

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: November 19, 2019  
RE: PILOT Application: Loews Hotel

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The enclosed PILOT application has been submitted for consideration at the November 19, 2019, CCRFC Board Meeting.

**Project:** **Loews Hotel**

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Project Representative: Constantine Dimas, SVP & Chief Business Offer  
Loews Hotels & Co  
667 Madison Avenue, 7th Floor  
New York, NY 10065

Time O/Byrne  
Inland Pacific Companies  
P.O. Box 351979  
Westminster, CO 80035

Steve Rattner  
JPE Enterprises

Applicant/Owner: The City of Memphis owns the majority of the project land. Transfer of this land is subject to City Council approval and this hearing is set for November 19, 2019. The applicant also has the former Police Headquarters parcel under contract.

Applicant's Request: 30-year PILOT lease for Convention Center serving hotel of 500 rooms.

Included Parcels: Parcel ID 002011-00001, 00002, 00003, 00004, 00005, 00006

Project Description: The subject property consists of a vacant parcel on the east side of Main Street, commonly referred to as the Civic Center Plaza, and in the block between the Convention Center and Adams Avenue. The applicant also plans to renovate a portion of the existing adjacent building at 128 Adams Ave. as a part of the hotel. The overall site is approximately 2.75 acres.

Project Budget:

The total development cost of the project is approximately \$240 million. 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.

The following describes the overall sources and uses of funding:

Sources:

Debt	\$144,000,000	(60%)
Owner & Development Equity	\$ 96,000,000	(40%)
Total Sources	\$240,000,000	(100%)

Uses:

Property Purchase	\$ 3,600,000	(2%)
Hard Construction Costs	\$159,352,000	(66%)
Soft Costs	\$ 32,050,000	(13%)
Other	\$ 44,998,000	(19%)
Total Uses	\$240,000,000	(100%)

Project Grading:

Per the PILOT scoring system, the project could achieve a grade of 26 Years.

Primary Qualification:

Hotel (201+ rooms) 6 Years

Secondary Qualification:

Retail/Event Deck/Etc. (15,000 – 20,000 sf) 2 Year

Secondary Qualification:

Parking (200-300 spaces) 1 Year

Total Project Development Costs:

+\$20 Million 5 Years

Priorities & Initiatives

Located within CBID 3 Years

Renovation – contributing structure 4 Years

Main-to-Main Route Frontage 3 Years

Enhanced Architectural Lighting 1 Year

Public Art 1 Year

Total: 26 Years

Applicant’s Request: The applicant is requesting approval of a 30-year PILOT. According to the applicant, approval of a PILOT is necessary for the project to be economically viable and attract financing. Staff is in full support of the applicant’s request given the catalytic magnitude of a \$240,000,000 investment in the Downtown Core and along Main Street, an area of strategic importance for the DMC.

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 25% participation by minority and/or women- owned businesses (MWBEs) 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.**

Based on the current information provided by the applicant, the estimated hard cost and soft costs for this project are as follows:

Hard Construction Costs	\$159,352,000	(83%)
Soft Costs	\$ 32,050,000	(17%)
<b>Total Uses</b>	<b>\$191,402,000</b>	<b>(100%)</b>

According to the above estimates, a 25% level of MWBE inclusion for the combined hard and soft costs will be approximately **\$47,850,500**.

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

Staff Evaluation: Based on the submitted application and the accompanying pro forma, DMC staff agrees with the applicant that a PILOT is needed for the project to be economically viable, attract bank financing, and warrant equity investment.

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.

The proposed hotel will add the room capacity to attract large groups of visitors and is critical to the success of the Convention Center which is currently under construction on a \$175 million renovation.

This project will also help fill existing gaps in ground-floor commercial activity. Adding new ground-floor retail space along Main Street is a top priority for the DMC.

**Recommendation:**

**Staff recommends approval of a 30-year PILOT subject to the applicant achieving the proposed grading enhancements and meeting all standard closing requirements and condition**