

MORRIS & ATLAS



The Philcade

The Redevelopment of a Tulsa Landmark

Sponsor Overview

Morris & Atlas is a developer, creator and operator of timeless, independent hotels with soul. Over the past decade, we have overseen all aspects of design, programming, branding, entitlements, permitting, procurement, construction and operations for more than 10 award-winning boutique hotels.

Our obsession with striking the right balance between high design and risk adjusted returns to our stakeholders has earned us a reputation for developing beautiful hotels both cost effectively and quickly.

MORRIS & ATLAS



Hotel Developments developed by Morris & Atlas

Over the past decade, we have sponsored and/or managed the holistic development of 10+ award-winning hotels and over >\$600M of real estate. For each of our projects, we have overseen all aspects of due diligence, entitlements, capitalization, conceiving, design, branding, construction management, procurement and pre-opening.



Hotels & Clubs:

- **The Manchester** (125 rooms - Lexington KY)
- **The Line DC** (220 rooms - Washington DC)
- **Freehand New York** (167 rooms - New York NY)
- **Nomad New York** (157 rooms - New York, NY)
- **Life House Nantucket** (18 rooms - Nantucket MA)
- **The Camel Club** (Private Club - Lexington, KY)
- **Life House Lower Highlands** (17 rooms - Denver CO)
- **Life House Little Havana** (33 rooms - Miami, FL)
- **Life House South of Fifth** (26 rooms - Miami Beach FL)
- **Faraway Nantucket** (80 rooms, Nantucket MA)
- **Life House Collins Park** (52 rooms - Miami Beach FL)
- **Kayak Collins Park** (50 rooms - Miami Beach FL)

Restaurants & Bars developed by Morris & Atlas



Restaurants:

- **Granddam** (Lexington, KY)
- **A Rake's Progress** (Washington, DC)
- **Brothers & Sisters** (Washington, DC)
- **Wildflower** (Denver, CO)
- **Simon & The Whale** (New York, NY)
- **Layla** (Miami Beach, FL)
- **Studio** (New York, NY)

Bars, Lounges & Cafes:

- **The NoMad Bar** (New York, NY)
- **Broken Shaker** (New York, NY)
- **Lost Palm** (Lexington, KY)
- **George Washington Bar** (New York, NY)
- **Terras** (Miami, FL)
- **Parcela** (Miami, FL)
- **Smile To Go** (New York, NY)

Philcade Redevelopment Highlights

The ~\$94MM restoration of the iconic, 280,000 SF Philcade Building would deliver meaningful short and long-term benefits to the City of Tulsa:

- **Restore a downtown icon.** Bring one of Tulsa's most central Art Deco landmarks back to life as a mixed-use anchor downtown, activating 30,000 SF of curated street-level retail, including 2 chef-driven F&B concepts, bars, and community-focused lounges for mixing of locals and visitors alike.
- **Redefine Tulsa's Hospitality Offering:** Create the state's finest, rate-leading hotel—and establish Tulsa's first luxury hotel offering, attracting a new wave of higher-spending visitors from both coasts.
- **Provide critical hotel room supply:** Introduce ~125 *upper upscale guestrooms* and ~10,000 SF of flexible banquet, meeting, and *event space*, critical to the Tulsa's tourism revitalization and citywide convention growth goals.
- **Introduce high caliber downtown housing:** Downtown housing. Deliver ~115 *upscale apartments* in the heart of downtown, strengthening 24/7 activity and housing choice.
- **Create Jobs.** Add ~200 **construction jobs** during the ~24-month redevelopment period, ~115 *full-time* and ~40 *part-time high-quality middle income jobs* at the hotel.
- **Provide Strong City Fiscal impact.** The property would generate *\$17.0M of incremental tax revenues* to the City during the proposed TIF period and *\$3.07M annually* thereafter.



Hotel Lobby, Parlor & Reception

The Philcade will stand as the city's first luxury hotel, restoring one of downtown's most lauded architectural icons, and helping redefine Tulsa as an option for an upscale hospitality destination. At the same time, its lobby, public spaces and amenities will be programmed as a community-focused meeting and entertainment hub, bringing together locals and tourists alike in the heart of the city.



Bars & Lounges

The ground floor will be anchored by a spirited grand bar and lounge adjacent to the Philcade's historic atrium and the hotel lobby. The remainder of the floor will also feature a series of other discovered, soulful lounges, living rooms and libraries for restaurant patrons to extend their evenings, residents to call home, and community to come together. An eccentric cocktail program and small-format, sharing-focused fare will be served throughout.

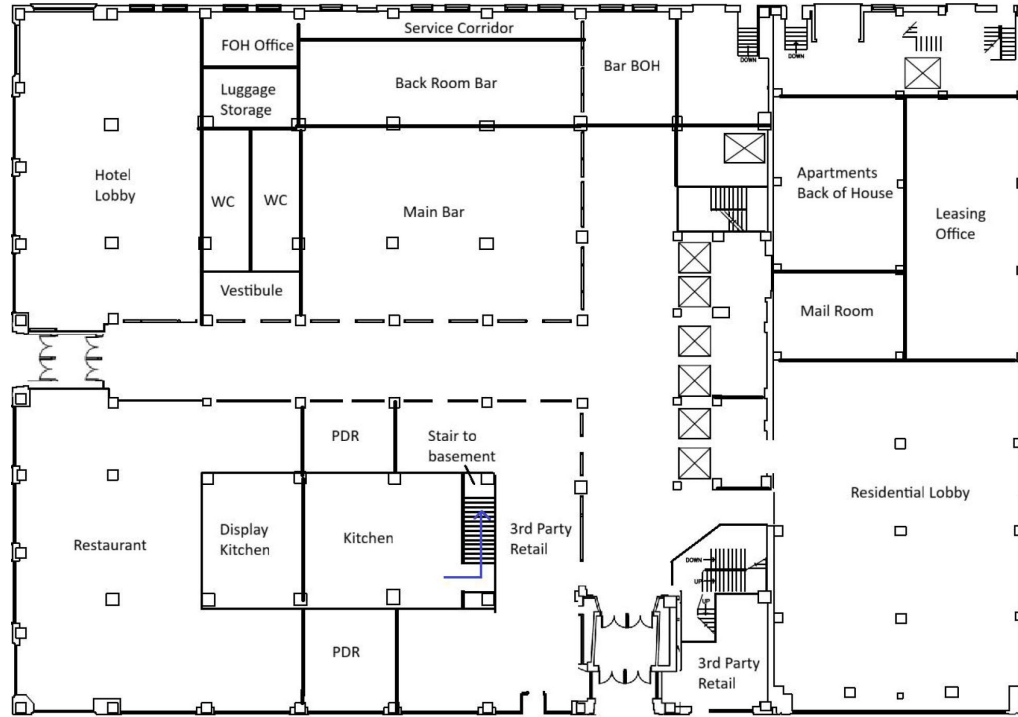


Feature Restaurant

On the corner of 5th and S Boston Ave, the hotel's 3-meal, ~4,500 SF feature restaurant will serve as the spectacle of the hotel's public spaces. A vibrant, wood-fired, open-kitchen will be the focal point of the 175-seat main restaurant floor, with a series of intimate private dining rooms along its perimeter. The day-to-night food program will transition from a higher volume, but refined, daytime breakfast/lunch offering, into a more elevated, fine dining dinner experience. Over 2,000 SF of commercial kitchen space would support the restaurant program.

1st Floor Overview

The 1st floor will house the hotel's lobby and reception, its feature restaurant, expansive bar, several lounge and library spaces as well as a curated retail space off the S Boston Ave retail entrance. 509 S Boston, the 2-story adjacent building, will be home to the Residences lobby, mail room and leasing office.





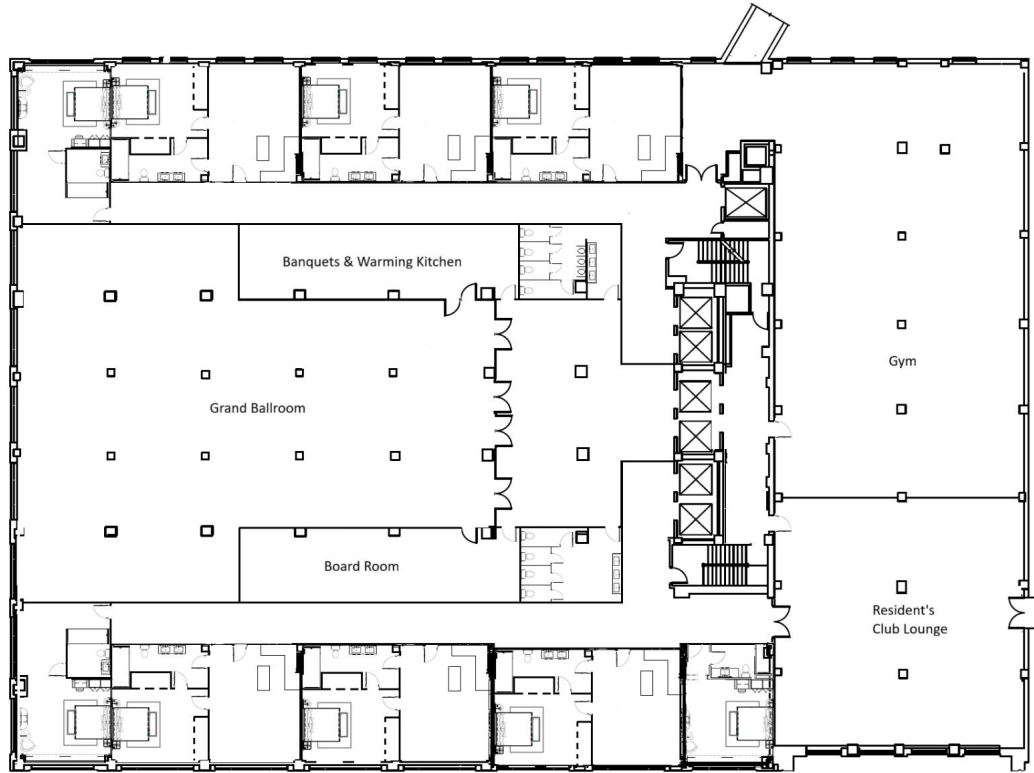
Banquets & Events

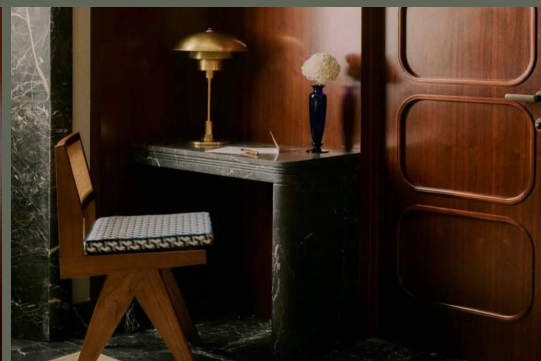
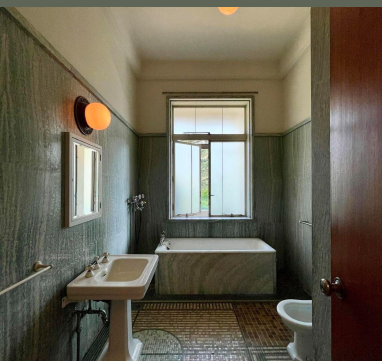
The hotel's 2nd floor, which features larger ceiling heights, will be transformed to one of the city's finest event spaces, including a 5,000 SF grand ballroom, several breakout spaces and meeting rooms and a thoughtful pre-function space off the elevator lobby. The ballroom spaces will also be regularly programmed for live music evenings and ticketed events. A dedicated ~1,500 SF banquets kitchen would support all on property events.



2nd Floor Overview

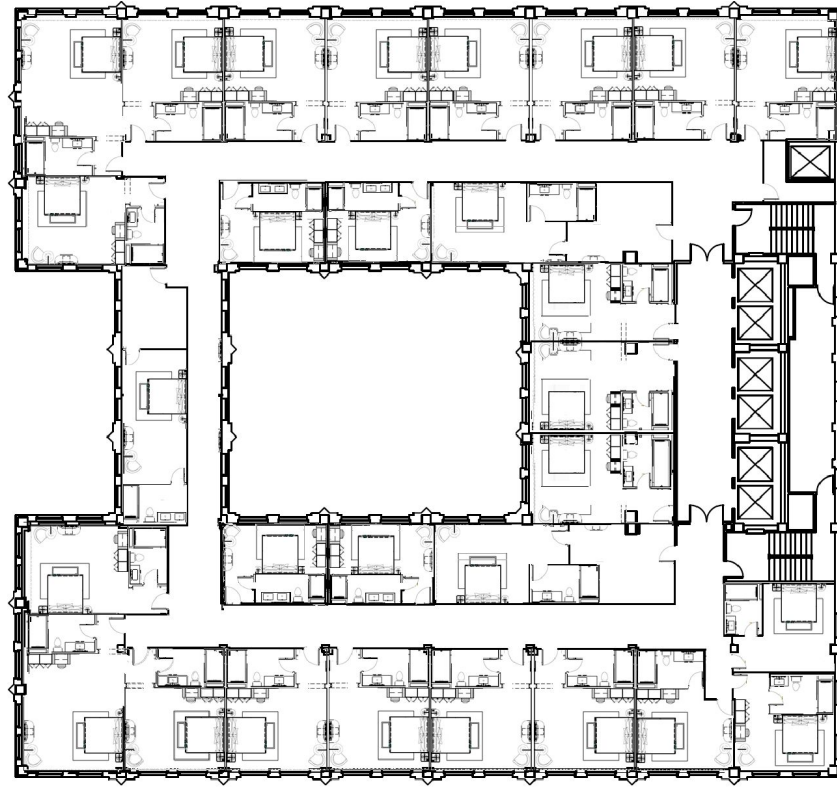
The 5,000 SF grand ballroom, centered on the 2nd floor, would open to views of 5th street but also feature a skylight above, flooding the event space with natural light and views of the Art Deco detailing in the Philcade's historic atrium above. Along the perimeter of the ballroom will be series of hotel suites often sold alongside larger weddings and event buyouts. The 2nd floor of the 509 S Boston Building would house the residential amenity spaces and a shared hotel and residential state of the art gym and wellness space.





Hotel Guestrooms

The ~125, soulfully designed guest suites would be generous in size, with average rooms ranging between ~350 - 450 SF, and serve as the highest end room offering in Tulsa. We would develop a demand-informed room mix that would range from King Rooms, Double Queens, and a series of larger format suites, all thoughtfully amenitized and layered.



Hotel Floors (10-13)

The typical hotel floor would be laid out in two, double-loaded corridor bays utilizing Philcade's historic corridor spatial proportioning. Each floor would include approximately 29 guest rooms, averaging ~350-450 SF each with a range of room types.



Branded Residences

Approximately 115, beautifully appointed rental residences will be co-branded with The Philcade hotel. Residents will be afforded the most service-driven residential offering in Downtown Tulsa, and have access to all of the hotel's amenities and service offerings. This would include, to name a few, 24-hour concierge service, access to the hotel's gym and wellness offerings, several residential community lounges and on-demand valet, laundry, housekeeping and room service. Units would be generous in size with a thoughtful unit mix.



Residential Floors (3-9)

The Residences would be located on floors 3-9, with approximately 17 units each on floors 3 through 9. Apartments will be handsomely sized with a mix of pied-a terre-style Studios, 1-Bedrooms and 2-Bedroom units.

Why a Strong Developer Incentive package is Required

The hotel development environment has worsened considerably over the past 5 years:

- ~**32%** net commercial hotel **construction cost increase** between 2020 and 2025
- ~**30%** hospitality furniture, fixtures and equipment (“**FFE**”) **cost increase** between 2020 and 2025
- Hotel construction lending rates are currently ~**550 basis points** over 2020 levels, increasing hotel developer debt constants by ~60% and **decreasing** levered developer **returns by 30-50%**.
- **Hotel operating expenses** have outpaced room rate growth by **10-15%** between 2020 and 2025
- **Food and beverage** combined Cost of Goods Sold and labor **expenses** have outpaced inflation by **12-15%** over in the last 5 years
- Tulsa’s downtown hotel market performs significantly below the national average on room rates and occupancy (~\$73 Revenue Per Available Room vs. \$103 national average) with comparable construction costs to considerably stronger RevPAR markets.

In short, very few to none of the Oklahoma hotel projects that commenced pre-2022 would pencil in today’s environment.

Why Philcade Will Remain Vacant Without Essential City Incentives:

Absent a robust, performance-based incentives package, the Philcade will likely remain vacant for at least a decade—keeping an iconic downtown landmark dark and harming Tulsa’s image, street vitality, and tax base.

- **Scale challenge:** At 280,000 SF, the building is uneconomic as **apartments alone** and **too large for a hotel alone** in today’s cost/rate environment.
- **Hotel feasibility gap:** A rate-leading hotel does not pencil without targeted City incentives given post-2020 construction, FF&E, and debt cost increases.
- **Office not viable:** Soft demand and rents make an office conversion non-underwritable given the scale and required level of renovation.
- **Cost of inaction:** Prolonged vacancy signals disinvestment, suppresses street activity and safety, and **drags on nearby businesses and tax revenues.**
- **Solution:** A mixed-use program (hotel + apartments + activated retail/events) paired with a clear, performance-based incentives package converts a vacant icon into jobs, foot traffic, and growing tax base.

Development Budget

Total development costs for the redevelopment are estimated at **\$94.79MM**, inclusive of all purchase, financing, construction, FF&E and soft costs.



PRELIMINARY BUDGET SUMMARY

No.	<i>Per GSF</i>	<i>Total</i>	%
Purchase	29	7,645,000	8%
Construction	222	57,750,500	61%
Furniture Fixtures & Equipment	23	5,870,970	6%
Equipment and Installation	3	780,000	1%
OS&E	2	615,250	1%
Architecture & Design	11	2,945,950	3%
General & Administrative	29	7,440,370	8%
Pre-Opening & Working Capital	7	1,948,775	2%
Special Systems Allowance	5	1,363,688	1%
Financing and Carry	32	8,432,537	9%
Total	364	94,793,040	100%

Pro Forma

The hotel would generate a forecasted **\$2.70M in Net Operating Income** upon Stabilization (Year 4), driven by:

- **\$225 Average Daily Rate** when compared to STR upscale competitive set of \$186 (+21%).
- **65% stabilized occupancy** when compared to STR upscale adjusted competitive set of 67% (considerably larger hotel than comp set)
- A robust **\$5.06M in food and beverage revenue** upon stabilization amongst its full service restaurant, lounge and bars.
- **\$1.26M** in banquets and events revenue
- **27% net income margin** (before a 4% annual Capex Reserve - net 23% NOI margin), in line with full service, in-market hotels.

Revenues	2028	2029	2030	2031	2032	%
Average Daily Rate	\$ 225	\$ 232	\$ 239	\$ 246	\$ 2253	
Occupancy	50%	50%	60%	65%	65%	
# Rooms	125	125	125	125	125	
Rooms Revenue	\$5.13M	\$5.30M	\$6.55M	\$7.31M	\$7.53M	53%
Food & Beverage Revenue	\$4.09M	\$4.22M	\$4.72M	\$5.06M	\$5.21M	36%
Events Revenue	\$0.76M	\$1.02M	\$1.27M	\$1.31M	\$1.35M	9%
Misc. Revenue	\$0.17M	\$0.18M	\$0.22M	\$0.24M	\$0.25M	2%
Total Revenue	\$7.61M	\$9.59M	\$11.31M	\$12.38M	\$12.75M	100%
Departmental Expenses						
Rooms	\$1.33M	\$1.60M	\$1.88M	\$2.03M	\$1.88M	25%
Food & Beverage	\$3.76M	\$3.72M	\$3.92M	\$4.20M	\$4.17M	80%
Events	\$0.35M	\$0.47M	\$0.59M	\$0.60M	\$0.65M	48%
Miscellaneous	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	0%
Total Departmental Expenses	\$5.27M	\$5.79M	\$6.38M	\$6.83M	\$6.70M	47%
Departmental Profit	\$4.71M	\$4.93M	\$6.38M	\$7.09M	\$7.64M	53%
Undistributed Expenses						
Admin & General	\$0.59M	\$0.62M	\$0.65M	\$0.68M	\$0.71M	5%
IT	\$0.07M	\$0.09M	\$0.11M	\$0.12M	\$0.12M	1%
Credit Card Fees	\$0.30M	\$0.32M	\$0.38M	\$0.42M	\$0.43M	3%
Sales & Marketing	\$0.91M	\$0.86M	\$0.89M	\$0.84M	\$0.72M	5%
Site & Maintenance	\$0.25M	\$0.26M	\$0.26M	\$0.27M	\$0.28M	2%
Utilities	\$0.35M	\$0.36M	\$0.38M	\$0.39M	\$0.40M	3%
Property Taxes	\$0.40M	\$0.41M	\$0.42M	\$0.43M	\$0.44M	3%
Insurance	\$0.25M	\$0.26M	\$0.27M	\$0.27M	\$0.28M	2%
Management Fees	\$0.30M	\$0.32M	\$0.38M	\$0.42M	\$0.43M	3%
Capex Reserve	\$0.41M	\$0.43M	\$0.51M	\$0.56M	\$0.57M	4%
Net Operating Income	\$0.87M	\$1.00M	\$2.12M	\$2.70M	\$3.26M	23%

Capital Stack with Property Tax TIF Only

With the Property Tax TIF only, Senior Loan proceeds would be limited to ~\$42.6M or 45% LTC for debt coverage purposes, requiring a **\$30.4M equity** investment.

SOURCES SUMMARY

Source	Amount	%
Senior Loan	\$ 42,656,868	45%
Federal HTC Sale Proceeds	\$ 10,453,662	11%
State HTC Sale Proceeds	\$ 11,257,789	12%
Equity	\$ 30,424,721	32%
TOTAL CAPITAL STACK	\$ 94,793,402	100%



Returns Summary with Property Tax TIF Only

With only the currently available Property Tax TIF provided, the project requires a \$30.42M equity investment and would generate a forecasted **negative 0.60% IRR**, realizing a **Net Loss of \$989K** over an 7-year investment horizon.

	Development Period	2028	2029	2030	2031	2032
Equity	(30.42 M)					
Net Operating Income (Hotel)		869 K	1.00 M	2.12 M	2.70 M	3.26 M
Net Operating Income (Apartments)		673 K	1.37 M	1.38 M	1.40 M	1.45 M
Senior Loan Debt Service		(4.21 M)	(4.21 M)	(4.21 M)	(4.21 M)	(4.21 M)
Senior Loan Debt Repayment						(39.69 M)
HTC Investor Preferred Equity & Put		(209 K)	(209 K)	(209 K)	(209 K)	(732 K)
Property Tax TIF Rebate		504 K	519 K	535 K	551 K	568 K
Net Sale Proceeds						72.84 M
Levered Cash Flows	(30.42 M)	(2.37 M)	(1.53 M)	(378 K)	23 K	33.48 M
IRR	-0.60%					
Net Profit	(988,512)					
Equity Multiple	0.97					

Incentives Required for the Project to Pencil

The below key incentive programs are essential for the project to proceed:

Property Tax TIF

25 year, 86% capture on
incremental ad valorem
property taxes

Sales Tax TIF

25 year, rebate on
2% non-dedicated
sales tax

Lodging Tax Rebate

25 year, 9.25%
lodging tax rebate

Oklahoma Leverage Act

25 year, 100% match
on the 2% City of
Tulsa sales tax rebate

Incentives Summary

Through monetization of the proposed TIF package, projected returns on a 7-year investment horizon would increase to **16.99% levered IRR**, which remains below traditional hotel investment return thresholds.

Incentive	<i>Annual Proceeds (Year 4)</i>	<i>25-Year TIF Gross Proceeds</i>
Property Tax TIF (Partial 25 yr rebate)	551,042	18,385,749
Sales Tax TIF (25 yr, 2% total revenues)	286,756	8,441,973
Lodging Tax Rebate (25 yr, 9.25% room revenues)	696,591	23,028,816
Oklahoma Leverage Act (match of Tulsa Sales Tax TIF)	286,756	8,441,973
Total Annual Incentives	1,821,144	58,298,511



Incremental Taxes Generated

Tulsa would generate an estimated \$17.0M in incremental tax revenues during the proposed TIF period (\$682K per year, on average). Following the 25-year TIF period, the City would received an estimated **\$3.7 M of incremental tax revenues annually**.

	Construction	Years 1-10	Years 11-20	Years 21-25	TOTAL	Year 26
Incremental Property Revenues		147.7 M	202.2 M	126.8 M	474.7 M	27.5 M
Incremental Lodging Revenues		76.7 M	106.2 M	66.1 M	249.0 M	14.4 M
Incremental Property Taxes		5.8 M	7.8 M	4.8 M	18.4 M	1.1 M
Dedicated Sales Taxes (1.65%)	0.6 M	2.4 M	3.3 M	2.1 M	8.4 M	0.5 M
Non-Dedicated Sales Taxes (0% during TIF, 2% after)				1.1 M	1.1 M	0.5 M
Lodging Taxes (0% during TIF, 9.25% after)					0.0 M	1.3 M
Tourism Improvement District Taxes (3%)		1.5 M	2.1 M	1.3 M	5.0 M	0.3 M
Property Taxes (14% during TIF, 100% after)		0.8 M	1.1 M	0.7 M	2.6 M	1.1 M
Total Incremental Tax Revenues	0.6 M	4.8 M	6.5 M	5.1 M	17.0 M	3.7 M
Cumulative Total	0.6 M	5.4 M	11.9 M	17.0 M	17.0 M	20.7 M



Closing

Discussion & Next Steps