Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: July 7, 2026
RE: PILOT Application: 185 Union Ave.

The enclosed PILOT application has been submitted for consideration at the July 14, 2026, CCRFC Board Meeting.

Project:	**185 Union Ave.**
Applicant/Owner:	Memphis K&U, LLC C/O Continental Hospitality Group (CHG) 150 E. Broad Street Columbus, OH 43215
Applicant's Request:	20-year PILOT to renovate and reopen a vacant 284-key hotel with ground-floor commercial space
Included Parcel:	002066-00001C (0.839-acre parcel; hotel building)
Location:	The subject property consists of a vacant hotel structure located at the southeast corner of BB King Blvd and Union Ave.
Background:	The original hotel building was constructed in 1927 as the "Hotel Tennessee," with 100 guestrooms. In 1986, the property was expanded to a total of 280 rooms, which remains its current key count. From 2007 through early 2018, the hotel, operating as the DoubleTree Memphis Downtown, was owned by a publicly traded real estate investment company. CHG acquired the property in April 2018 with the initial intent to redevelop it into a four-star, soft branded hotel asset. That property also includes a separate 0.9-acre parcel improved with a 152-space parking structure, which historically served the hotel exclusively. In March 2019, the CCRFC approved a 15-year PILOT to support a comprehensive renovation of the existing hotel, with an estimated development budget of over $60,000,000. The project was progressing toward a planned PILOT closing and start of work in mid-2020. However, the onset

of COVID-19 pandemic disrupted that plan. The approved PILOT was ultimately cancelled by the CCRFC when the project did not move forward as planned. In the years since, the property struggled financially. These conditions ultimately led to foreclosure, with the lender taking ownership of the asset in Q4 2025.

Following foreclosure, CHG was engaged by the lender to provide asset management services and to lead project capitalization, redevelopment execution, and reopening efforts. A PILOT is necessary to renovate and reopen this full-service hotel with meeting space and food & beverage venues.

The property owner intends to monetize the revenues generated through the proposed PILOT and hotel surcharge by issuing bonds to support project financing. Additionally, the applicant is requesting approval of a 5% hotel surcharge for a 30-year term to further enhance project feasibility. These components of the request are expected to require separate approvals from the City of Memphis and Shelby County governments.

Proposed Project:

The intended future use of the property is a fully renovated full-service hotel, including meeting & event space, and food & beverage offerings.

Once completed project will include a renovated building (over 192,000 sf) and the following spaces and elements:

- 284 hotel rooms (including approximately 10 suites)
- Full-service bar (100 seats)
- Outdoor lounge & event space (2,200 sf)
- Lobby bar & lounge
- 1,200 sf gym
- Approximately 7,200 sf of meeting & event space
- 152-space parking garage

Approximately \$4,000,000 - \$5,000,000 of exterior work and \$30,000,000 of interior improvements are currently planned. More than \$7,000,000 in investment is anticipated to upgrade all mechanical, electrical, HVAC, plumbing, and fire and life safety systems. The scope of work for building improvements and renovation will include major elements:

- Full roof replacement
- Fire & life safety upgrades for compliance with current codes
- HVAC, electrical, and plumbing repairs/upgrades

- Renovated restaurant and kitchen space
- Renovated Grand Ballroom (4,000 sf)
- New outdoor lounge and event space (2,200 sf)
- Exterior cosmetic curb appeal improvements
- Relocate and expand the gym
- Potentially add 4 additional guest rooms
- Comprehensive renovation of all guestrooms and most public spaces within the hotel

Contingent upon approval of the PILOT, construction is anticipated to commence by the end of Q4 2026, with substantial completion expected in Q1 2028.

Development Budget:

The development proposal requires approximately $55 million in capital expenditures to reopen the property as a high-quality, 4-star hotel. As a result of this investment, the project is anticipated to have a total development basis of $63 million, which reflects the inclusion of the hotel's current as-closed value of $8.25 million. This equates to approximately $221,831 per key in total project costs.

Current PILOT policies require a substantial level of investment in new construction or permanent building improvements to qualify for PILOT consideration. The standard used in the PILOT application to evaluate eligibility is whether the value of proposed building renovations, site improvements, or new construction is equal to or greater than 60% of the total project cost.

Based on the preliminary total budget, the project includes approximately $29 million in hard construction costs, representing about 46% of the overall budget, including all forecasted expenses. It should be noted that FF&E, OS&E and other personal property should not be included in the calculation of compliance with the 60% rule since CCRFC is not granting a PILOT on the personal property.

When excluding the proposed value of the personal property in the overall development budget, the 60% level of investment test will be satisfied per the CCRFC's polices.

The following describes the overall sources & uses of funding:

Sources:

First Mortgage	$37,700,000	(60%)
C-PACE	$5,000,000	(8%)
Subtotal – Debt	$42,700,000	(68%)

PILOT & Surcharge Proceeds*	$12,300,000	(19.5%)
Other Incentives**	$5,000,000	(8%)
Existing Equity***	$3,000,000	(4.5%)
Subtotal - Equity	$20,300,000	(32%)
Total Sources	**$63,000,000**	**(100%)**

<u>**Uses:**</u>

Property	$8,250,000	(13%)
Hard Costs	$28,912,120	(46%)
FF&E / OS&E	$12,420,000	(20%)
Soft Costs	$4,689,378	(7%)
Loan Interest Reserves	$3,850,000	(6%)
Pre-Opening / Tech Services	$3,300,000	(5%)
Closing Costs	$1,113,502	(2%)
Working Capital	$284,000	(<1%)
Owner Contingency	$181,000	(<1%)
Total Uses	**$63,000,000**	**(100%)**

** This applicant plans to leverage the future value of hotel surcharge and PILOT-related tax savings as an upfront financing mechanism, rather than receiving those savings incrementally over the abatement period. This structure is allowed under the applicable statute. The PILOT lessee will continue to pay full property taxes, while using the PILOT payment stream as collateral to support bonds issued with a 20-year term.*

***The applicant is actively exploring additional incentive tools and creative financing strategies to support the project. If additional public financing sources are not available, DMC Staff requests that the applicant identify other sources and/or provide additional cash equity to close any remaining funding gap.*

**** In June 2023, the property owner provided a $28.2 million loan to the previous owner to refinance the existing mortgage debt. At the time the property owner foreclosed on the property in December 2025, the outstanding loan balance had increased to approximately $30.0 million. In the PILOT application, the applicant considers this unrecovered investment to be part of its equity contribution to the project. For purposes of balancing project sources and uses, the formal application materials include an accounting adjustment of -$27.0 million within the Sources & Uses budget.*

Project Grading: The project can achieve a maximum grade of 20 years under the following PILOT scoring criteria.

<u>Grading Criteria:</u>

Hotel (+201 rooms)	6 Years
Retail (5,000 – 9,999 sf)	1 year
Located within CBID Boundaries	3 Year

	+$20 Million Development Cost	5 Years
	National Register - Contributing	4 Years
	Enhanced Architectural Lighting	1 Year
	Maximum PILOT Grade:	20 Years
	Applicant's PILOT Request:	**20 Years**

Parking Strategy: Parking to support the hotel will continue to be provided at the nearby parking garage (221 Union) owned in common with this building. The parking garage parcel will not be included under the requested PILOT.

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

Estimated Payments: The applicant has modeled the PILOT valuation with an assumption that property value and assessment will be reset to account of its current condition and lower value. Under that scenario, current annual city and county taxes on the subject property would total approximately **$174,345**. A PILOT would allow for a vacant and challenging building in the heart of the Downtown Core to be brought back into productive use.

During the 20-year PILOT term, the annual payment in lieu of taxes to the City and County is estimated to equal approximately **$430,844**. This represents a **147% property tax increase** from the pre-PILOT level.

Approval of this PILOT not only enables an otherwise stalled commercial development project to move forward, it also meaningfully expands the local property tax base. Over the 20-year PILOT term, the project is projected to generate more than **$5.13M** in new cumulative City and County property tax revenue that would not be possible without approval of the PILOT.

Staff Evaluation: Based on the submitted application and accompanying pro forma, DMC staff concurs with the applicant that a PILOT incentive is necessary to support the project's ability to secure project debt, as projected internal rate of return (IRR) and equity returns are below market thresholds required to attract the necessary capital.

In addition, the anticipated tax increment generated through the PILOT and the proposed 5% surcharge are expected to be leveraged through a bond issuance. This structure would help close a critical funding gap and unlock the capital necessary for redevelopment in an increasingly constrained lending environment.

The DMC’s Downtown Action Plan recognizes the urgent need to further catalyze private investment in commercial real estate and strengthen connections among existing assets. Key priorities include blight remediation, infill development, and activation of public space within the Downtown Core, the Sports & Entertainment District, and designated retail nodes, all aimed at addressing gaps in vibrancy and improving overall urban connectivity.

Located in the heart of both the Downtown Core and the Sports & Entertainment District, the subject property is currently vacant and contributes to negative market signaling. Uncertainty and underutilization of prominent assets can deter private investment, while blighted or vacant conditions erode the local tax base and diminish perceptions of public safety and Downtown vitality.

Strategically positioned at the prominent intersection of Union Avenue and B.B. King Boulevard, the site serves as a key east–west gateway into Downtown. Its proximity to AutoZone Park further amplifies its visibility, exposing thousands of visitors during baseball games, concerts, and other major activity to the current vacant condition, reinforcing its negative impact on the perception of Downtown. Finally, the CCRFC PILOT Program places special emphasis on the rehabilitation and adaptive reuse of historically significant structures. As a contributing building within the Gayoso-Peabody Historic District, listed on the National Register of Historic Places, the proposed redevelopment advances both long-term preservation objectives and immediate goals of increasing street-level activation, walkability, and overall commercial vibrancy in the Downtown Core.

Recommendation: **Staff recommends approval of a 20-year PILOT as requested and support for the 5% hotel surcharge, subject to standard closing requirements and conditions and all other required approvals.**