

**Residential PILOT Term Sheet
The Grove Studios (Southern)
July 17, 2019**

Zach Channing, on behalf of Southern Ave Properties, LLC ("Applicant"), is seeking a 10-year Residential PILOT to construct 30 residential units at 3440 Southern.

Mr. Channing is Vice President of Development with The Channing Corporation in Palm Beach Florida, which has developed \$2 billion of residential and commercial properties in the United States. Mr. Channing developed 59 units of housing while a student at the University of Arizona.

The Residential PILOT will support redevelopment of a site previously operated as a gas station. The site has been abandoned for 15 years and a source of blight in the neighborhood.

The project will consist of one 16,800 square foot apartment building containing 30 studio apartments within walking distance to the Highland Strip and the University of Memphis. All apartments will feature modern open floor plans and stainless-steel appliances. Resident amenities will include a bocce ball court, gazebo and gathering space around a fire pit.

Financial assistance is needed to remove existing underground tanks and remediate the site, activate a long vacant property and deliver new housing in the University of Memphis area, and ensure profitability of this \$2,575,000 investment.

The project is supported by both The University of Memphis and The University Neighborhoods Development Corporation ("UNDC") consistent with the Residential PILOT Policies and Procedures.

Two parcels will be combined for this development. Parcel 045121 00019 is 0.321 acres and parcel 045121 00020 is 0.247 acres. Only real property investments on this site will be included in the PILOT.

Today, this property produces \$4,426 a year in property taxes. Staff projects this will increase to \$22,381 a year in property taxes during the term of the PILOT agreement and to \$64,744 a year in property taxes after the expiration of the PILOT term. Total local tax revenue during the term of the PILOT is expected to be \$247,240 and benefit to the Applicant is expected to be \$423,630.

EDGE Staff supports the project due to the demonstrated financial gap and strong support from the University of Memphis and UNDC. EDGE Staff requests approval of the 10-year Residential PILOT request with waiver of the Residential PILOT Scoring Criteria in Section V of the Residential PILOT Policies and Procedures.

The 10-year PILOT for the Applicant is based on the following terms:

CITY OF MEMPHIS TERMS	% PAID	SHELBY COUNTY TERMS	% PAID
Real Property	Year 1-10 25%	Real Property	Year 1-10 25%

Project Budget Detail

REAL PROPERTY	
Purchase Price	\$285,000
Hard Construction and Site Work	\$1,948,800
Sub-Total	\$2,233,800
PERSONAL PROPERTY	
New	NONE
Transferred*	NONE
Sub-Total	\$0
Total Investment in PILOT	\$2,233,800

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

INVESTMENT NOT INCLUDED IN PILOT	
Other Real Property	NONE
Other Personal Property	NONE
Fees & Soft Costs	\$341,200
Sub-Total	\$341,200
Total Capital Investment	\$2,575,000

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	\$487,200
+	25%	Third-Party Contracts	\$251,250
=	Total		\$738,450

Ramp Up Period

The Applicant will have a two (2) year Ramp-Up Period within which to achieve its project commitments. This two (2) year period shall begin upon the date when any property, in whole or in part, is conveyed to EDGE, covered by a PILOT Lease, and begins to enjoy the benefits of the PILOT incentive.

Terms & Conditions

Award of a PILOT in accordance with the recommendations of the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee EDGE Staff, as set forth herein, is subject to the following conditions.

1. The award is subject to the review and approval of the Board's counsel.
2. The award of a PILOT to the real property of Applicant is subject to the review and approval of the Applicant's phase I environmental impact study. The property was previously used as a gas station and containing underground storage tanks. All tanks must be closed and removed pursuant to the Tennessee Department of Environment and Conservation (TDEC) underground storage tank requirements which will include a receipt of a no further action letter for the site from TDEC.
3. The award is subject to receipt of letters of approval from the mayors of both the City of Memphis and the County of Shelby. UNDC and the University of Memphis must evidence each organization's support for this project by providing written evidence of each their respective unqualified support.
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. The award is subject to the negotiation and execution of PILOT lease agreements requiring the payment of rent in the amount of \$100.00 per year.
6. Only Real Property will be allowed in the PILOT program.
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 the PILOT lease agreement, have been negotiated and delivered.
8. Except as explicitly provided in this term sheet or in a resolution of the Board, the award is subject to the provisions of the Residential PILOT Policies and Procedures. The PILOT Scoring Criteria in Section V are hereby waived.
9. The local business participation award is subject to Applicant meeting the minimum requirements of the Local Business Participation program.
10. The award is subject to an architectural review more fully described in the Residential Policies and Procedures.