With the Grand Hyatt Dead or Stalled, What Happens to its Tax Incentives?

The lingering fallout from the death of the Grand Hyatt at One Beale has repercussions for Downtown's hotel market and the city's convention business, but it also raises the issue of what happens to the project's tax incentives.

The One Beale development has a special 5% sales tax added to rooms and anything else sold at the site. The 5% tax, known as a Tourism Development Zone surcharge, was supposed to pay for the municipal bonds that would've been issued to pay for part of the Grand Hyatt.

The tax has been collected by the whole development since Hyatt Centric hotel opened in April 2021.

If the project doesn't happen, the money is returned to the city's general fund like it is any other local sales tax. That has not happened yet. And so, perhaps, there could be still some hope that the Grand Hyatt moves forward.

Dan Springer, the city's deputy chief operating officer, said of the surcharge, "That was approved specifically for the Grand Hyatt. If the project doesn't go forward, the incentive is revoked and unused money returned."

He said discussions between the city and the developer have not occurred.

Chance Carlisle, the project's primary developer, said "The 5.0% surcharge tax is a competitive disadvantage to our open hotels and restaurants and will stop being collected when all paths forward are no longer workable."

The return of the money, when and if it occurs, would be an awkward coda to a saga that has stretched for most of 2022 and had Carlisle and Memphis Mayor Jim Strickland sniping at one another through the media this fall.

The sniping and disappointment over the scuttled 350-room hotel is part of the city's yearslong effort to bring a new convention center hotel to Memphis. At present, the Renasant Convention Center, which was just renovated for $220-plus million, is served by the Downtown Sheraton.

The Grand Hyatt, One Beale's two existing hotels — the Caption by Hyatt and Hyatt Centric — and new convention space on the site would've helped fill the void of more hotel rooms to serve the convention center. Instead, the project stalled as bond yields rose and prices fell, lowering how much money could be generated from the sale of the municipal debt backed by the 5% tax.

The Strickland administration agreed to provide a $10 million loan to the project but when bond prices fell further and Carlisle asked for a $15 million loan instead, the city declined. That decision prompted Carlisle to say the hotel deal was dead.

Carlisle canceling the surcharge would be the final nail in the project's coffin. Until then, there's still a chance.

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