

DMC PILOT APPLICATION

DESOTO LOFTS

AOD PROPERTIES, LLC

July 18, 2023



URBANARCH ASSOCIATES
PILOT APPLICATION
JOB: 22002
DATE

Desoto Lofts

154 G.E. Patterson Ave. Memphis, TN 38103

Urban
ARCH
associates, pc
Brian P. Bullard, AIA

1. Applicant Background

AOD Properties, LLC
498 S. Main St.
Memphis TN 38119

AOD Properties was founded in 2011 by Brian Bullard and Stephen Skinner, both of whom also own UrbanARCH Associates PC architecture firm. Current holdings of AOD include 498 South Main Street and 152-156 GE Patterson (typically referred to as 154 GE Patterson).

Brian and Stephen founded UrbanARCH in 2002, and the firm has since become highly successful and renowned in Memphis and surrounding areas. Notable UrbanARCH's clients include: Memphis International Airport, City of Memphis, Memphis City School District, Loeb Properties, November6 Investments, Desoto County Mississippi, City of Southaven, City of Olive Branch, Dufresne Spencer Group, State of Tennessee (STREAM and TBR), Ashley Furniture Stores, and the University of Memphis.

The newly completed Concourse B at Memphis International Airport, Hotel Napoleon, and Snowden Grove Amphitheater are a few of the more recognizable projects in UrbanARCH's portfolio. The firm has been located in the South Main Arts District since formation and its goal is to remain in that neighborhood, but with 12 full-time employees, they must relocate in order to have room for growth. The firm is eager for the opportunity to add multi-family residential units to AOD's portfolio and looks forward to continued investment in the South Main District with this exciting new project.

2. Representatives and Guarantors

Brian Bullard

Brian serves as President and director of commercial architecture at UrbanARCH and as one of two founding members of AOD Properties. Mr. Bullard is Memphis-born and has remained a Memphis area resident for nearly his entire life. Brian studied architecture at Mississippi State University and earned his bachelor's of architecture in 1993. After completing his degree, Brian relocated to Dallas, TX and gained valuable experience before returning to Memphis in 1995. Brian worked for a prominent downtown Memphis architecture firm from 1995-2002 where he served as project architect on such notable projects as the Benjamin Hooks Central Library, the Pyramid NBA renovations, and FedEx Forum. Mr. Bullard is licensed to practice architecture in Tennessee as well as 14 other states. Brian partnered with Stephen Skinner to found UrbanARCH in March of 2002. Originally located at 390 South Main, then 498 South Main since 2011, UrbanARCH remains a fixture of the South Main Arts district today. Brian's volunteer/community engagement activities include serving many years in multiple capacities for the American Institute of Architects at both the local and state levels. Mr. Bullard served as Treasurer of AIA Memphis from 2015-2017 and President of AIA Memphis in 2018. Brian served AIA Tennessee as a Board Member from 2018-2019 and as Chairperson for the 2020 AIA-TN Design Awards.

Stephen Skinner, AIA

Stephen serves as Secretary and Chief Financial Officer at UrbanARCH Associates and is director of the Mixed-Use and Custom Residential departments. He is also one of two founding members of AOD Properties. Mr. Skinner moved to Memphis in 1974 and has been working in architecture in the Downtown Memphis since 1992. Stephen studied architecture at Mississippi State University and received his bachelor of architecture degree in 1995 receiving the Tau Sigma Delta bronze medal for Distinction in Architecture. After completing his degree, Stephen worked for two very successful, Memphis based, architecture firms from 1995-2002. Stephen partnered with Brian Bullard in 2002 to form UrbanARCH Associates which has been located at 498 South Main St. since 2011 and remains a proud member of the South Main Association. Stephen is licensed to practice architecture in Tennessee and Mississippi. He is currently principal in charge of architecture and design standards for two of North Mississippi's most significant mixed-use developments. They include the 250 acre Silo Square development in Southaven, MS along with the 950 acre Short Fork Farms development in Hernando, MS. Stephen, along with his partner Brian Bullard, actively managed the revitalization of the award winning 498 S Main St., Memphis rehabilitation project receiving the 2014 Memphis AIA, Award of Excellence citation. Stephen's community involvement includes serving as the past founding chairman of the City of Olive Branch Design Review Commission and local advisory board member for Mississippi based Sycamore Bank. Stephen has spoken on multiple occasions at the annual National Homebuilders Association Convention and has been guest speaker at various municipal smart growth and new urbanism conferences. He is currently an active member of the American Institute of Architects.

Gabe Velasquez

Gabe Velasquez serves as a director and President and Treasurer of November 6 Investments. Mr. Velasquez is Venezuelan-born, but a Memphis-native at heart. Originally arriving with his family at the age of seven, Mr. Velasquez lived in Memphis until graduating from Christian Brothers High School. While earning his bachelor's in finance, he founded a medical recruitment company and pharmaceutical importers to Latin America. After completing his degree, he relocated to Venezuela where he served as Treasurer and Chief Investment Officer to a firm of over six hundred employees and managed an investment fund geared towards the mitigation of the economic hyperinflation through currency arbitrage and importation. Since returning to Memphis in 2015, Mr. Velasquez founded November 6 Investments, a real estate development firm committed to Memphis' continued growth and prosperity. Mr. Velasquez works, owns, and consults on projects across several industries including, medical, pharmaceutical, health and fitness, but predominantly focusing on commercial and residential real estate development opportunities in the Memphis market.

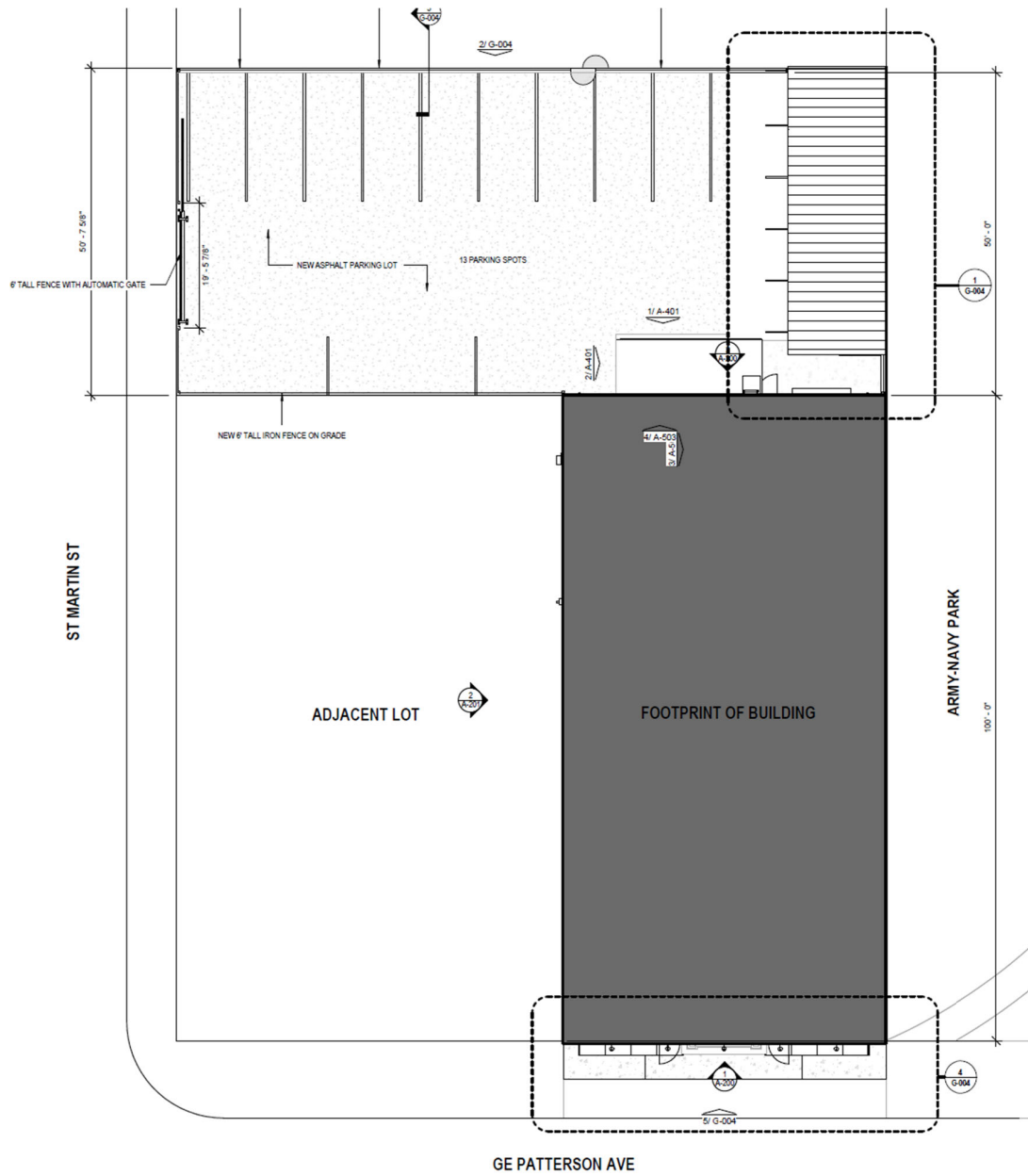
Susannah Herring

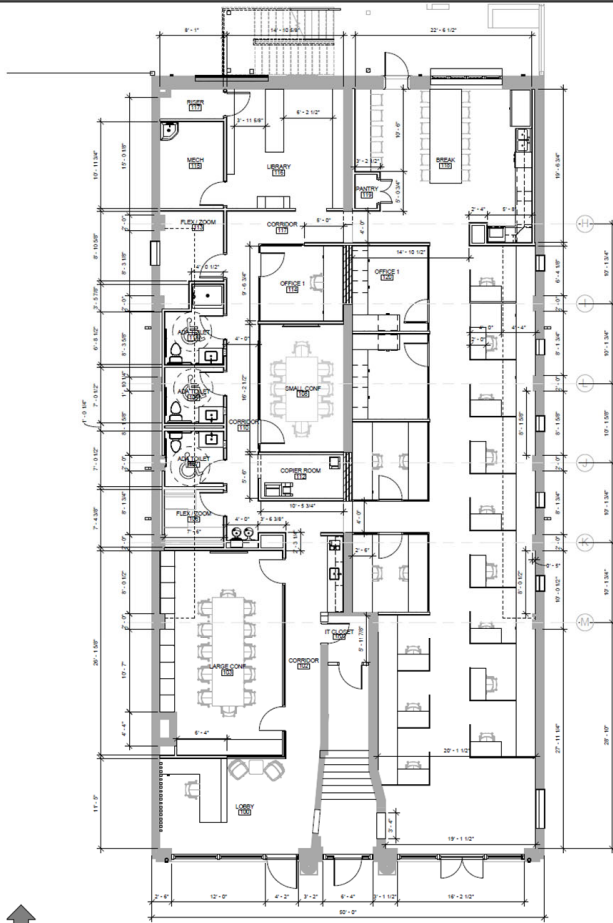
Susannah Herring serves as a director and Vice President of November 6 Investments. Ms. Herring is a native Memphian who has spent most of her adulthood out West, abroad and in Nashville, Tennessee. With a masters in finance, Ms. Herring started her career in investment banking and private equity at Morgan Keegan (now Raymond James). After successfully raising and investing a \$100 million private equity fund of funds and subsequently joining the mezzanine private equity team in Nashville, Ms. Herring moved into the world of entrepreneurship and real estate development in Nashville. She has spent the past 12 years growing a chain of yoga studios, called Hot Yoga Plus, across Tennessee and Mississippi. She also created, developed, opened, and has since sold, a successful vegan restaurant concept in Nashville called Avo. During her decade in Nashville, Ms. Herring was an active investor and developer in residential real estate in Nashville. Her experience in finance, operations, and real estate lends itself to her current focus on commercial and residential real estate development in Memphis. She chose to move back to her hometown because of the opportunities and the people, both which she believes are bringing new life, energy and movement to the next chapter of Memphis.

3. Proposed Project

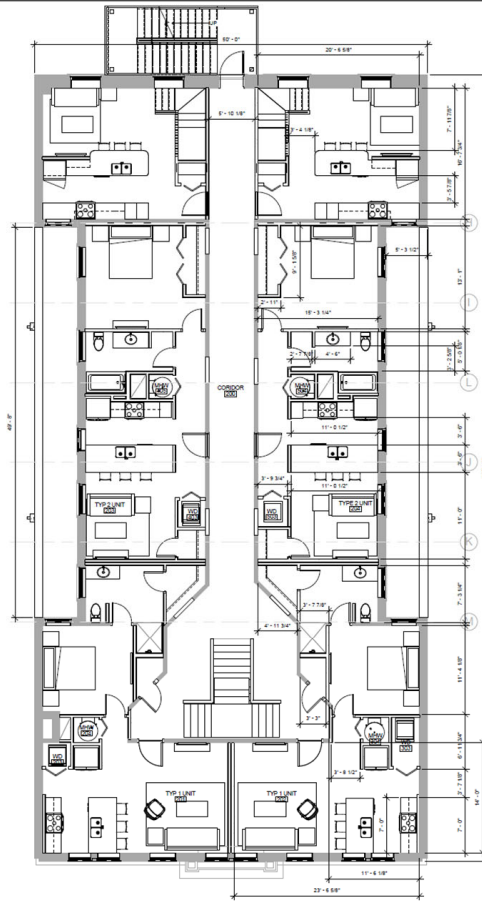
- A. The “DeSoto Lofts” located at 154 GE Patterson, will consist of the Historic Rehabilitation and adaptive reuse of the DeSoto Hotel, which, until shortly after its purchase by AOD, the building operated as a Fellowship Mason’s Lodge. After successful development and construction, the DeSoto Hotel’s ground floor will be the new home of UrbanARCH. Ten (10) one-bedroom lofts will fill out the remaining two floors. Should the PILOT be approved, construction would commence in late July 2023 and is expected to last 10-12 months. Urban Arch would take possession of the first floor upon CO and apartments will be marketed to the general public in June of 2024.
- B. Parking and Mobility Strategy: Site will have 13 on-site parking spots with controlled access in the rear of the building for exclusive use of residents and employees, with access to over 70 street parking spots within 500 feet. The Project site is less than .15 miles from the Trolley stops for both the Riverfront Shuttle line and the Main street Trolley line.
- C. History: Originally built as the DeSoto Hotel in 1913, the building at 154 Patterson hosted hotel guests for approximately 50 years. Since the early 1970's, the building has been known as the Prince Hall fellowship Mason's Lodge. The structure once served underprivileged travelers and railroad personnel from the nearby Union and Central train stations. The hotel rooms on the upper two floors were very small and were accessed by a double loaded corridor that extends through the center of the building from front to back. Each hotel room was approximately 10'x14'. Communal restrooms for both men and women were located on each of the upper floors. The ground floor is separated by a central masonry dividing wall and a central stair. The exterior bearing walls on the east and west sides step in approximately four feet so that the sleeping room windows would not be located on the property line and to avoid the risk of becoming blocked by future developments on adjacent lots. This results in the "I" shaped upper floor plates that were common amongst hotel establishments of the time period in Memphis. Currently, its location places it in close proximity to both existing and future sites of economic and public activity in the area. The primary facade of the building was given status as contributing to the historic character of the neighborhood. At the front facade limestone quoining, balustrade, and lintels above windows are all evidence of the Georgian Revival Style, which is characteristic of the area according to the South Main Street Historic Preservation Guidelines. Shallow arched top brick openings line the 2nd and 3rd levels. The windows are wood, double-hung.

D. Site Plans

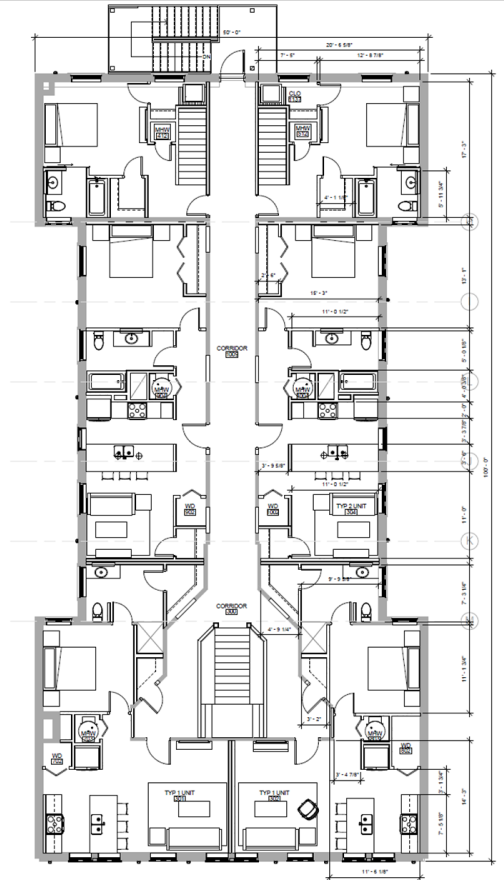




1 LEVEL 1 - FLOOR PLAN - DIMENSIONS



1 LEVEL 2 FLOOR PLAN - DIMENSIONS



1 LEVEL 3 - FLOOR PLAN - DIMENSIONS

Unit Breakdown	%of RSF	#of Units	Total RSF	avg \$/RSF
Residential	56%	10 Units	7,308 RSF	\$ 2.00
Commercial	44%	1 Units	5,775 RSF	\$ 24.00
Total Units		11 Units	13,083 RSF	

E. Architectural Renderings











4. Site Control

The developer currently owns the parcel and Architectural and Engineering is substantially complete and awaiting permits. First lien position is held by BanCorp South Bank. To date, the developer has incurred over \$1 million in architectural, engineering, consultants, and acquisition costs.

5. Financial Items

- A. The site has a short term lease through construction commencement, UrbanARCH, founded in 2002, will be the anchor tenant on the ground floor. Their lease will cover the 75% of the monthly note and bring movement and vibrancy to the development. The anchor tenant has over 20 years in business, is creditworthy and has a strong financial position and reputation.
- B. The applicant is requesting a 10-year PILOT from the CCRFC. Without a pilot, the debt service coverage ratio for the project is less than 1.25 and therefore less than what any lender will accept. Unfortunately, historic rehabilitation is expensive, and the only way to execute this project, give the very high interest rates and record high construction costs, is with the benefit of a PILOT. Should a PILOT not be granted, the project will be either delayed indefinitely or alternatively, more cost effective construction must be considered, which may compromise the historicity of the structure and require replacement with more modern, cost effective construction. It is the applicant's belief that in order to justify the necessary rental rates to meet its obligations, it must employ a high level of design and material. Not doing so would likely lead to poor market performance

C. Proposed Financing (term sheets)

Feb. 2, 2023

AOD Properties, LLC
498 S Main St.
Memphis, TN 38103

RE: Proposed construction to permanent loan for ; 154 GE Patterson.

Brian & Stephen,

This letter is intended for you to use as an aid to help you prepare for the referenced project. This is NOT a loan commitment, the terms disclosed are for discussion purposes only.

Per our discussion your all in cost will be approx. \$4,000,000.00. Due to the current rising interest rate environment, my suggestion is to consider a construction to permanent loan. This will allow you an 18 month draw and construction period with interest only payments monthly and to lock your long term rate now. At the end of 18 months the loan will automatically convert to a principal and interest loan. Our maximum amortization is 20 years so after the initial 18 months the balance will term out over 18.5 years, 222 months.

Our current rate for a project of this nature is 6.95%. This rate would be locked in for the first 120 months. After the initial 120 months, the rate would be adjustable once annually at Wall Street Journal Prime (-.55%). On a loan amount of \$4,000,000 this would give you an approx. monthly P & I payment of \$32,063.28. As a general rule we require a project debt coverage ratio of 1.25% or better. This project "as is" would appear to fall short of that. In my opinion, you are going to need to reduce costs, increase the projected rents or obtain additional funding and cash into the project, possibly all the above.

Again, these terms are only for discussion purposes. They do not take into consideration the .25% interest rate hike by the Federal Reserve yesterday Feb. 1st. Rates for the time being are continuing to rise, thus there is no way to accurately forecast a rate beyond 60 days. I hope this provides you the information you need. If not, let me know and I'll be happy to make any adjustment I can.

Projected closing costs:	\$15,200
• appraisal	\$2,500
• attorney	\$2,000
• title insurance	6,000
• recording & tax	\$4,700

Sincerely,

John E. Camp
Senior Vice President
(O): 662-349-5704 (C): 901-488-7063
John.camp@cadencebank.com
NMLS ID 663613

D. Sources and Uses

USES OF FUNDS				
		<u>% of Total Cost</u>	<u>Per Unit RSF</u>	<u>Total</u>
Land & Acquisition Costs		17.82%		\$ 820,000
Total Hard Costs		67.27%	\$ 236.57	\$ 3,094,980
Construction Hard Costs			\$ 200.00	\$ 2,947,600
FF&E Costs (Final 2 months of Construction)	0.00%		\$ -	\$ -
Contingency (% of Other Hard Costs)	5.00%		\$ 11.27	\$ 147,380
Total Soft Costs and Fees	<u>% of Total Hard Costs</u>	3.55%	\$ 12.49	\$ 163,352
A&E	1.00%		\$ 2.37	\$ 30,950
Developer Fee	2.00%		\$ 7.03	\$ 92,023
Pilot Fee	1.00%		\$ 3.09	\$ 40,380
Total Development Costs (TDC)		88.64%	\$ 311.73	\$ 4,078,332
Finance and Startup Costs	100.00%	11.36%	\$ 39.96	\$ 522,824
TDC + Moving and Startup Costs (Total Cost)		100.00%	\$ 351.69	\$ 4,601,157

SOURCES OF FUNDS				
Equity %:	30.00%			
Equity	<u>% of Total Equity</u>	<u>% of Total Cost</u>		<u>Total Equity</u>
Equity Total	45.57%	30.00%		\$ 1,380,347
Senior Loan		<u>% of Total Cost</u>		<u>Total Loan</u>
Term	6.44% Interest	70.00%		\$ 3,220,810
Start Date	30 Years			
Interest only period	1/1/2022			
	36			
Total Sources of Funds for Development				\$ 4,601,157

E. Proforma Without Pilot

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Lease Commercial and Residential	\$ 298,292.40	\$ 313,207.02	\$ 328,867.37	\$ 345,310.74	\$ 362,576.28	\$ 380,705.09	\$ 399,740.34	\$ 419,727.36	\$ 440,713.73	\$ 462,749.42
Other										
Reimbursable	\$ 18,716.33	\$ 19,144.10	\$ 19,593.25	\$ 25,145.37	\$ 20,560.05	\$ 21,080.01	\$ 21,625.96	\$ 22,199.20	\$ 22,801.11	\$ 23,433.12
Total Revenue	\$ 317,008.73	\$ 332,351.12	\$ 348,460.62	\$ 370,456.11	\$ 383,136.33	\$ 401,785.10	\$ 421,366.30	\$ 441,926.56	\$ 463,514.84	\$ 486,182.53
Operating Costs	\$ 99,406.10	\$ 101,140.93	\$ 102,962.50	\$ 105,449.62	\$ 106,883.43	\$ 108,992.12	\$ 111,206.25	\$ 113,531.09	\$ 115,972.16	\$ 118,535.29
Direct Property Payroll	\$ 15,958.61	\$ 16,730.97	\$ 17,541.94	\$ 18,649.22	\$ 19,287.56	\$ 20,226.36	\$ 21,212.11	\$ 22,247.13	\$ 23,333.92	\$ 24,475.04
Repairs & Maintenance	\$ 4,910.34	\$ 5,147.99	\$ 5,397.52	\$ 5,738.22	\$ 5,934.63	\$ 6,223.50	\$ 6,526.80	\$ 6,845.27	\$ 7,179.67	\$ 7,530.78
Advertising and Promotion	\$ 2,455.17	\$ 2,574.00	\$ 2,698.76	\$ 2,869.11	\$ 2,967.32	\$ 3,111.75	\$ 3,263.40	\$ 3,422.64	\$ 3,589.83	\$ 3,765.39
Utilities	\$ 8,838.62	\$ 9,266.38	\$ 9,715.54	\$ 10,328.80	\$ 10,682.34	\$ 11,202.29	\$ 11,748.24	\$ 12,321.49	\$ 12,923.40	\$ 13,555.40
Property Insurance	\$ 3,682.76	\$ 3,860.99	\$ 4,048.14	\$ 4,303.67	\$ 4,450.98	\$ 4,667.62	\$ 4,895.10	\$ 5,133.95	\$ 5,384.75	\$ 5,648.09
Real Estate Taxes	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60	\$ 63,560.60
EBITDA (w/ Pilot)	\$ 217,602.63	\$ 231,210.18	\$ 245,498.12	\$ 265,006.49	\$ 276,252.90	\$ 292,792.97	\$ 310,160.05	\$ 328,395.48	\$ 347,542.68	\$ 367,647.24
Debt Obligations	\$ 207,430.67	\$ 207,430.67	\$ 207,430.67	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71
DSCR	1.05	1.11	1.18	1.09	1.14	1.21	1.28	1.35	1.43	1.51
Cash Flow Before Taxes	10,171.95	23,779.51	38,067.45	22,228.78	33,475.19	50,015.27	67,382.34	85,617.77	104,764.97	124,869.53

Proforma With PILOT

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Lease Commercial and Residential	\$ 298,292.40	\$ 313,207.02	\$ 328,867.37	\$ 345,310.74	\$ 362,576.28	\$ 380,705.09	\$ 399,740.34	\$ 419,727.36	\$ 440,713.73	\$ 462,749.42
Other										
Reimbursable	\$ 18,716.33	\$ 19,144.10	\$ 19,593.25	\$ 25,145.37	\$ 20,560.05	\$ 21,080.01	\$ 21,625.96	\$ 22,199.20	\$ 22,801.11	\$ 23,433.12
Total Revenue	\$ 317,008.73	\$ 332,351.12	\$ 348,460.62	\$ 370,456.11	\$ 383,136.33	\$ 401,785.10	\$ 421,366.30	\$ 441,926.56	\$ 463,514.84	\$ 486,182.53
Operating Costs	\$ 65,478.64	\$ 67,213.47	\$ 69,035.04	\$ 71,522.16	\$ 72,955.97	\$ 75,064.66	\$ 77,278.79	\$ 79,603.62	\$ 82,044.70	\$ 84,607.83
Direct Property Payroll	\$ 15,958.61	\$ 16,730.97	\$ 17,541.94	\$ 18,649.22	\$ 19,287.56	\$ 20,226.36	\$ 21,212.11	\$ 22,247.13	\$ 23,333.92	\$ 24,475.04
Repairs & Maintenance	\$ 4,910.34	\$ 5,147.99	\$ 5,397.52	\$ 5,738.22	\$ 5,934.63	\$ 6,223.50	\$ 6,526.80	\$ 6,845.27	\$ 7,179.67	\$ 7,530.78
Advertising and Promotion	\$ 2,455.17	\$ 2,574.00	\$ 2,698.76	\$ 2,869.11	\$ 2,967.32	\$ 3,111.75	\$ 3,263.40	\$ 3,422.64	\$ 3,589.83	\$ 3,765.39
Utilities	\$ 8,838.62	\$ 9,266.38	\$ 9,715.54	\$ 10,328.80	\$ 10,682.34	\$ 11,202.29	\$ 11,748.24	\$ 12,321.49	\$ 12,923.40	\$ 13,555.40
Property Insurance	\$ 3,682.76	\$ 3,860.99	\$ 4,048.14	\$ 4,303.67	\$ 4,450.98	\$ 4,667.62	\$ 4,895.10	\$ 5,133.95	\$ 5,384.75	\$ 5,648.09
Real Estate Taxes	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14	\$ 29,633.14
EBITDA (w/ Pilot)	\$ 251,530.09	\$ 265,137.65	\$ 279,425.58	\$ 298,933.95	\$ 310,180.36	\$ 326,720.44	\$ 344,087.51	\$ 362,322.94	\$ 381,470.14	\$ 401,574.70
Debt Obligations	\$ 207,430.67	\$ 207,430.67	\$ 207,430.67	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71	\$ 242,777.71
DSCR	1.21	1.28	1.35	1.23	1.28	1.35	1.42	1.49	1.57	1.65
Cash Flow Before Taxes	\$ 44,099	\$ 57,707	\$ 71,995	\$ 56,156	\$ 67,403	\$ 83,943	\$ 101,310	\$ 119,545	\$ 138,692	\$ 158,797

	KPIs	
	w/o PILOT	PILOT
Investor 10yr IRR	6.82%	18.78%
10-Year NPV Investor	\$89,456.26	\$1,407,696.11
5 year ROI	-75%	3%
10 year ROI	79%	219%

6. Project team

- A. Legal: Harley Steffens, Evans Petree
- B. Architect: Brian Bullard, Stephen Skinner, Ryan Morris, UrbanArch
- C. Engineers: CSA (structural), BSENG (MEP and fire protection), Tiago (environmental analysis)
- D. General Contractor: TBD
- E. Development: Susannah Herring, Gabe Velasquez, November 6 Investments
- F. Consultants: TBD

7. Credit References

- A. Bankcorp South
- B. Cadence Bank
- C. Financial Federal

8. Items for lease

- A. Lessee will be AOD Properties, LLC
- B. 154 GE Patterson, Memphis TN 38119

Parcel	Address	Land	Building
002134 00005C	154 GE Patterson	70,800	432,200

9. Disclosure:

No applicant, guarantor, or any other principal involved with the project are currently engaged in any civil or criminal proceeding. No applicant guarantor, or any other principal involved with the project has ever been charged or convicted of any felony or is currently under indictment. None of the applicants have ever filed for bankruptcy protection.

10. 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 MWBE 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.