



LOEWS HOTELS & CO
ESTABLISHED 1960

Loews Memphis Hotel

Application to Center City Revenue Finance Corporation for PILOT Approval

November 19, 2019

This application (this “Application”) has been prepared by Loews Hotels & Co and its affiliates (“Loews”) and Inland Pacific Companies (“IPC” and, together with Loews, the “Companies”), and it does not constitute an offer to sell, or a solicitation of an offer to buy an interest in, or to participate in, any investment in the prospective Loews hotel in Memphis (“Loews Memphis Hotel”).

Recipients are cautioned not to place undue reliance on any projections, forecast information or estimates contained herein (the “Estimates”). The Estimates have been prepared solely to demonstrate through the use of modeling the manner in which the Companies evaluate the current investment. While the Estimates are based on assumptions that the Companies believe are reasonable under the circumstances, the actual results will depend on, among other factors, future operating results, availability and terms of financing and government subsidies, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of any sales, all of which may differ from the assumptions on which the Estimates are based. The Estimates are not intended to represent actual or prospective returns on the investment nor are they intended as projections of the likely or expected actual or prospective returns to be earned by an investment related to Loews Memphis Hotel. Expected returns are based on the belief of the Companies about the returns that may be achievable in light of the Companies’ and their professionals’ experience with, among other factors, similar investments historically, their view of current market conditions, availability of financing and government subsidies, and certain assumptions about such factors. Expected returns are also based on models, estimates and assumptions about performance believed to be reasonable under the circumstances. There is no guarantee that the facts on which such assumptions are based will materialize as anticipated and will be applicable to Loews Memphis Hotel. There can be no assurance that Loews Memphis Hotel will achieve comparable results or that targeted performance returns will be met.

None of the Companies or any of their respective affiliates make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation as to the performance of Loews Memphis Hotel. Certain information contained in the Presentation is based on information from third-party sources or that is otherwise publicly available and, while the Companies use reasonable efforts to ensure the information is accurate and up-to-date, no representations or warranties are given as to the reliability, accuracy or completeness of the information. The Companies do not accept any liability for any loss or damage that may arise directly or indirectly from any use of or reliance of such information. Unless otherwise indicated, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date.

Project Owner

A to-be-formed joint venture between Loews Hotels and Inland Pacific Companies

Representatives

Constantine Dimas, SVP & Chief Business Offer

Loews Hotels & Co

667 Madison Avenue, 7th Floor

New York, NY 10065

(212) 521-2612

Tim O'Byrne

Inland Pacific Companies

P.O. Box 351979

Westminster, CO 80035

(303) 410-5050

Steve Rattner

JPE Enterprises

(917) 913-8070

Proposed World-Class Convention Hotel



- **Guestrooms:** 500 total
 - 326 King (65%)
 - 140 Queen-Queen (28%)
 - 34 suites (7%)
- **Meeting Space:** ~30,000 SF total
 - ~13,500 SF grand ballroom
 - ~7,500 SF junior ballroom
- **F&B Outlets**
 - Three-meal restaurant
 - Lobby bar
 - Pool bar
 - Grab & go café
- **Additional Amenities**
 - ~13,000 SF event deck
 - Outdoor pool
 - Fitness center

- Exploring ways to honor the history of the site by partnering with the National Civil Rights Museum
- Preliminary ideas include:
 - ▶ Displaying artwork from NCRM archives
 - ▶ Naming honorary meeting rooms
 - ▶ Staff training on site's history

Economic Impact

It is anticipated that a hotel of this kind would generate \$24M+ in additional annual tourism spend and \$400K+ in new annual real estate tax revenue

Projected Impact on Memphis Visitation and Spend



Projected Real Estate Tax Revenue



5 Source: CVENT, JLL, STR, and Nashville Visitor & Tourism Website
* Average spend in Nashville for a 3-night stay is \$537

Economic Impact: Quality Job Creation

Loews is committed to providing high-quality employment opportunities and benefits for the local community both during and after construction

Estimated During Construction

1,000
Construction jobs

At least 28%
Local minority-owned subcontractors, a goal toward which the design team has already made progress

Safety & training
Exceptionally safe work sites and workforce training

Likely Ongoing Job Opportunities

300
Ongoing hotel jobs upon stabilization

Up to 10%
The compensation premium Loews Team Members receive vs. competitors in some markets

10
Number of Loews Hotels ranked “Best Places to Work”

Current Team Member Benefits

2nd
Loews Hotels’ rank in overall Team Member benefits, typically better than full- and limited-service competitors*

6 weeks
Paid parental leave for new mothers and fathers

Unlimited
Discounted Loews Hotels rooms offered to Team Members and their families

Financing

- The Project will be financed with a conventional bank loan from Wells Fargo, or from a similar, commercial institutional lender with whom Loews Hotels maintains a relationship
- A customary amount of first mortgage leverage between 60-65% at prevailing market (5-6%) is required to make the project feasible. Without the PILOT, as well as the City Surcharge and City & State TDZ rebates, loan proceeds would be prohibitively low due to lower available cash flow for debt service, requiring more equity from Loews at lower-than-market investment returns. The combination of substantially more equity risk and below-market investment returns renders the project infeasible.
- Therefore, the PILOT is required to make the project financially feasible, as it:
 - Adds additional predictable cash flow to the project that is necessary for the lender to underwrite market leverage & interest rate, and
 - The appropriate amount of loan proceeds allows there to be a normal and acceptable amount of at-risk cash invested in the project. Additionally, with the PILOT the corresponding return-of-equity (“ROE”) is at an acceptable level for an investment of this size. “Market” ROEs for a project of this type are typically 7-12%. As noted on the following page, the ROE with the PILOT is expected to be 8.8%. Without the PILOT and TDZ rebates the ROE is only 2.3%, well below a reasonable return for the risk.

Sources & Uses

PRELIMINARY SOURCES & USES - DRAFT							
Sources		%	per key	Uses		%	per key
<i>WITH PILOT & TDZ</i>				Land	3,600	1.5%	7
Loews Equity	86,400	36.0%	173	Construction Costs - Hotel	150,852	62.9%	302
Developer Equity	9,600	4.0%	19	Construction Costs - Garage	8,500	3.5%	17
Senior Debt	144,000	60.0%	288	FF&E/OS&E	23,336	9.7%	47
				Soft Costs	32,050	13.4%	64
<i>WITHOUT PILOT & TDZ</i>				Operating/Debt Reserve	1,500	0.6%	3
Loews Equity	126,000	52.5%	252	Financing Fees & Costs	3,500	1.5%	7
Developer Equity	14,000	5.8%	28	Working Capital	1,000	0.4%	2
Senior Debt	100,000	41.7%	200	Pre-Opening Costs	6,422	2.7%	13
				Development Fee	9,240	3.9%	18
TOTAL	240,000	100.0%	480	TOTAL	240,000	100.0%	480

Financial Items

Proforma & Returns

Development WITH PILOT & TDZ

Year	2020-2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Equity	(96,000)															
Revenues		38,321	43,975	48,543	52,220	54,997	56,791	58,346	60,097	61,900	63,919	65,669	67,639	69,668	71,942	73,911
Expenses		(34,196)	(37,930)	(41,110)	(42,453)	(44,380)	(45,700)	(46,953)	(48,297)	(49,682)	(51,168)	(52,599)	(54,133)	(55,713)	(57,407)	(59,015)
Debt Service		(7,920)	(7,920)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)
Net Cash Flow		(3,795)	(1,875)	(3,178)	(845)	6	480	782	1,188	1,606	2,139	2,459	2,895	3,344	3,924	4,285
PILOT Benefit		1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,413	1,427	1,442	1,456	1,471	1,485
TDZ Benefit		4,886	5,607	6,189	6,658	7,012	7,241	7,439	7,662	4,488	4,634	4,761	4,904	5,051	5,202	5,359
Total Flows	(96,000)	2,504	5,145	4,424	7,226	8,431	9,134	9,634	10,263	7,506	8,187	8,647	9,240	9,851	10,597	11,129
Year 5 (2027) Property ROE		8.8%														

Development WITHOUT PILOT & TDZ

Year	2020-2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Equity	(140,000)															
Revenues		38,321	43,975	48,543	52,220	54,997	56,791	58,346	60,097	61,900	63,919	65,669	67,639	69,668	71,942	73,911
Expenses		(34,196)	(37,930)	(41,110)	(42,453)	(44,380)	(45,700)	(46,953)	(48,297)	(49,682)	(51,168)	(52,599)	(54,133)	(55,713)	(57,407)	(59,015)
Debt Service		(5,500)	(5,500)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)
Net Cash Flow		(1,375)	545	64	2,397	3,248	3,723	4,025	4,430	4,848	5,382	5,701	6,137	6,586	7,166	7,527
PILOT Benefit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TDZ Benefit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Flows	(140,000)	(1,375)	545	64	2,397	3,248	3,723	4,025	4,430	4,848	5,382	5,701	6,137	6,586	7,166	7,527
Year 5 (2027) Property ROE		2.3%														

Financial Items

Proforma & Returns (continued)

Development WITH PILOT & TDZ

Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Equity															
Revenues	76,129	78,412	80,765	83,188	85,683	88,254	90,902	93,629	96,437	99,331	102,311	105,380	108,541	111,797	115,151
Expenses	(60,786)	(62,609)	(64,487)	(66,422)	(68,415)	(70,467)	(72,581)	(74,759)	(77,001)	(79,311)	(81,691)	(84,141)	(86,666)	(89,266)	(91,944)
Debt Service	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)	(10,611)
Net Cash Flow	4,732	5,192	5,666	6,154	6,657	7,175	7,709	8,259	8,825	9,408	10,008	10,627	11,264	11,920	12,596
PILOT Benefit	1,500	1,515	1,530	1,546	1,561	1,577	1,592	1,608	1,624	1,641	1,657	1,674	1,690	1,707	1,724
TDZ Benefit	5,519	5,630	5,742	5,857	5,974	6,094	6,216	6,340	6,467	6,596	6,728	6,863	7,000	7,140	7,283
Total Flows	11,751	12,337	12,939	13,557	14,193	14,846	15,517	16,207	16,916	17,645	18,393	19,163	19,954	20,767	21,603

Development WITHOUT PILOT & TDZ

Year	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Equity															
Revenues	76,129	78,412	80,765	83,188	85,683	88,254	90,902	93,629	96,437	99,331	102,311	105,380	108,541	111,797	115,151
Expenses	(60,786)	(62,609)	(64,487)	(66,422)	(68,415)	(70,467)	(72,581)	(74,759)	(77,001)	(79,311)	(81,691)	(84,141)	(86,666)	(89,266)	(91,944)
Debt Service	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)	(7,369)
Net Cash Flow	7,974	8,434	8,908	9,397	9,900	10,418	10,951	11,501	12,067	12,650	13,251	13,869	14,507	15,163	15,839
PILOT Benefit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TDZ Benefit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Flows	7,974	8,434	8,908	9,397	9,900	10,418	10,951	11,501	12,067	12,650	13,251	13,869	14,507	15,163	15,839

Funding

- Senior mortgage financing anticipated to close in late Q2 or early Q3 2020, with PILOT approval (and full City Council approval to apply TDZ rebates) deemed to be a condition of such financing

First Expenditure of Funds

- Significant funds have already been spent to complete project design and architectural plans
- Further funds will be spent in Q1 2020 prior to loan closing to relocate utilities on the site
- First funds for physical construction of the hotel will be spent immediately following loan closing, anticipated in late Q2 or early Q3 2020

Construction Commencement

- Late Q2 or early Q3 2020, or earlier if possible

Construction Completion

- Q1 2023, or earlier if possible

Counsel

- Bradley, Nashville
 - George Cate, III
- Latham and Watkins, Chicago
 - Gary Axelrod

Architects

- Rule Joy Trammel Rubio, Atlanta (lead)
 - Dan Joy
 - Robert Rule
 - Christy Emanski
 - Bob Samolyk
 - Hyeon Shin
- Fleming Architects, Memphis
 - Scott Fleming
- OT Marshall Architects, Memphis
 - Tom Marshall

Engineers

- Kimley Horn, Memphis (Civil)
 - Jarmon Peregoy
 - Ransom Creech

General Contractor - TBD

Interior Design - TBD

Disclosures

- No previous or ongoing relationship with any Board member or legal counsel of the Board
- Civil Proceedings: Along with the City of Memphis, the Downtown Memphis Commission, and the Memphis City Council, Loews is a party to a lawsuit in the Chancery Court for Davidson County, Tennessee, Hotel Memphis, L.P. and Hotel Memphis Opco, L.P. v. State Building Commission et al., Case No. 19-256-II.
- Criminal Proceedings: None
- Felony Indictments: None
- Bankruptcy Filings: None

Items for Lease Preparation

Parcel IDs: 002011-00001, 00002, 00003, 00004, 00005, 00006

Applicant Affirmation

This application is made in order to induce the Memphis Center City Revenue Finance Corporation (CCRFC) to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the CCRFC in its consideration of the application is included. The applicant expressly consents to the CCRFC's investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the CCRFC financial program for which it is applying and agrees to comply with those policies. The applicant shall also be required to show a good faith effort with regard to the employment of M/WBE contractors. The applicant specifically agrees to pay all reasonable costs, fees and expenses incurred by the CCRFC whether or not the incentive is granted or project completed.

Agreed and Affirmed: by _____


Its Representative, Constantine Dimas

On behalf of Memphis Hotel Venture, LLC

LOEWS HOTELS & CO

ESTABLISHED 1960

PRELIMINARY - SUBJECT TO CHANGE