APPLICATION

OF

FALLS BUILDING PROPERTY OWNER, LLC

FOR

PAYMENT IN LIEU OF TAXES INCENTIVES

BEFORE

CENTER CITY REVENUE FINANCE CORPORATION

2023

TABLE OF CONTENTS

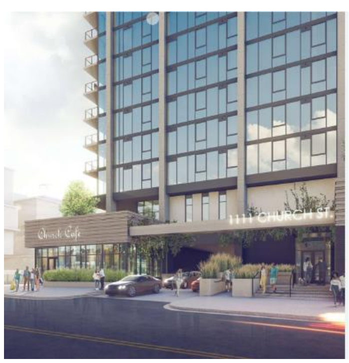
EXHIBITS

1) APPLICANT BACGROUND:

Falls Building Property Owner, LLC
c/o
Left Lane Development, LLC ("Left Lane" or "Applicant")
827 Washington St.
New York, NY, 10014

Business Description:	Left Lane is a hospitality and multi-family real estate developer. Falls Building Property Owner is a single purpose entity and wholly owned subsidiary of Left Lane.
Legal Structure:	New York limited liability company
Left Lane Representatives:	Gene Shevaldin SVP Investments Left Lane Development 827 Washington St. New York, NY 10014 Telephone: (212) 461-3335 Email: gene@leftlane.dev Ash Shaaban President Left Lane Development 827 Washington St. New York, NY 10014 Telephone: (212) 461-3335 Email: ash@leftlane.dev

2) ABOUT LEFT LANE AND THE FALLS BUILDING:



Left Lane is a vertically integrated real estate development firm based out of New York, NY. Left Lane targets hospitality and multifamily development and redevelopment opportunities in the fastest growing U.S. secondary markets. Over the next five years, Left Lane will have acquired, converted or developed $1.5B in projects. Initial projects are in Savannah, GA, Charlotte, NC, Pittsburgh, PA and, hopefully, Memphis, TN.

Left Lane acquired the Historic Falls Building in 2022. The Falls Building was originally constructed in 1910 and is a landmark that is listed on the National Register of Historic Places.

3) PENDING AND PREVIOUS APPLICATIONS:

A. Applicant has never applied for or received Payment-in-lieu-of-tax (“PILOT”) or other incentives from the Center City Revenue Finance Corporation (“CCRFC”).

B. Applicant has no plans to incur indebtedness or other financial obligations that would have a materially adverse impact on its financial condition.

C. To the best of Applicant’s knowledge, (i) Applicant has had no regular professional relationship with the legal counsel for CCRFC in the past five (5) years, and (ii) neither CCRFC legal counsel nor any member of CCRFC has direct or indirect ownership in Applicant.

4) PROJECT SUMMARY:

Left Lane seeks payment-in-lieu-of-tax (“PILOT”) incentives from the CCRFC in order to make capital investments (real property and development costs) totaling approximately $79,000,000 for the conversion of a vacant office building into a vibrant mixed-use multi-family property in Downtown Memphis (the “Project”). The Project will consist of a 170-unit, Class A multi-family community thoughtfully designed for residents who want the living experience of a mixed-use development combined with the service of a hotel. As a historic Memphis landmark, Left Lane's design plan is intended to revitalize the charm of the Falls Building while bringing it to its highest and best use as a residential community.

Significant components of the Project will include development of studio, one-, two, and three-bedroom units that will include approximately 50 fully furnished units. The Project's amenity package will include 12,525 sq. ft. of residential amenities and 2,244 sq. ft. of ground-floor commercial space. The amenity spaces have been designed to invite the tenants to gather, work, and play. Residents will be greeted by the jewel of the Falls Building, the Library, which leads into a double-height atrium and co-working spaces connected to an outdoor terrace. Through the glass door, the exterior courtyard will contain an outdoor kitchen and wide range of seating options. Adjacent to the Library will be the Property's state-of-the-art 4,114 sq. ft. gym with the newest machines and private training room filled with an abundance of natural light through large historic street front windows. Through the lobby are the Property's main amenities including the game room which includes billiards tables, a bocce ball court, ping pong tables, and lounge seating. Across the hallway sits the sports lounge with its own golf simulator and the private movie theater. Finally, the pantry and private dining room provide a room of moody glamour for residents to use for special events and gatherings. The pantry will be fully outfitted with the necessary appliances for entertaining including a refrigerator, dishwasher, warming drawer, and a convection oven. Additional tenant amenities include the pet spa, guest restrooms, bike storage, and a package room.

Left Lane has included, as attached "**Exhibit A**", conceptual images and floorplans currently contemplated for the ground floor and a typical residential floor of the Project.

5) INCENTIVE REQUESTED:

From the outset of acquiring the Falls Building, Left Lane has faced significant headwinds in developing an economically feasible project for the Falls Building. Left Lane, like many other owners of office space in Downtown Memphis, are finding it prohibitively difficult to attract and retain suitably sized office tenants. Recent data shows that Downtown Memphis has an office vacancy rate of 15.5%. This vacancy figure does not take into account the rather large office sublease market and the potential vacancies that will arise at the First Horizon building at 165 Madison following its acquisition by TD Bank. While the office vacancy figure might not seem alarming on its face, Downtown office vacancy is expected to grow in the coming years as businesses and other quality office tenants move to other parts of Memphis, Shelby County, and surrounding areas. These challenges in the Downtown Memphis office market are the result of the lingering and sustained effects of the changing nationwide office/work landscape in the wake of the COVID-19 global pandemic, the impact of which has been and continues to be significant on both revenue and supply chains, causing companies to re-think their office footprints.

On the other hand, even with other recently completed and ongoing residential projects, residential units in Downtown Memphis are not coming online fast enough to meet demand. Downtown Memphis residential occupancy rate is strong, sitting at over 95%.

In the face of these changing and sustained market forces, Left Lane has determined that it is uniquely positioned, with the assistance of PILOT incentives from the CCRFC, to convert the historic Falls Building to its highest and best use, and help to meet the growing demand for quality residential space in Downtown Memphis. In addition, Left Lane is committed to meeting the requirements of the DMC's Affordable Housing Program by holding at least 20% of the units for individuals and families of low to moderate income. With the University of Memphis – Cecil C. Humphreys as its neighbor across the street, the Falls Building will be an attractive and affordable option for law students, many of whom are low to moderate income. The law school's Dean, Kate Schaffzin, has offered a letter of support for the Project and the requested incentives, which is attached hereto as "**Exhibit B**".

Despite Left Lanes steadfast belief in the strength of Downtown Memphis as a whole, maintaining the *status quo* of the Falls Building as an office property is simply not economically feasible – now, or for the foreseeable future. Office use is not going back to pre-pandemic levels, and this workforce shift is not unique to Downtown Memphis. Even Texas cities that did not shut down during the worst of the pandemic are 20 -30 percent below 2019 office occupancy, and New York, Los Angeles, and Washington, D.C are down more than 40 percent. Editorial Board. (2022, January 19). Downtowns are lifeless. It's a once-in-a-generation chance to revive them. [Editorial]. *The Washington Post*. https://www.washingtonpost.com/opinions/2023/01/19/downtowns-cities-how-to-revive/, attached hereto as **"Exhibit C"**. Rather than waiting for the downtown office Market to "rebound," which may never happen, Memphis can seize this once-in a generation opportunity to reshape Downtown Memphis for the future. This Project, if approved, is a bold step towards regaining the momentum that Downtown Memphis was experiencing prior to the pandemic.

Without the benefit of CCRFC PILOT incentives and in the face of historically high construction cost escalations in 2022, expected cash flows following Project completion will not provide a sufficient return on the required costs, and the combination of a large amount of capital placed at risk and below market investment returns renders this transformational Project infeasible in the absence of external funding sources. But for the granting of a CCRFC PILOT incentive, this Project will not move forward, and the Falls Building will remain vacant indefinitely. As a result, Left Lane needs to collaborate with the CCRFC and, to that end, requests that CCRFC grant a PILOT incentive for the Project, subject to the Special Request below, for a period of not less than twelve (12) years (the "PILOT Term"), with respect to the parcel comprising the Project Location.[1] The Special Request includes the following:

- PILOT Lease initial closing deadline be extended to fifteen (15) months following CCRFC approval.

[1] Although the Project achieves a grade justifying an award of a PILOT Term of 22.5 years, Applicant is only seeking a PILOT term of 12 years. *See* Project Grading Matrix, attached hereto as "**Exhibit D**".

6) ANTICIPATED PROJECT TIMELINE:

- First expenditure of funds with regard to the Project: First expenditures were made in May, 2022 to acquire the property. First expenditures related to construction and renovation shall be incurred in approximately October, 2023.

- Closing of loan or other financing: approximately October, 2023.

- Commence re-development: approximately November, 2023.

- Complete re-development: approximately 15 months after commencement.

7) PROJECT LOCATION:

The Falls Building is and the Project will be located on Tax Parcel ID # 002005 00001C (22 N. Front Street) (the "Project Location"). Legal Title for the Project Location is currently vested in Falls Building Property Owner LLC, a Delaware limited liability company, pursuant to that certain *Special Warranty Deed* dated May 3, 2022, and recorded as Instrument No. 22053183 in the Register's Office of Shelby County, Tennessee. Falls Building Property Owner, LLC is an affiliated entity of Left Lane.

8) FINANCIAL PROJECTIONS:

Left Lane has included, as attached "**Exhibit E**" an executive summary outline key financials supporting this Application, including a sources-and uses statement and pro forma. In this analysis, Left Lane compares pro forma financials and projected returns under two (2) scenarios:

- Project funded by Left Lane (including private debt) with savings from new PILOT incentives.
- Project funded by Left Lane (including private debt) without savings from PILOT incentives.

As shown in the pro forma financial projections, the Return on Investment in the stabilized year of the Project without savings from PILOT incentives is 5.1% and the Debt Service Coverage Ratio is 1.20x. Capital markets indicate that a Return on Investment less than 6.0% and a Debt Service Coverage Ratio less than 1.35x is unfinanceable.

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Stabilized year cash flow projections under each of these scenarios are as follows:

Falls Building - Stabilized Year Cash Flow Projections	
Total Revenue	6,049,443
Operating Expenses	1,396,101
NOI Before Taxes	4,653,343
Property Taxes Without PILOT	1,018,230
PROPERTY NOI - WITHOUT PILOT	**3,635,113**
Return on Investment / Cost	***5.1%***
Property Taxes with PILOT	433,880
PROPERTY NOI - WITH PILOT	**4,219,462**
Return on Investment / Cost	***6.0%***
Estimated Annual Debt Service	3,040,112
Principal	*790,112*
Interest	*2,250,000*
Cash Flow to Equity Without PILOT	595,001
Debt Service Coverage Without PILOT	**1.20x**
Cash Flow Return on Equity Without PILOT	**2.9%**
Cash Flow to Equity With PILOT	1,179,351
Debt Service Coverage With PILOT	**1.39x**
Cash Flow Return on Equity With PILOT	**5.7%**

The Project's Sources and Uses Statement is located on Page 1 of attached "**Exhibit E**". The remainder of the Exhibit is comprised of Left Lane's Pro Forma for each of the above scenarios for the requested 12-year PILOT Term.

9) PROJECT PROFESSIONALS:

The following professionals will be involved in establishing the project (defined below):

Applicant's Legal Counsel
Clayton C. Purdom, Esq.
Sam Fargotstein, Esq.
Martin, Tate, Morrow & Marston, P.C.
6410 Poplar Avenue, Suite 1000
Memphis, TN 38119
Telephone: (901) 522-9000
Email: cpurdom@martintate.com
sfargotstein@martintate.com

Applicant's Architect:
Earl Swensen & Associates, Inc.
1033 Demonbreun Street, Suite 800
Nashville, TN 37203
Telephone: (615)329-9445
Email: leed@esarch.com

Applicant's Structural, Civil and MEPFS Engineers
Smith Sechman Reid, Inc.
Ian Engstrom, PE, Principal
2650 Thousand Oaks Blvd. #4200
Memphis, TN 38118
Telephone: (901)260-9867
Email: iengstrom@ssr-inc.com

Applicant's General Contractor
Turner Construction Company
Jeff Borgsmiler, Project Executive
6060 Primacy Parkway, Suite 150
Memphis, TN 38119
Telephone: (901)568-7583
Email:

10) CREDIT REFERENCES:

Jennifer A. Dakin, Managing Director
Wells Fargo Bank
Hospitality Finance Group
Telephone: (202) 669-6119
Email: Jennifer.a.dakin@wellsfargo.com

Lyle Casriel, Managing Director – Investments
Private Wealth Advisor, Portfolio Manager
UBS Private Wealth Management
Telephone: 212-821-7066
Email: lyle.casriel@ubs.com

Scott van der Marck, Senior Managing Director
First Republic Bank
1230 Ave of the Americas
New York, NY 10020
Telephone: (212) 259-3630
Email: svandermarck@firstrepublic.com

11) FINANCIAL INFORMATION:

Left Lane is a privately held company in a very competitive business. Left Lane requests that it be permitted to provide any required financial information to a CCRFC representative who will review this information *in camera* at the office of Left Lane's legal counsel.

12) ECONOMIC IMPACT:

The significant capital investment and re-development of the now vacant office space would draw a new mix of residential tenants and commercial users, based on projections over the next 12 years, and generate an additional approximately $4,000,000 in total benefit to the municipality in the form of PILOT payments.

Estimated Economic Impact to City & County			
	Current Use w/o PILOT		**Mixed Use w/ PILOT**
12-Year Pilot Term Total Property Tax Revenue	$2.0MM	→	$6.0MM
Annual Property Tax Revenue (2025)	$160K	→	$434K

13) ITEMS FOR LEASE PREPARATION:

- Falls Building Property Owner, LLC will be the lessee under any new PILOT Lease Agreement with CCRFC.
- Project location will be comprised of Tax Parcel ID # 002005 00001C (22 N. Front Street) (2022 appraised value: $5,760,600)

14) DISCLOSURES:

- Applicant civil proceedings: None.
- Applicant criminal proceedings: None.
- Felony Indictments: None.
- Bankruptcy filings: None.

15) DIVERSITY PLAN:

Left Lane will comply with the CCRFC's Equal Business Opportunity (EBO) Program and Affordable Housing Program during the term of the Project, and will coordinate a Utilization and Outreach Plan with CCRFC staff prior to closing and establishing the requested incentives.

APPLICATION REPRESENTATIONS AND COVENANTS

This Application is made in order to induce the Memphis Center City Revenue Finance Corporation (the "CCRFC") to grant financial incentives to Applicant. Applicant hereby represents that all statements contained herein are true and correct to the best of its knowledge and include all information materially significant to CCRFC in its consideration of this Application. 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. Applicant shall also be required to show a good faith effort with regard to the employment of MWBE contractors. 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.

APPLICANT:

FALLS BUILDING PROPERTY OWNER, LLC
a Tennessee limited liability company.

By: ______________________

Name: Gene Shevaldin

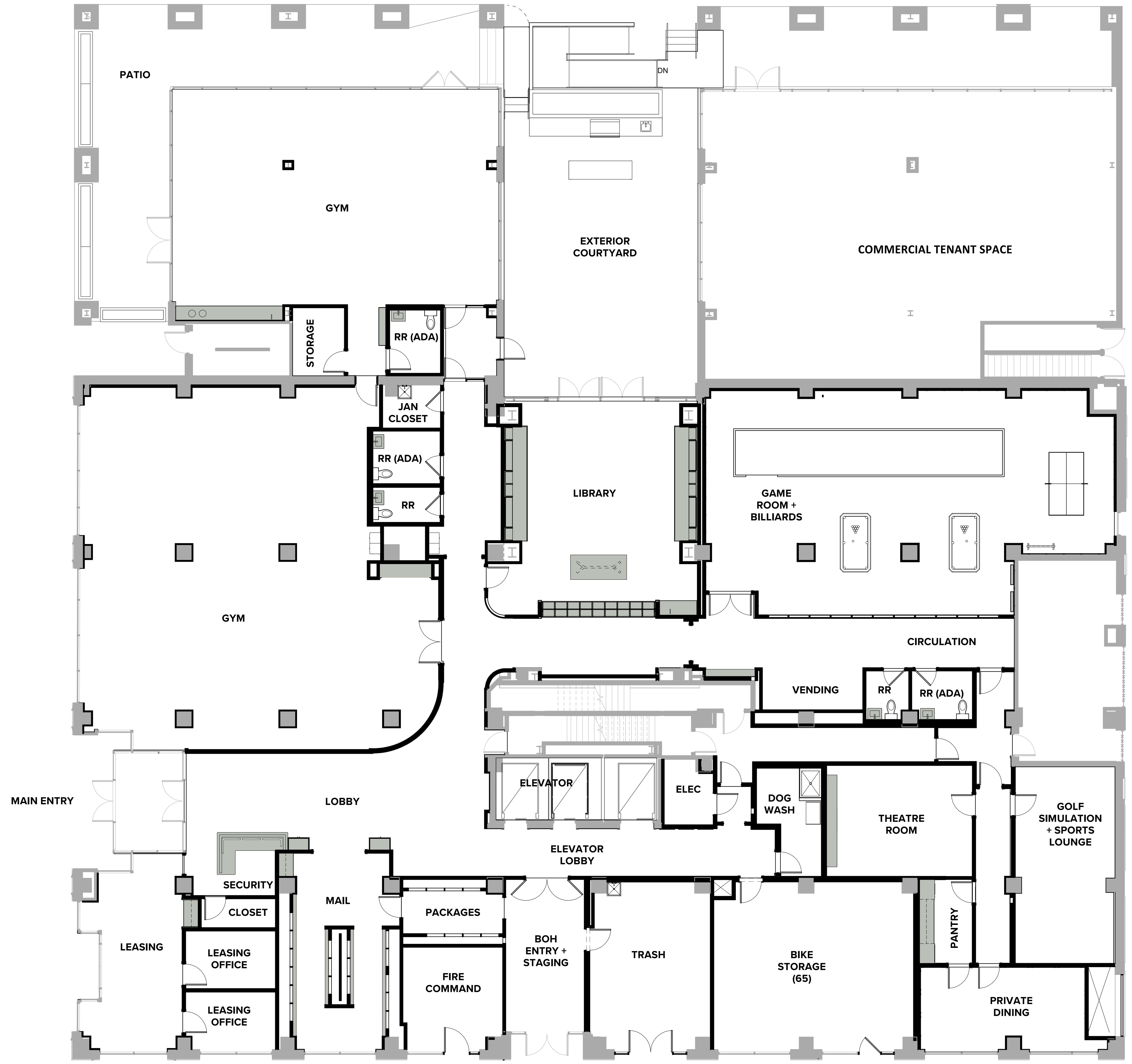
Title: SVP - Investments

EXHIBIT A

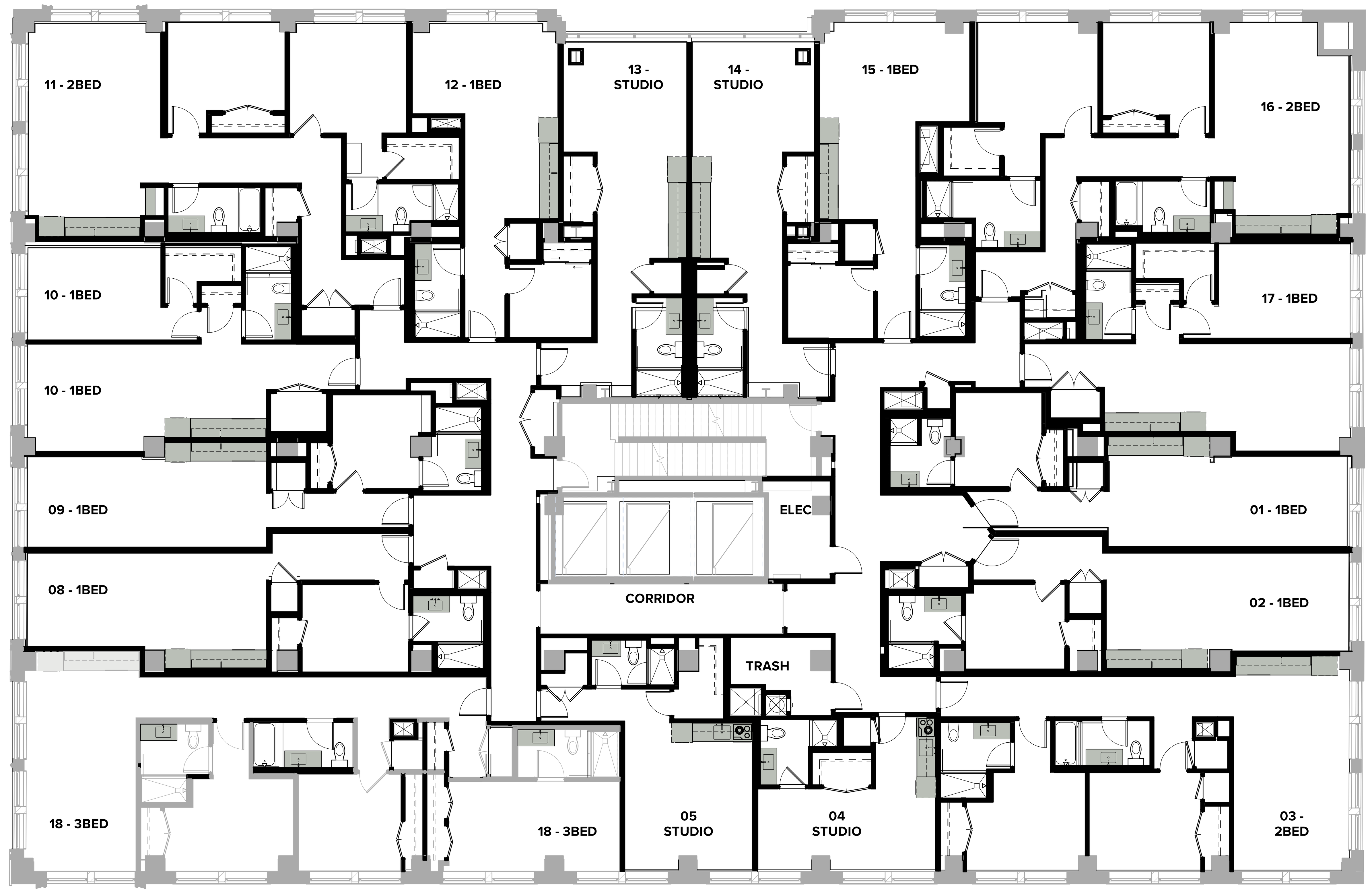
Marriott
SpringHillSuites
metro
67


MATRIX


EA SPORTS
PGA TOUR



1ST FLOOR PLAN



10TH FLOOR PLAN

EXHIBIT B

THE UNIVERSITY OF MEMPHIS
Cecil C. Humphreys School of Law

Cecil C. Humphreys School of Law
Office of the Dean

1 N. Front Street
Memphis, Tennessee 38103-2189

Office: 901.678.4922
Fax: 901.678.5210

www.memphis.edu/law

Via First Class Mail

Mr. Paul A. Young, President & CEO
Downtown Memphis Commission
114 N. Main Street
Memphis, TN 38102

January 23, 2023

Re: Falls Building Redevelopment Project

Dear Mr. Young,

The University of Memphis Cecil C. Humphreys School of Law supports Left Lane Development ("Left Lane") in their request for incentives needed to redevelop the Falls Building. As a neighbor immediately across the street from the Falls Building, the law school is excited about the benefit this Project can bring to its students and to downtown Memphis as a whole.

As the Dean of the law school, I prioritize the safety of our students who live, study, and work downtown. The safety of our neighborhood is a significant factor in the recruitment and retention of students to our law school. Substantial vacancies along Front Street have led to decreased foot traffic, lighting, and security patrols in areas adjacent to the law school. The redevelopment of the Falls Building will both increase the number of visitors near the law school and add to the security measures the law school already contributes to Front Street. In that regard, this project will improve our downtown neighborhood and enhance the security of our community.

Left Lane has confirmed that it intends to fully comply with the Downtown Memphis Commission's Affordable Housing Program. Many of my students, who are still waiting and working to start their legal careers, likely qualify as low to moderate income residents; they may choose to rent many quality apartments at the Falls Building. Living across the street from the law school offers students many benefits, including a shorter and safer commute and more time for study. Law students that live in downtown Memphis can also take advantage of the vibrant cultural opportunities that abound, including Memphis's best restaurants, music, sports, and entertainment. Of course, they'll be even closer to the FedEx Forum to enjoy Tigers basketball games.

With respect to safety, Left Lane advises that it intends to enhance outdoor lighting, install additional security cameras, and have security personnel in and around the Falls Building. Most law students and several staff park at the parking garage at the corner of Front and Jefferson St. to attend classes and must traverse Front Street across the nearly completely vacant block between the Raymond James Building and the law school. Due in part to the vacancy of the Raymond James Building and Falls Building, that block is currently severely lacking in private security. To the extent that this Project will improve visibility and security on that block, Memphis Law students stand to benefit tremendously from this project.

Left Lane's redevelopment of the Falls Building would be a welcome addition to the neighborhood as it continues to grow and develop into a safe and vibrant community within downtown Memphis. I support their efforts to occupy that building as soon as possible.

Sincerely,

K T Schaffzin

Katharine T. Schaffzin
Dean & Professor of Law

EXHIBIT C

THE POST'S VIEW

Opinion Downtowns are lifeless. It's a once-in-a-generation chance to revive them.

By the Editorial Board

January 19, 2023 at 6:04 p.m. EST

As mayors from around the country gathered in D.C. this week, they were eager to trade ideas on a problem facing almost every city in the nation: dead downtowns. Tourists are back, but office workers are still missing in action amid the tall glass buildings that dominate so many American downtowns. Their restaurants, coffee hangouts, stores and transit systems cannot sustain themselves without more people in center cities.

It's clear that it is no longer fears of the coronavirus holding workers back from returning. The nation is in the midst of one of the biggest workforce shifts in generations: Many now have experienced what it is like to work from home and have discovered they prefer it. At a minimum, they want a "hybrid" situation of working two or three days remotely. Cities must adapt to this new reality or risk a downward spiral of falling commercial property values, lower taxes on those buildings and ghost downtowns that could lead to increased crime and homelessness.

Two solutions are obvious: Get more workers back in the office and convert commercial offices to apartments and entertainment venues. But achieving this — especially in an era of higher mortgage rates — requires strong leadership and a great deal of creativity. This is a once-in-a-generation opportunity to reshape downtowns for the future. It should be a top priority of mayors and city councils around the country. The goal is a "24/7" downtown with ample work spaces, apartments, parks and entertainment venues that draw people in during the day and have a core of residents who keep the area vibrant after commuters go home.

As Atlanta Mayor Andre Dickens (D) told the Post Editorial Board: "The pandemic really accelerated the need for this and almost mandates the need for revitalization of downtown."

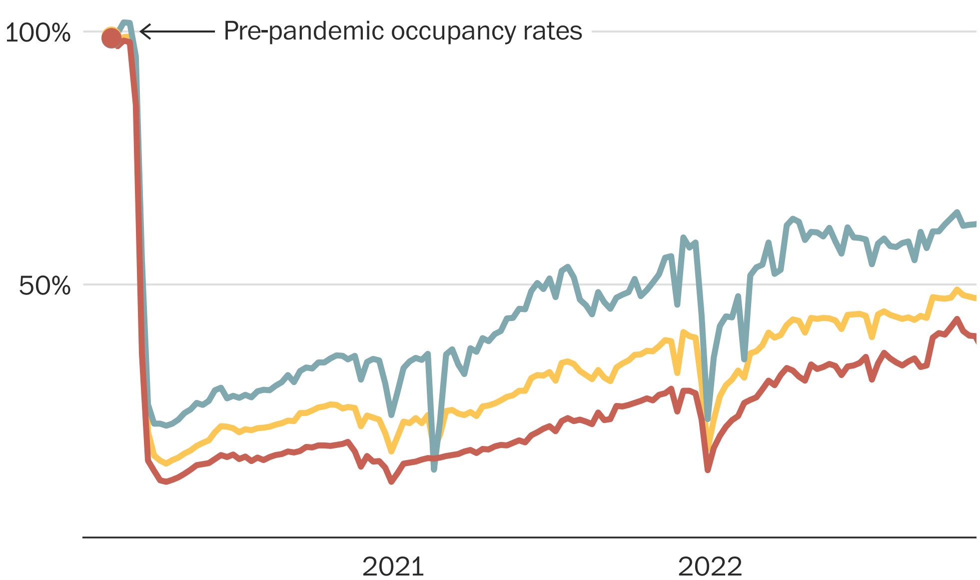
The encouraging news is that workers are starting to make their way back to the office, especially on Tuesdays and Wednesdays. January has seen the highest in-office days so far in Austin, Houston, Chicago, D.C., Los Angeles and Philadelphia since the pandemic began, according to Kastle Systems, which tracks security-badge swipes for more than 40,000 organizations. New York and San Francisco had their best in-office days in early December. All of this suggests workers are willing to come in at least a few days a week and more would do so if companies and local, state and federal governments required it. President Biden could help cities immensely by enforcing his vow in March that "the vast majority of federal workers will once again work in person."

> **Also on the Editorial Board's agenda**
>
> - The world's ice is melting quickly.
> - The Taliban rolls back women's rights.
> - Turkey's autocratic president, Recep Tayyip Erdogan, is at it again.
> - Hong Kong's crackdown on free speech continues.

But the data also tells another story: Office use isn't going back to pre-pandemic levels. Even Texas cities that did not shut down during the worst of the pandemic are 20 to 30 percent below 2019 office occupancy. New York, Los Angeles and D.C. are still down more than 40 percent. This a classic oversupply problem. Cities have too much office space, especially in the older buildings that companies are fleeing as they seek out new construction with more light and flexible space.

A slow return to the office

The average office occupancy rate remains low in America's big cities. Among the country's top 10 metro areas, Austin has had the best comeback, with 65 percent occupancy. San Jose has the lowest, at 31 percent.



Mayors and city lawmakers have reason to be bold in seizing this opportunity. There's growing interest among developers and investors who want to be a part of the office-to-apartment revolution. They are already eyeing the easiest buildings to convert: The ones with elevators in the middle, windows and light on all sides, and the right length and width. The challenge for city leaders is to generate interest in the buildings that are "maybe" candidates for conversion.

More workers are returning to the office in 2023

Peak return-to-offce date and percent back versus pre-pandemic

CITY	DATE	HIGHEST PERCENT
Austin	Tuesday, Jan. 10	77
Houston	Tuesday, Jan. 10	69
Dallas	Wednesday, Sept. 15	63
Chicago	Tuesday, Jan. 10	62
New York	Tuesday, Dec. 6	59
Los Angeles	Wednesday, Jan. 11	54
Washington, D.C.	Wednesday, Jan. 11	54
San Francisco	Tuesday, Dec. 6	53
San Jose	Thursday, Oct. 6	52
Philadelphia	Tuesday, January 10, 2023	50

Source: Kastle Systems

THE WASHINGTON POST

There's no playbook that will work for every city. Boston doesn't have a lot of room left to expand outward, whereas many Southwest cities still do. D.C., unlike most other cities, has restrictions on how high buildings can go. But smart leaders are starting to embrace some big ideas:

1. **Set a clear goal for new residents downtown:** D.C. Mayor Muriel E. Bowser (D) wants 15,000 new residents downtown in the next five years, an ambitious aim that helps focus attention on the scale of necessary change. Atlanta Mayor Dickens has set a target of 20,000 affordable housing units by 2026.
2. **Speed up permitting, rezoning and easing of restrictions.** The goal should be to jump-start progress as soon as possible. Stamford, Conn., has rezoned land around its big train station as Mayor Caroline Simmons (D) looks to encourage more residential buildings there. Austin Mayor Kirk Watson (D) would like to set minimum height levels instead of maximum ones to encourage taller apartments and mixed-used buildings along the city's burgeoning "Project Connect Office" transit expansion. It tends to be easier to include a significant number of affordable units in taller buildings, too. And some cities are considering whether to waive the requirement that all bedrooms have windows. Meanwhile,

Phoenix Mayor Kate Gallego (D) has been partnering with the private sector to use converted shipping containers to quickly build housing and other venues. Phoenix now has the tallest shipping container building in the nation. It sits on a former parking lot.

3. **Look for creative ways to finance big projects.** City leaders have traditionally turned to tax breaks to spur investment. That will be key again, but it's time to get creative. Fort Worth sold its central library branch for $18 million to generate funds while also requiring prospective buyers to invest at least $100 million into the property and redevelop it as a mixed-use project with office and residential space. Chicago is utilizing a competitive bidding process in which developers pitch their buildings on LaSalle Street as prime candidates for attractive financing. Mr. Dickens had Atlanta purchase one of the tallest buildings downtown — 2 Peachtree Street — for $39 million and plans to use it for a mix of retail, affordable housing and market-rate apartments. Not every city has those kind of funds, but most are still flush with federal stimulus money. As Lincoln, Neb., Mayor Leirion Gaylor Baird (D) put it, "We're trying to use one-time dollars to have enduring impact." Her city is looking at more office-to-housing conversions as well as building a new convention center.
4. **Think beyond housing.** This is a moment to prepare cities for the next half-century. That means building new streetlights, public transit, parks, bike lanes and recreational spaces alongside more apartments. Seattle Mayor Bruce Harrell (D) envisions "coffee corners" with small stages for public performances and gatherings. Waterloo, Iowa, Mayor Quentin Hart is about to launch a spectacular light show in his city and is working on plans for a white water rafting course on its river. Burlington, Vt., Mayor Miro Weinberger (D) is transforming Main Street by adding a "tree belt" park on both sides of the street, along with bike lanes. Many cities are also turning dilapidated malls into food halls. These projects redefine what makes a city unique for its residents — and visitors.

There's a financial urgency to get transformation underway quickly. In many cities, such as D.C., commercial office vacancies are 15 percent or higher, according to CoStar, a provider of commercial real estate data. That's starting to resemble a fire sale scenario in which rents and property values drop rapidly. America's cities are ripe for new skylines and fresh streetscapes. The best leaders will get going soon.

EXHIBIT D

PRIMARY QUALIFICATION		SECONDARY QUALIFICATION	
RESIDENTIAL			
2 to 5 Units:	*1 Year*	2 to 5 Units:	*.5 Year*
6 to 10 Units:	*2 Years*	6 to 10 Units:	*1 Year*
11 to 15 Units:	*3 Years*	11 to 15 Units:	*1.5 Years*
16 to 25 Units:	*4 Years*	16 to 25 Units:	*2 Years*
26 to 50 Units:	*5 Years*	26 to 50 Units:	*2.5 Years*
51 Units +:	*6 Years*	51 + Units:	*3 Years*
OFFICE			
Below 15,000 sf:	*1 Year*	Below 15,000 sf:	*.5 Year*
15,000 to 50,000:	*2 Years*	15,000 to 50,000:	*1 Year*
50,001 to 100,000:	*3 Years*	50,001 to 100,000:	*1.5 Years*
100,001 to 200,000:	*4 Years*	100,001 to 200,000:	*2 Years*
200,001 to 300,000:	*5 Years*	200,001 to 300,000:	*2.5 Years*
300,001 sf +:	*6 Years*	300,001 sf + :	*3 Years*
EDUCATION			
Below 15,000 sf:	*1 Year*	Below 15,000 sf:	*.5 Year*
15,000 to 50,000:	*2 Years*	15,000 to 50,000:	*1 Year*
50,001 to 100,000:	*3 Years*	50,001 to 100,000:	*1.5 Years*
100,001 to 200,000:	*4 Years*	100,001 to 200,000:	*2 Years*
200,001 to 300,000:	*5 Years*	200,001 to 300,000:	*2.5 Years*
300,001 sf +:	*6 Years*	300,001 sf + :	*3 Years*
HOTEL			
2 to 10 Rooms:	*1 Year*	2 to 10 Rooms:	*.5 Year*
11 to 25 Rooms:	*2 Years*	11 to 25 Rooms:	*1 Year*
26 to 50 Rooms:	*3 Years*	26 to 50 Rooms:	*1.5 Years*
51 to 100 Rooms:	*4 Years*	51 to 100 Rooms:	*2 Years*
101 to 200 Rooms:	*5 Years*	101 to 200 Rooms:	*2.5 Years*
201 Rooms + :	*6 Years*	201 Rooms + :	*3 Years*
INDUSTRIAL			
Below 50,000 sf:	*1 Year*	Below 50,000 sf:	*.5 Year*
50,000 to 150,000:	*2 Years*	50,000 to 150,000:	*1 Year*
150,001 to 250,000:	*3 Years*	150,001 to 250,000:	*1.5 Years*
250,001 to 350,000:	*4 Years*	250,001 to 350,000:	*2 Years*
350,001 to 500,000:	*5 Years*	350,001 to 500,000:	*2.5 Years*
500,001 sf + :	*6 Years*	500,001 sf + :	*3 Years*
PARKING STRUCTURES			
200 to 300 cars:	*1 Year*	200 to 300 cars:	*.5 Year*
301 to 400 cars:	*2 Years*	301 to 400 cars:	*1 Year*
401 to 500 cars:	*3 Years*	401 to 500 cars:	*1.5 Years*
501 to 600 cars:	*4 Years*	501 to 600 cars:	*2 Years*
601 to 700 cars:	*5 Years*	601 to 700 cars:	*2.5 Years*
701 cars + :	*6 Years*	701 cars + :	*3 Years*

RETAIL			
15,000 to 20,000 sf:	*4 Years*	Below 5,000 sf:	*.5 Year*
20,001 to 30,000 sf:	*5 Years*	5,000 to 9,999 sf:	*1 Year*
30,001 sf + :	*6 Years*	10,000 to 14,999 sf:	*1.5 Years*
		15,000 to 20,000 sf:	*2 Years*
		20,001 to 30,000 sf:	*2.5 Years*
		30,001 sf + :	*3 Years*

TOTAL PROJECT DEVELOPMENT COST	
$1 – 5 Million:	*1 Year*
$5⁺ – 10 Million:	*2 Years*
$10⁺ – 15 Million:	*3 Years*
$15⁺ – 20 Million:	*4 Years*
$20⁺ Million:	*5 Years*

CCRFC Priorities

General Location

Located in CBID (Appendix II):	3 Years
Located outside CBID, but inside CCRFC boundaries (Appendix II):	1 Year

Core & Historic

Project may only qualify for one of the following five:

Construction of a new structure in the Downtown Core:	1 Year
Renovation of an existing structure in the Downtown Core:	2 Years
Renovation of a structure listed as non-contributing property in a National Register or Landmarks Commission Historic District:	3 Years
Renovation of a structure listed as significant or contributing in a National Register or Memphis Landmarks Commission Historic District:	4 Years
Renovation of a structure listed individually on the National Register of Historic Places:	5 Years

Community-based Initiatives & Economically Distressed Areas

Project may qualify for up to two of the following:

Fronting the Main to Main Multi-Modal Connector Route (Appendix II):	3 Years
Located within the boundaries of the Edge Neighborhood (Appendix II):	3 Years
Located within the boundaries of the South City Impact Area (Appendix II):	3 Years
Located within the boundaries of the Pinch Neighborhood (Appendix II):	4 Years
Located in a Census Tract with a Poverty Rate over 20 percent*	2 Years
Located in a Census Tract earning 80 or less of Area Median Income (AMI)*	2 Years

Design & Energy

Project may qualify for one or more of the following:

Including permanent public art (qualification determined by the DMC Design Review Board):	1 Year
Including enhanced architectural lighting (qualification determined by the DMC Design Review Board):	1 Year
Leadership in Energy and Environmental Design (LEED) Certification:	4 Years

Net Zero Energy Building (NZEB) Certification:	4 Years
Memphis Light, Gas and Water (MLGW) Energy Advantage Certification:	1 Years

** Applicants may refer to the HUD map to confirm qualification; https://www.huduser.gov/qct/qctmap.html.*

PILOT TERM CALCULATION

Primary Qualification:	6 years
Secondary Qualification A:	.5 years
Secondary Qualification B:	
Secondary Qualification C:	
Total Project Development Cost:	5 Years
CCRFC Priorities:	11 Years
PILOT TERM:	22.5 Years

EXHIBIT E

Sources & Uses				
Sources	**Total**	**per Unit**	**per GSF**	**% of Total**
Equity	$29,075,000	$171,029	$159	37%
Debt	$50,000,000	$294,118	$274	63%
Total Sources	**$79,075,000**	**$465,147**	**$433**	**100%**
Uses				
Acquisition Costs	$10,000,000	$58,824	$55	13%
Construction Costs	$52,675,000	$309,853	$288	67%
Professional Fees & Soft Costs	$12,200,000	$71,765	$67	15%
Financing Costs	$4,200,000	$24,706	$23	5%
Total Uses	**$79,075,000**	**$465,147**	**$433**	**100%**
Less: Historic Tax Credits	$8,300,000	$48,824	$45	10%
Net Basis	**$70,775,000**	**$416,324**	**$388**	**90%**

Professional Fees and Soft Costs Breakout	
FF&E, OS&E, Technology	$3,000,000
Architecture & Engineering	$1,700,000
Consultants	$150,000
City Fees	$1,100,000
Legal Costs	$875,000
Accounting	$165,000
Pre-Opening & Marketing	$360,000
Operations & Carry Reserves	$825,000
Tenant Costs	$1,075,000
Project Management Costs	$2,600,000
Soft Cost Contingency	$350,000
Total	**$12,200,000**

Falls Building - Cash Flow Projections		STABILIZED										
PILOT YEAR	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
CALENDAR YEAR	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Physical Occupancy	90.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Economic Occupancy	91.9%	94.4%	94.3%	94.3%	94.2%	94.0%	93.9%	93.8%	93.6%	93.5%	93.4%	93.4%
Gross Potential Rent - Total	5,464,342	5,655,594	5,853,540	6,058,413	6,240,166	6,427,371	6,620,192	6,818,798	7,023,362	7,234,063	7,451,084	7,451,084
Vacancy Loss	(546,434)	(282,780)	(292,677)	(302,921)	(312,008)	(321,369)	(331,010)	(340,940)	(351,168)	(361,703)	(372,554)	(372,554)
Bad Debt	(27,322)	(28,278)	(29,268)	(30,292)	(31,201)	(32,137)	(33,101)	(34,094)	(35,117)	(36,170)	(37,255)	(37,255)
Net Rental Income	**4,890,586**	**5,344,536**	**5,531,595**	**5,725,201**	**5,896,957**	**6,073,865**	**6,256,081**	**6,443,764**	**6,637,077**	**6,836,189**	**7,041,275**	**7,041,275**
Other Income	406,352	419,355	432,774	446,623	460,022	473,822	488,037	502,678	517,759	533,291	549,290	549,290
Parking	53,572	55,179	56,834	58,539	60,295	62,104	63,967	65,886	67,863	69,899	71,996	71,996
Storage Income	14,063	14,484	14,919	15,367	15,828	16,302	16,791	17,295	17,814	18,348	18,899	18,899
Retail	62,558	64,434	66,367	68,358	70,409	72,521	74,697	76,938	79,246	81,624	84,072	84,072
Utility Reimbursements	146,758	151,455	156,301	161,303	166,142	171,126	176,260	181,548	186,994	192,604	198,382	198,382
Total Revenue	**5,573,888**	**6,049,443**	**6,258,791**	**6,475,391**	**6,669,652**	**6,869,742**	**7,075,834**	**7,288,109**	**7,506,752**	**7,731,955**	**7,963,914**	**7,963,914**
Expenses												
Payroll & Benefits	488,522	504,154	520,287	536,936	553,045	569,636	586,725	604,327	622,457	641,130	660,364	680,175
R&M	36,049	37,203	38,393	39,622	40,811	42,035	43,296	44,595	45,933	47,311	48,730	50,192
Make Ready/Redecorating	52,177	53,846	55,569	57,347	59,068	60,840	62,665	64,545	66,481	68,476	70,530	72,646
Contract Services	151,786	156,643	161,656	166,829	171,834	176,989	182,298	187,767	193,400	199,202	205,179	211,334
Common Area Amenities	14,230	14,685	15,155	15,640	16,109	16,593	17,090	17,603	18,131	18,675	19,235	19,813
Advertising & Promotion	85,380	88,112	90,931	93,841	96,657	99,556	102,543	105,619	108,788	112,051	115,413	118,875
Administrative Costs	71,150	73,427	75,776	78,201	80,547	82,964	85,452	88,016	90,656	93,376	96,177	99,063
Utilities	166,016	171,329	176,811	182,469	187,943	193,582	199,389	205,371	211,532	217,878	224,414	231,146
Mgmt Fees	153,282	166,360	172,117	178,073	183,415	188,918	194,585	200,423	206,436	212,629	219,008	219,008
Insurance	85,380	88,112	90,931	93,841	96,657	99,556	102,543	105,619	108,788	112,051	115,413	115,413
RE Tax - WITH PILOT ABATMENT	433,880	433,880	433,880	433,880	498,962	498,962	498,962	498,962	573,807	573,807	573,807	573,807
Total Expenses	**1,737,851**	**1,787,751**	**1,831,508**	**1,876,681**	**1,985,047**	**2,029,630**	**2,075,550**	**2,122,847**	**2,246,408**	**2,296,586**	**2,348,270**	**2,391,471**
Replacement Reserves	41,000	42,230	43,497	44,802	46,146	47,530	48,956	50,425	51,938	53,496	55,101	55,101
PROPERTY NOI - WITH PILOT	**3,795,037**	**4,219,462**	**4,383,786**	**4,553,908**	**4,638,459**	**4,792,582**	**4,951,328**	**5,114,837**	**5,208,407**	**5,381,873**	**5,560,544**	**5,517,342**
Return on Investment/Cost	***5.4%***	***6.0%***	***6.2%***	***6.4%***	***6.6%***	***6.8%***	***7.0%***	***7.2%***	***7.4%***	***7.6%***	***7.9%***	***7.8%***
RE Tax - WITHOUT PILOT ABATMENT	1,018,230	1,018,230	1,018,230	1,018,230	1,170,964	1,170,964	1,170,964	1,170,964	1,346,609	1,346,609	1,346,609	1,346,609
PROPERTY NOI - WITHOUT PILOT	**3,210,687**	**3,635,113**	**3,799,436**	**3,969,558**	**3,966,457**	**4,120,580**	**4,279,326**	**4,442,835**	**4,435,605**	**4,609,071**	**4,787,741**	**4,744,540**
Return on Investment/Cost	***4.5%***	***5.1%***	***5.4%***	***5.6%***	***5.6%***	***5.8%***	***6.0%***	***6.3%***	***6.3%***	***6.5%***	***6.8%***	***6.7%***
Estimated Debt Service	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112	3,040,112
Cash Flow to Equity With PILOT	754,925	1,179,351	1,343,674	1,513,796	1,598,348	1,752,470	1,911,216	2,074,725	2,168,295	2,341,761	2,520,432	2,477,230
Debt Service Coverage With PILOT	**1.25x**	**1.39x**	**1.44x**	**1.50x**	**1.53x**	**1.58x**	**1.63x**	**1.68x**	**1.71x**	**1.77x**	**1.83x**	**1.81x**
Cash Flow Return on Equity With PILOT	**3.6%**	**5.7%**	**6.5%**	**7.3%**	**7.7%**	**8.4%**	**9.2%**	**10.0%**	**10.4%**	**11.3%**	**12.1%**	**11.9%**
Cash Flow to Equity Without PILOT	170,575	595,001	759,324	929,446	926,346	1,080,468	1,239,215	1,402,723	1,395,493	1,568,959	1,747,629	1,704,428
Debt Service Coverage Without PILOT	**1.06x**	**1.20x**	**1.25x**	**1.31x**	**1.30x**	**1.36x**	**1.41x**	**1.46x**	**1.46x**	**1.52x**	**1.57x**	**1.56x**
Cash Flow Return on Equity Without PILOT	**0.8%**	**2.9%**	**3.7%**	**4.5%**	**4.5%**	**5.2%**	**6.0%**	**6.8%**	**6.7%**	**7.6%**	**8.4%**	**8.2%**

PILOT Request	
Requested PILOT Term (years)	12.0
Project Type	Rehabilitation
Located in the CBID?	Yes
Current Amounts	
Base Appraisal	$5,760,600
Base Assessment	$2,304,240
Annual City Tax on Base Assessment	$62,214
Annual County Tax on Base Assessment	$78,114
Annual RE Taxes on Base Assessment	**$140,328**
Project Costs	
Acquisition Cost	$10,000,000
Hard Costs	$52,675,000
Soft Costs	$12,200,000
Total Project Costs w/o PILOT fee	**$74,875,000**
Hard Costs Investment Check - 70.4%	**YES**
Public grants eligible for PILOT fee basis reduction	$0
PILOT fee basis	$74,875,000
PILOT fee	**$1,123,125**
Total Project Costs w/ PILOT fee	**$75,998,125**
Valuation & CBID Assessment	
Base Appraisal	$5,760,600
Percentage of Hard Costs	$31,605,000
Estimated Appraisal after Improvements	$37,365,600
Estimated Assessment after Improvements	**$14,946,240**
Estimated Annual CBID Assessment after Improvements	**$97,086**
Annual RE Taxes	
*Hypothetical annual taxes without PILOT**	
Estimated Hypothetical Annual City Tax without PILOT*	$403,548
Estimated Hypothetical Annual County Tax without PILOT*	$506,678
Estimated Hypothetical Total Annual Taxes without PILOT*	**$910,226**
Estimated annual taxes with PILOT	
Estimated Annual City Tax with PILOT	$147,548
Estimated Annual County Tax with PILOT	$185,255
Estimated Total Annual Taxes with PILOT	**$332,803**
Estimated Annual Benefit	**$577,423**
Cumulative RE Taxes	
*Hypothetical cumulative taxes without PILOT**	
Estimated Hypothetical Cumulative City Tax without PILOT*	$4,842,582
Estimated Hypothetical Cumulative County Tax without PILOT*	$6,080,130
Estimated Hypothetical Total Cumulative Taxes without PILOT*	**$10,922,712**
Estimated cumulative taxes with PILOT	
Estimated Cumulative City Tax with PILOT	$1,770,576
Estimated Cumulative County Tax with PILOT	$2,223,056
Estimated Total Cumulative Taxes with PILOT	**$3,993,632**
Estimated Cumulative Benefit over 12-Year PILOT	**$6,929,080**
Estimated Cumulative Increase in Taxes due to PILOT	**$2,309,693**

**Staff has concluded that this project would not go forward without a PILOT. Hence, the "Estimated Hypothetical" amounts are fictional/moot numbers used to calculate the benefit of the PILOT to the project. The benefit figure does not represent lost tax revenue to the City or County. Without the PILOT, the property would remain unimproved and the tax assessment would continue to be based upon the unimproved value. With the PILOT, the amount listed above as "Estimated Cumulative Increase in Taxes due to PILOT" would be the approximate benefit over the PILOT term to the City and County from newly generated property tax revenue. That amount does not include any new sales taxes that will be generated by the construction and operation of the project. Furthermore, after the PILOT term has finished, it is expected that the annual taxes will be approximate to the amount listed as "Estimated Hypothetical Total Annual Taxes without PILOT".*