

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: August 4, 2020
RE: Tourism Surcharge Request – The Walk Mixed-Use Development

The enclosed request is for consideration at the August 11, 2020, CCRFC Board Meeting.

Project: The Walk Mixed-Use Development

Applicant: Union Row LB, LLC

Project: The Walk mixed-use development was approved for a 30-year PILOT and includes four hotels in the first two phases of the project as follows.

Phase 1	Hotel 1	183 Rooms
	Hotel 2	151 Rooms
Phase 2	Hotel 3	160 Rooms
	Hotel 4	80 Rooms

Three of these hotels qualify for the surcharge. The applicant projects that the 5% surcharge will generate \$38,167,500 over the 30-year period. The net present value, after discounts and fees, of \$20,803,500 is included as a source in the PILOT application for the project.

Applicant Request: The applicant is requesting use of the Tourism Surcharge for the hotels which are over 150 rooms and qualify for this incentive as a part of this mixed-use development with investment exceeding \$5 million.

EBO Program: The applicant is subject to CCRFC's EBO requirement as a condition of its PILOT approval. The applicant will enter into an Equal Business Opportunity Program Agreement which will further define the requirements.

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. Hotels are integral to a complete urban neighborhood and staff

believes the inclusion of hotels improve the overall development, particularly due to the site which sits between FedEx Forum, AutoZone Park and Sun Studio.

CCRFC petitioned the State of Tennessee for the Tourism Surcharge incentive in order to encourage appropriate hotel development and eventually eliminate the reliance on tax abatement for hotel development. However, COVID-19 has greatly and negatively impacted the financial markets and feasibility of development. At the present time, the Tourism Surcharge is a component that will allow for the overall development to be completed. But for this additional incentive, the project could not be developed as designed. Staff is highly supportive of the proposed Surcharge application. As one of the largest private developments in the history of Memphis, Union Row will be transformative and catalytic. Over \$750MM in mixed-use development will anchor the eastern end of the Downtown Core and provide critical infill to better connect recent investment around ServiceMaster and Main Street with ongoing investment in the emergent Edge neighborhood.

Recommendation:

Staff recommends approval of the Tourism Surcharge and recommendation of approval to City Council.