



JIM STRICKLAND
City of Memphis Mayor



LEE HARRIS
Shelby County Mayor

May 24, 2021

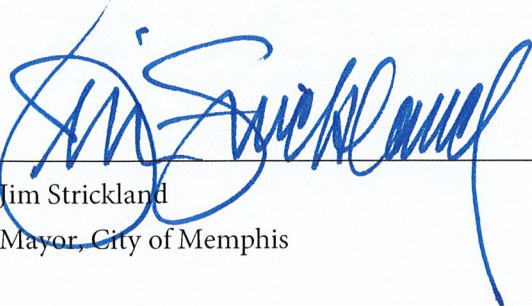
Reid Dulberger, CEO and President
Economic Development Growth Engine
Industrial Development Board of the
City of Memphis and County of Shelby, Tennessee
100 Peabody Place, Suite 1100
Memphis, TN 38103

Re: Payment-in-Lieu-of-Tax ("PILOT") Incentive for Walgreen Company

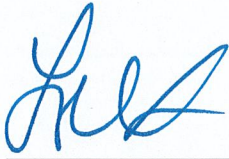
Dear Mr. Dulberger:

We are pleased that Walgreen Company is considering location of its operation in Memphis and Shelby County. Based on the attached PILOT Term Sheet ("term sheet") that was approved by the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee ("EDGE") pursuant to its Fast Track Payment-in-Lieu-of-Tax Program Policies and Procedures, we hereby approve the 10-year PILOT incentive.

Again, we are pleased that Walgreen Company is considering Memphis and Shelby County, and we certainly support its investment in our community.



Jim Strickland
Mayor, City of Memphis



Lee Harris
Mayor, Shelby County

**APPROVED AS TO FORM
AND LEGALITY:**


Contract Administration/
Assistant County Attorney



Fast Track PILOT Term Sheet

Walgreen Company

May 19, 2021

Walgreen Company ("Applicant" or "Walgreens") is seeking a ten-year Fast Track PILOT to enable the company to create 200 Net New Jobs with an average wage of \$41,035 and invest \$30,000,000 to launch a micro-fulfillment facility in Memphis.

The total project investment includes \$7,500,000 to complete buildout of the facility, \$22,000,000 for Furniture, Fixtures and Equipment, and \$500,000 in soft costs. Community Reinvestment Credit will be awarded.

Parcel 094100 00318 (3299 Tchulatech) is 22.03 acres of land valued at \$768,700 and contains a 273,000 square foot partially constructed shell warehouse valued at \$5,725,231 based on building permits. The Applicant will occupy 103,000 square feet of the building or 37.73%. Real property improvements occupied by the Applicant (37.73%) will receive PILOT benefit on a proportional basis and new personal property will receive PILOT benefit.

Walgreens is the second largest pharmacy chain in the United States. Founded in 1901, the company has grown to almost 9,300 locations. Today it operates as a subsidiary of Walgreens Boots Alliance Inc., a publicly traded company with revenues of more than \$139 billion.

Walgreens is planning to transform its product delivery model to lower costs related to filling customer orders, improving the customer experience, and expanding delivery services. This will include creation of a micro-fulfillment facility, a prescription drug warehouse with state-of-the-art technology. This model is expected to increase the speed packages go to stores, to lockers for pick-up and directly to customer homes. In addition to the established logistics network serving stores, Walgreens will partner with FedEx and UPS, as well as companies such as Uber and Doordash for direct-to-consumer shipping. The applicant evaluated locations throughout the Central United States before targeting Memphis for this project.

The property to be occupied currently produces \$8,406 in City of Memphis and Shelby County property taxes annually. Estimated annual property taxes will average \$128,501 during the PILOT term and \$384,043 after. Staff projects \$11,936,024 in total local tax revenues to be received during the PILOT term of this project and a \$3,602,761 benefit to the Applicant.

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

| CITY OF MEMPHIS TERMS | % PAID | SHELBY COUNTY TERMS | % PAID |
|---------------------------|------------------|----------------------------|------------------|
| Real Property Improvement | Year 1-10 25% | Real Property Improvements | Year 1-10 25% |
| Personal Property | Year 1-10 25% | Personal Property | Year 1-10 25% |

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.

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 | \$1,875,000 |
| + | 15% | Real & Personal Property Savings | \$540,414 |
| = | Total | | \$2,415,414 |

| *Minimum for Bonus Opportunity | |
|--------------------------------|--------------------|
| 1 Added Year | 2 Added Years |
| \$2,625,000 | \$3,375,000 |
| \$990,759 | \$1,513,160 |
| \$3,615,759 | \$4,888,160 |

Identified Labor Source

Per section X (C) (ii) of the Fast Track PILOT Policies and Procedures, the PILOT Recipient is required to list all Net New Jobs with Workforce MidSouth and its American Job Center (successor to the Workforce Investment Network or WIN), and give due consideration to individuals referred by those organizations for open positions.

Project Budget Detail

| REAL PROPERTY INVESTMENT IN PILOT | |
|--|-------------|
| Purchase Price | \$0 |
| Hard Construction and Site Work | \$7,500,000 |
| Sub-Total | \$7,500,000 |

| PERSONAL PROPERTY INVESTMENT IN PILOT | |
|--|--------------|
| New | \$22,000,000 |
| Transferred* | \$0 |
| Sub-Total | \$22,000,000 |

| | |
|--|---------------------|
| Total New Capital Investment in PILOT | \$29,500,000 |
|--|---------------------|

| INVESTMENT NOT INCLUDED IN PILOT | |
|---|-----------|
| Other Real Property | \$0 |
| Other Personal Property | \$0 |
| Fees & Soft Costs | \$500,000 |
| Sub-Total | \$500,000 |

| | |
|---------------------------------|---------------------|
| Total Capital Investment | \$30,000,000 |
|---------------------------------|---------------------|

| COMMUNITY REINVESTMENT CREDIT INCLUDED IN THE PILOT | |
|--|-------------|
| Value of 37.73% Existing Land and Building | \$2,450,160 |

| | |
|---|---------------------|
| Total Capital Investment + CRC Value | \$32,450,160 |
|---|---------------------|

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

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. 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 Fast Track PILOT Policies and Procedures.
5. The award is subject to 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 and consistent with the provisions of this Term Sheet.
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. The Applicant has requested and shall receive Community Reinvestment Credit for the project.