1 Year

Enhanced Architectural Lighting 1 Year

Total Base Grade: 13 Years

Total Grade with Art & Lighting: 15 Years

**Applicant's Request: 15 Years**

EBO Program:

Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC), or any of its affiliate boards, shall include a best faith effort to attain no less than 20% participation by minority and/or women-owned businesses (M/WBEs) in the project's development costs (design soft costs and construction hard costs). Compliance with this Equal Business Opportunity (EBO) Program is a closing requirement. If the requirements of the EBO Program are not met, the CCRFC reserves the right to cancel the incentive.

The following project costs are subject to the EBO program:

Hard Costs	\$10,500,000
Professional Fees	\$400,000
<b>Total</b>	<b>\$10,900,000</b>

According to the above estimates, a 20% level of M/WBE inclusion for the combined hard and soft costs will be approximately **\$2,180,000**.

Design Review Board: The applicant will submit design plans to the DRB in the coming months.

Hotel Policy: In 2015, the CCRFC Board determined that PILOTs for new construction hotel projects should typically be reserved for larger, full-service hotels. The Board's rationale was that smaller, limited-service hotels do not help grow Downtown's visitor and convention market.

The Board did make it clear that boutique hotels and adaptive reuse projects are still desired Downtown and exceptions would be evaluated on a case-by-case basis. Moreover, blight remediation is a high priority for the DMC and its affiliate agencies, including the CCRFC. The PILOT can be a powerful tool for encouraging new commercial development as a strategy for improving blighted properties.

Estimated Payments: The current annual city and county taxes on the property total **\$18,678**. During the 15-year PILOT term, the annual payment in lieu of taxes would equal approximately **\$80,683**. This represents a **332%** increase from the amount of taxes currently generated by the property. Over the course of the PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$930,067**.

Staff Evaluation: The DMC's Strategic Plan encourages the following: facilitating and accelerating real estate development, incentivizing development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment.

Staff agrees with the applicant that a PILOT is needed for the project to be economically viable, attract financing, and warrant equity investment.

Staff is supportive of a PILOT for the proposed boutique hotel at this site. The location of the proposed hotel is a key determining factor in this recommendation. Construction of a new boutique hotel at this site will remove a building that has remained vacant and blighted for years. The site is also of strategic importance as an anchor on the eastern end of the Beale Street Entertainment District. A high-quality boutique hotel at this end of Beale Street has the potential to bring vibrancy and new energy to the eastern blocks of this iconic street.

**Recommendation:**

**Staff recommends approval of a PILOT up to 15 years in length, subject to all standard approval requirements and conditions.**