

Community Builder PILOT Term Sheet
Southgate Center
June 20, 2018

Southgate Center is owned by Union Realty Company General Partnership (Applicant) made up of Belz Investment Co., LP, Oak Associates, URCO, Inc. and Belz Investco GP. Application is being made by Ron Belz and Belz Enterprises, on behalf of the partnership, to redevelop the shopping center at 1897 South Third Street.

The Applicant is seeking a 15-year Community Builder PILOT to redevelop a 208,297 square foot property suffering from 39% vacancy and the recent departure of two major anchors.

The Applicant proposes to renovate the center and lease the vacant 31,000 square foot grocery store to a new operator with substantial supermarket experience. The plan is to then work to attract 22,000 and 11,000 square foot junior anchors and fill five small shops ranging from 900 to 4,000 square feet.

The \$6,802,200 investment into the property includes exterior upgrades, tenant finishes and grocery store equipment. This investment will create 47 full-time grocery store positions and 60 part-time retail positions in adjacent space. This will equate to 92 Full-Time-Equivalent jobs at an average annual wage of \$24,960.

Parcel 050056 00002 (1897 South Third Street) is 22.41 acres. Both real and personal property investments on this site will be included in the PILOT. The Applicant is requesting Community Reinvestment Credit.

More than 55,000 people live within a three-mile radius with median household incomes of \$34,600. The project's Census Tract is severely distressed with a 52% poverty rate and 32% unemployment rate. Financial assistance is needed to provide healthy food options to the neighborhood, remove blight, complete renovation of the building, create jobs and improve the overall neighborhood quality of life consistent with the Community Builder PILOT policies.

The project is supported by the South Memphis Alliance.

Staff projects \$4,524,365 in local total tax revenues to be received during the PILOT term of this project and a \$1,159,291 benefit to the Applicant.



The 15-year PILOT for the Applicant is based on the following terms:

CITY OF MEMPHIS TERMS	% PAID	SHELBY COUNTY TERMS	% PAID
Real Property	Year 1-15 25%	Real Property	Year 1-15 25%
Personal Property	Year 1-15 25%	Personal Property	Year 1-15 25%

Project Budget Detail

REAL PROPERTY	
Purchase Price	\$0
Hard Construction and Site Work	\$1,000,000
Sub-Total	\$1,000,000
PERSONAL PROPERTY	
New	\$300,000
Transferred*	\$0
Sub-Total	\$300,000
COMMUNITY REINVESTMENT CREDIT	
Value of Existing Land and Building	\$4,252,200
Total Investment in PILOT	\$5,552,200

INVESTMENT NOT INCLUDED IN PILOT	
Other Real Property	\$0
Other Personal Property	\$1,175,000
Fees & Soft Costs	\$75,000
Sub-Total	\$1,250,000
Total Capital Investment	\$6,802,200

**Personal property relocated from a facility outside of Shelby County is considered at its depreciated, current value.*

Local Business Participation

Spending with City of Memphis or Shelby County certified minority and women business enterprises (MWBES) shall be an amount equal to or greater than:

		Basis	\$ LBP
	25%	Construction/Site Work	\$250,000
+	15%	Real/Personal Property Savings	\$173,894
=	Total		\$423,894

Identified Labor Source

Per Section X(c)(ii) of the Community Builder PILOT Policies and Procedures, the PILOT Recipient is required to list all Net New Jobs with the Workforce Investment Network and the Greater Memphis Alliance for a Competition Workforce, and give consideration to individuals referenced by those organizations for open positions.

Initiation and Ramp Up Period

The Applicant shall close on all real property PILOT Leases within five years of approval and meet all commitments related to the project within one year of the first real property PILOT lease closing.

Terms & Conditions

Award of a PILOT 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 award of a PILOT to the real property used for Applicant's project is subject to Board Counsel's review and approval of the environmental impact study for said real property to be produced or procured by Applicant.
2. Applicant will have five (5) years from the date of the Board's approval to initiate the Project by conveyance of all real property to EDGE. Applicant will also have a one (1) year ramp-up from the initial closing to complete renovations, capital investment and leasing related to the grocery space. The Applicant must recruit and maintain a full-service grocery (containing a fresh meat department and a fresh produce department) as anchor tenant in 31,000 square feet of the Project suitable to the EDGE Board of Directors during the Term of the PILOT.
3. Applicant may close the Project in phases. The first phase must be greater than one-third (1/3) of the project based on size and scope presented in this Term Sheet.
4. The EDGE Board of Directors (the "Board") reserves the right to assign the PILOT, or its rights with respect thereto, to the Memphis and Shelby County Industrial Development Board (the "IDB"), in accordance with the service agreement between the Board and the IDB, if the Board ultimately deems it beneficial.
5. Except as explicitly provided in this term sheet or in a resolution of the Board, the award is subject to the provisions of the Community Builder PILOT Program and Procedures of the Board (the "PILOT Policies").
6. The award is subject to the negotiation and execution of a PILOT lease agreement requiring the payment of base rent in the amount of \$100.00 per year plus the PILOT payment.
7. In the absence of an explicit written waiver of this condition, no conveyance will be deemed to have been accepted by EDGE, the IDB or any other affiliate or agent of EDGE unless and until all of the documents for the subject transaction, including a PILOT lease agreement, have been negotiated and delivered.
8. The Applicant shall receive Community Reinvestment Credit for the Project.
9. In the event the Core Tenant (as defined in the Lease Agreement; aka the anchor Grocery store) ceases to occupy the space, EDGE will allow for the Project to be put in abeyance for a maximum of one (1) tax year ("Abeyance Period") from the date of termination of the sublease

by the Core Tenant, during such time in which the Lessee shall make full tax payments on all real and tangible personal property ("Leased Property") as if the Leased Property were not owned by EDGE. The abeyance right will be triggered by the Core Tenant's termination of the sublease pursuant to its rights of early termination in the sublease. Applicant shall provide EDGE with a copy of the Core Tenant's written notice along with a written request to commence the abeyance. Upon receipt of both documents, EDGE will not terminate the Lease for the failure to have a grocery store tenant during the Abeyance Period but EDGE and Lessee shall amend the Lease to reflect the change of PILOT Payments (as defined in the Lease) in Section 6.02. If Applicant secures a substitute Core Tenant during the Abeyance Period, then the PILOT Payments shall resume starting January 1 of the year immediately following when the Core Tenant is secured. Otherwise, at the end of the Abeyance Period, if the Applicant does not secure a substitute Core Tenant, then the Applicant shall be in default under the Lease Agreement.