

**Residential PILOT Term Sheet**  
**The Grove Townhouses (Highland)**  
**July 17, 2019**

Zach Channing, on behalf of Highland Street Investments, LLC (“Applicant”), is seeking a 10-year Residential PILOT to construct 20 units of student housing for 75 residents near the intersection of Highland and Spottswood.

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 property previously owned by McDonald’s along with two adjacent single-family rental houses. The McDonald’s property has been vacant for more than three years and is encumbered with a deed restriction preventing any food-service operation on the site. The project will consist of 6 three-story townhouse buildings. This will create 15 four-bedroom units, 5 three-bedroom units and 75 off-street parking spaces. Each bedroom will have its own bathroom and will be rented independently. All apartments will feature kitchens and living areas with open floor plans, granite counter tops and stainless-steel luxury appliances. Resident amenities will include a central lawn and a swimming pool.

Financial assistance is needed to deliver new student housing in the University of Memphis area, activate a vacant property on the highly visible Highland Strip and ensure profitability of this \$4,565,520 investment. The project is supported by The University of Memphis and The University Neighborhoods Development Corporation (“UNDC”) consistent with the Residential PILOT Policies and Procedures. The project is consistent with Memphis 3.0 and has received Memphis & Shelby County Board of Adjustment Approval.

While buildings are oriented toward Highland, the driveway and address will be at 3468 Spottswood. Parcel 045119 00014 is 1.025 acres, parcel 045119 00018 is 0.172 acres and parcel 045119 00019 is 0.172 acres. Only real property investments on this site will be included in the PILOT. Today, this property produces \$8,517 a year in property taxes. Staff projects this will increase to \$46,454 a year in property taxes during the term of the PILOT agreement and to \$122,774 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 \$431,431 and benefit to the Applicant is expected to be \$763,200.

While EDGE did not anticipate Student Housing projects when it created the Residential PILOT Policies & Procedures, 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 waivers of General PILOT Section III. 4. requiring low and moderate income units and 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	\$725,000
Hard Construction and Site Work	\$3,510,961
Sub-Total	\$4,235,961
PERSONAL PROPERTY	
New	NONE
Transferred*	NONE
Sub-Total	\$0
<b>Total Investment in PILOT</b>	<b>\$4,235,961</b>

\*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	\$329,559
Sub-Total	\$329,559
<b>Total Capital Investment</b>	<b>\$4,565,520</b>

### 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	\$877,740
+	25%	Third-Party Contracts	\$422,500
=	<b>Total</b>		<b>\$1,300,240</b>

### 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.
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.
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. 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.
7. 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. Section III. 4. requiring low- and moderate-income units and Residential PILOT Scoring Criteria in Section V are hereby waived for this project.
8. Only Real Property will be allowed in the PILOT program.
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.