

## EDGE Cost Reimbursement Grant Term Sheet

FedEx Logistics, Inc.

February 14, 2019

FedEx Logistics Inc. ("Applicant") is seeking a \$2,000,000 EDGE Cost Reimbursement Grant ("EDGE Grant") to encourage the company to relocate its corporate headquarters to 145 George W. Lee, Memphis, Tennessee with 323 existing employees and 339 net new jobs ("Project").

EDGE participation will be part of an overall package offered by the State of Tennessee and the Downtown Memphis Commission's Center City Development Corporation (CCDC) and Center City Revenue Finance Corporation.

The proposed location was purchased in 2017 by a private investment group for \$14,100,000 (\$13,008,100 building and \$1,091,900 land). This group will lease the entire building to the Applicant. The Applicant will invest \$12,200,000 for interior renovations and tenant specific improvements to the building. The building will also undergo \$21,000,000 of construction and shell renovations, bringing the total project cost to \$47,300,000.

The Applicant will relocate 323 current employees from other locations in Shelby County, hire 339 net new employees or relocate them from outside of Shelby County, and maintain 662 total employees in the facility.

The average salary of the 662 employees will exceed \$80,000 excluding benefits.

The Applicant will occupy approximately 190,000 square feet (the entire building) at 145 George W. Lee (Parcel Number 002128 00026C). The proposed location is the site of the former Gibson Guitar manufacturing facility that was substantially vacated in 2017.

FedEx Logistics, formerly known as FedEx Trade Networks, is a \$4.5 billion subsidiary of Memphis based FedEx Corporation, a \$64 billion publicly traded company. FedEx Logistics provides customs brokerage, global ocean and airfreight forwarding, e-commerce solutions, time-critical shipment services and other supply-chain management through five affiliated business units. FedEx Logistics employs approximately 19,000 people worldwide.

The Applicant has grown rapidly through internal expansion, mergers and acquisitions. It anticipates continued growth into the future. As a result, the company has been considering locations to consolidate offices, establish a unified corporate presence and prepare space for emerging business segments.

Staff recommends approval of a \$2,000,000 EDGE Cost Reimbursement Grant to partially offset building renovation costs for the Downtown Memphis headquarters space.

### Project Budget Detail

REAL PROPERTY	
Purchase Price	\$14,100,000
Hard Construction and Building Shell Renovations	\$21,000,000
Interior Renovations and Tenant Improvements	\$12,200,000
<b>Total Capital Investment</b>	<b>\$47,300,000</b>

### Ramp-Up Period

The Applicant will have a five (5) year ramp-up period within which to achieve its project commitments (“Ramp-Up Period”). This five (5) year period shall begin upon the date when the Grant is accepted by the Applicant by the execution of the Grant Agreement.

### Local Business Participation

EDGE requirements for Local Business Participation (LBP is spending with City of Memphis or Shelby County certified minority and women business enterprises - MWBEs) shall be met in conjunction with the Downtown Memphis Commission’s Center City Development Corporation (CCDC) and Center City Revenue Finance Corporation (CCRFC) through their Equal Business Opportunity (EBO) Program.

EDGE will rely on the CCDC and CCRFC, which will use their EBO program policies and procedures to set the EBO target at 25% of construction spending and monitor compliance. The Applicant shall provide EDGE with evidence of compliance with the CCDC/CCRFC EBO program prior to receiving EDGE funds.

## Terms & Conditions

Award of an EDGE Grant in accordance with the recommendations of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee staff, as set forth herein, is subject to the following conditions.

1. The execution of a grant agreement between the Applicant and EDGE following and expanding on the terms and conditions outlined in this Term Sheet ("Grant Agreement").
2. The \$2,000,000 EDGE Cost Reimbursement Grant ("EDGE Grant") will be available upon completion of \$12,200,000 of tenant improvements at 145 George W. Lee. Prior to any reimbursement, Applicant must present: (i) a copy of the permanent Certificate of Occupancy from the City of Memphis; (ii) certificate from Applicant attesting that it has commercial use of the property for the Project; (iii) evidence satisfactory to EDGE that Applicant has expended Two Million dollars for the tenant improvements for the Project that was not reimbursed by another public agency, and (iv) a certificate evidencing compliance with the Center City Development Corporation's EBO requirements.
3. The Applicant shall be required to meet the jobs obligations for the EDGE Grant, otherwise a pro-rata adjustment shall be made to the EDGE Grant funds regardless as to whether they have been paid to the applicant or not and described in Terms #5, #6 & #7.
4. Commencing on January 31, 2020 and for each January 31<sup>st</sup> thereafter for ten years following disbursement of EDGE funds, the Applicant shall deliver to EDGE a Performance Report that provides the number of Jobs and Average Wage achieved in the prior year, ending December 31<sup>st</sup>, and certified by a duly authorized representative of the Applicant as true and correct in all material respects. The Performance Reports shall include appropriate back-up data for the Jobs reported. Back-up data shall provide reasonable assurance that information provided to EDGE pursuant to this Agreement is true and correct in all material respects. The Grant Agreement shall also provide additional inspections and information verification rights as requested by EDGE including inspection of Federal Unemployment Tax Returns, State Unemployment Tax Returns, Premium Wage Reports, and redacted W-2 and W-3 information. If the Applicant fails to file the Performance Report by January 31<sup>st</sup> of each year, the Applicant shall pay a late fee of Fifty Dollars (\$50.00) for each day the Performance Report is late subject to a maximum fee of Three Thousand Dollars (\$3,000).
5. Performance Percentage shall be defined by Average Jobs Maintained (determined by adding total number of employees on December 31<sup>st</sup> of years 6, 7 and 8 then dividing by three) divided by 662.

6. For purposes of this Agreement, the term “Event of Default” shall mean the occurrence of any of the following events:
  - a. The Applicant fails to satisfy the terms and conditions of this Term Sheet and the Grant Agreement,
  - b. The Applicant fails to provide any of the Performance Reports required or the back-up data applicable to such Performance Reports on or before the due date established within thirty (30) days after written notice of such failure and opportunity to cure, or
  - c. The Applicant ceases to operate in Shelby County, Tennessee prior to the tenth (10<sup>th</sup>) anniversary of the execution of the grant agreement, or fails to complete the Project as described on the grant agreement.
  
7. In the case of an Event of Default, the Company shall repay directly to EDGE all or a portion of the Award Amount (the “Repayment Amount”) as calculated in this section:
  - a. For an Event of Default (other than an Event of Default under Section 6(c)), the Repayment Amount shall be the amount by which the Award Amount that has been received by Applicant exceeds the Adjusted Award Amount (as defined herein). “Adjusted Award Amount” means the amount determined by multiplying the Award Amount by the Performance Percentage.
  - b. For an Event of Default under Section 6(c), the Repayment Amount shall be one-hundred percent (100%) of the Award Amount that has been received by the Applicant less any amounts received pursuant to Section 7(a) above.