

Jobs PILOT Term Sheet
Blues City Brewery, LLC
January 15, 2020

Blues City Brewery, LLC ("Applicant") is seeking an 12-year Jobs PILOT to enable the company to create 155 Net New Jobs with an average base salary of \$56,609 and invest \$49,000,000 for new personal property/manufacturing machinery only in the City of Memphis at 5151 E Raines Road. No real property benefit will be granted.

The Blues City Brewery facility currently benefits from a 15-year PILOT Term approved by the Industrial Development Board in 2011. The approved project included a total capital investment of \$41,000,000 and the creation of 500 new jobs at an average annual wage of \$47,706 excluding benefits. The project has exceeded commitments with 516 existing employees earning more than \$54,000 annually and \$51,497,305 in total capital investment. The Applicant has met 68% of its committed spending with City of Memphis and Shelby County certified Minority and Woman Owned Business Enterprises and is on track for fulfilling the commitment by the end of the PILOT Term. The following request is for new personal property only to help facilitate significant increases in both production capacity and employment at this facility.

Parcel 093400 00628 (5151 E Raines Rd) is 83.13 acres with existing manufacturing and supporting buildings of 1,321,040 square feet. Only new personal property at the site will be included in the PILOT.

The Applicant's parent company, City Brewing Company, headquartered in La Crosse, WI operates three contract brewing facilities in the United States. The company is currently experiencing increased system-wide demands for liquid processing and packaging services and is evaluating locations to expand its production capacity. The Memphis facility has the capacity to produce over 60 million cases a year. Built by Schlitz Brewing Company in 1971, and purchased by City Brewing in 2011, this co-packing facility produces many national and international brands, with 5 can lines, 1 bottle line, 1 variety pack line and 1 keg line.

While the Memphis facility is well positioned in the center of the country, it contains several production lines that are currently not in use due to age, necessary upgrades or obsolescence. In order to remain competitive, the applicant needs to make a significant investment in manufacturing and processing equipment in the Memphis Blues City Brewery plant. Additionally, the project is in a severely distressed New Markets Tax Credit Qualified Census Tract with a poverty rate of 29.6% and an unemployment rate of 14%.

Staff projects \$10,099,286 in local tax revenues to be received during the PILOT term of this project and a \$3,666,810 benefit to the Applicant.

The 12-year PILOT for the Applicant is based on the following terms:

CITY OF MEMPHIS TERMS	% PAID	SHELBY COUNTY TERMS	% PAID
Personal Property	Year 1-12 25%	Personal Property	Year 1-12 25%

PILOT Evaluation Matrix

CATEGORY	DATA	POINTS	YEARS
Net New Jobs	155	31.00	
Wages	\$56,609	26.21	
Capital Investment Including CRC	\$49,000,000	24.50	
Sub-total		81.71	8
Location: City of Memphis	Yes		1
Local Business Participation	Yes		1
New Markets Tax Credit Census Tract	Yes		2
MWBE/LOSB	No		0
Headquarters	No		0
Sub-total			4
Total			12-Years

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.

Project Budget Detail

REAL PROPERTY	
Purchase Price	\$0
Hard Construction and Site Work	\$0
Sub-Total	\$0
PERSONAL PROPERTY	
New	\$49,000,000
Transferred*	\$0
Sub-Total	\$49,000,000
COMMUNITY REINVESTMENT CREDIT	
Value of Existing Land and Building	\$0
Total Investment in PILOT	\$49,000,000

INVESTMENT NOT INCLUDED IN PILOT	
Other Real Property	\$0
Other Personal Property	\$0
Fees & Soft Costs	\$0
Sub-Total	\$0
Total Capital Investment	\$49,000,000

**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 (MWBs) shall be an amount equal to or greater than:

				*Minimum For Bonus Opportunity	
		Basis	\$ LBP	1 Added Year	2 Added Years
	25%	Construction & Site Work	\$0	\$0	\$0
+	15%	Real Property Savings	\$0	\$0	\$0
+	5%	Personal Property Savings	\$183,341	\$595,857	\$1,069,486
=	Total		\$183,341	\$595,857	\$1,069,486

Because this project's costs are 75% or more personal property, LBP is calculated with the formula of 25% of Construction/Site Work, 15% of Real Property Savings and 5% of Personal Property Savings. The minimum required spending is based on 35% of Construction/Site Work, 25% of Real Property Savings and 15% of Personal Property Savings for one additional year and 45% of Construction/Site Work, 35% of Real Property Savings and 25% of Personal Property Savings for two additional years.

Identified Labor Source

Per section X (C) (ii) of the Jobs PILOT Policies and Procedures, the PILOT Recipient is required to list all Net New Jobs with the Workforce Investment Network (WIN) and the Greater Memphis Alliance for a Competitive Workforce (GMACW), and give due consideration to individuals referred by those organizations for open positions.

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.
2. The award is subject to receipt of letters of approval from the mayors of both the City of Memphis and the County of Shelby.
3. 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.
4. Except as explicitly provided in this term sheet or in a resolution of the Board, the award of a PILOT is subject to the provisions of the Jobs PILOT Policies and Procedures. The term of the land lease must exceed the length of the PILOT benefit term.
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, which agreements shall be in a form substantially similar to EDGE's standard form as approved by the Board at its meeting of March 21, 2018, and consistent with the provisions of this Term Sheet.
6. Based upon this term sheet, new personal property and personal property transferred from outside of Shelby County shall be eligible for the PILOT program. Personal property relocated from a facility outside of Shelby County is considered at its depreciated, current value.
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.