

**Community Builder PILOT Term Sheet
Northside Renaissance Development
February 16, 2022**

The Works, Inc. (“Applicant”) is seeking a 20-year Community Builder PILOT to restore and activate the vacant Northside High School property at 1212 Vollintine Avenue in a New Markets Tax Credits Eligible Census Tract within the City of Memphis as a community hub housing organizations that provide technical skills training and workforce development, comprehensive healthcare services, literacy advocacy, athletic and fitness opportunities, along with performing and visual arts programming.

EDGE, as the Industrial Development Board for Memphis and Shelby County, must approve all PILOT requests. EDGE has the authority to approve PILOTs for a Term of up to 15-years without City or County approval. The Memphis City Council and the Shelby County Commission will be asked to consider the full request bringing the PILOT Term to 20 years. If approved by the Memphis City Council and Shelby County Commission, the term will be 20 years.

The Applicant, or an affiliated entity it controls, will own and operate the Project as the sole member of an affiliated special purpose entity, NR, LLC, formed to facilitate the investment of New Markets Tax Credits that will be the lessee for the PILOT. The property rights will revert back to The Works at the end of the seven-year NMTC investment period and the real property lease will be amended to reflect The Works, Inc. as the lessee.

The total Project investment includes a \$450,000 purchase price and \$71,486,887 for remediation, demolition, site work, renovation and related costs. The 1968 building requires a full exterior restoration and reconfiguring of internal spaces for multi-tenant use.

- The basement level is being designed for a technical training program for trades such as welding, refrigeration, HVAC repair, plumbing, electrical and carpentry.
- The first floor is to be transformed into the primary building entrance with event space, athletics organization, community health clinic, retail and food service, as well as the Northside High School Hall of Fame.
- The second floor is designed for office space and shared arts space targeting workforce development organizations and performing arts organizations.
- The third floor is planned to fill a need for affordable housing with 41 new apartments.

Parcel 021077 00001C (1212 Vollintine) is 10.766 acres with a 270,000 square foot building. The building has been vacant since 2016 when it was closed by Shelby County Schools. At its peak, the property was home to 1,200 students in the State of Tennessee’s largest vocational high school. Only real property will be included in the PILOT. Community Reinvestment Credit will be awarded.

The Works was founded in 1998 with a mission to rebuild, restore and renew inner city communities. They have experience in affordable housing development and housing education counseling, park and public space construction, along with recreation and cultural programming. The 15-member development team being coordinated by finance and development consulting firm ComCap Partners includes architects, engineers, construction contractors, marketing and leasing companies, and a theater consultant.

Financial assistance is needed to remove blight, redevelop the property, jumpstart economic revitalization and improve the overall neighborhood quality of life consistent with the Community Builder PILOT policies. The Project's Census Tract is severely distressed based on poverty rate, unemployment and median family income. The proposal is consistent with and supportive of the Memphis 3.0 Comprehensive Plan.

The Project is supported by the Klondike Smokey City Community Development Corporation.

Since not currently on the tax rolls, the property does not produce any City of Memphis or Shelby County property taxes today. Annual property taxes are estimated to average \$395,330 during the PILOT term, and \$1,548,041 after the PILOT Term expires based on cost of construction.

The 20-year PILOT for the Applicant is based on the following terms:

CITY OF MEMPHIS TERMS	% PAID	SHELBY COUNTY TERMS	% PAID
Real Property Improvements	Year 1-20 25%	Real Property Improvements	Year 1-20 25%

If not approved by Memphis City Council and Shelby County Commission a 15-year PILOT will be based on the following terms:

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

Initiation and Ramp-Up Period

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

Local Business Participation

If approved by the Memphis City Council and the Shelby County Commission, the 20-year PILOT will require spending with City of Memphis or Shelby County certified minority and women business enterprises (MWBES) that shall be an amount equal to or greater than:

		Basis	\$ LBP
	25%	Construction/Site Work	\$15,586,324
+	15%	Real & Personal Property Savings	\$3,361,343
=	Total		\$18,947,667

If not approved by the Memphis City Council and Shelby County Commission, a 15-year PILOT will require spending with City of Memphis or Shelby County certified minority and women business enterprises (MWBES) that shall be an amount equal to or greater than:

		Basis	\$ LBP
	25%	Construction/Site Work	\$15,586,324
+	15%	Real & Personal Property Savings	\$2,521,007
=	Total		\$18,107,331

Project Budget Detail

REAL PROPERTY INVESTMENT IN PILOT	
Purchase Price	\$450,000
Hard Construction and Site Work	\$62,345,296
Sub-Total	\$62,795,296
PERSONAL PROPERTY INVESTMENT IN PILOT	
New	\$0
Transferred*	\$0
Sub-Total	\$0
Total New Capital Investment in PILOT	\$0

INVESTMENT NOT INCLUDED IN PILOT	
Other Real Property	\$0
Other Personal Property	\$0
Fees & Soft Costs	\$9,141,591
Sub-Total	\$9,141,591
Total Capital Investment	\$71,936,887

* 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. Applicant will have three (3) 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 meet all obligations imposed on the Project.
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"). The PILOT Policies are hereby waived or modified as follows:
 - a. The Policy prohibition on housing or residential projects is hereby waived. However, with regard to the affordable housing component of the Project, monthly rental rates for at least 20% of the units applied to all unit types defined by number of bedrooms must not exceed the HUD Low-Income Limit for the Memphis Metro Fair Market Rent Area multiplied by 30% then divided by 12.
 - b. So long as the Applicant controls the majority ownership in the tax structure created for the development of this Project it shall serve as a sponsor in the real property lease and no further EDGE approval shall be required.
 - c. Based upon the receipt of the Mayors' written assessment that exceptional circumstances exist for this Project and their recommendation that the term beyond the standard 10 years be granted, the Board hereby approves the PILOT for 20 years contingent upon the approval of the Memphis City Council and Shelby County Commission.
 - d. Approval from Memphis City Council and Shelby County Commissions of the 20-year term (5 years beyond EDGE's ability to act independently). If both the Memphis City Council and Shelby County Commission approval of a twenty-year term is not granted within six months of the Board's approval then the Term shall be limited to 15 years.

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. Benefit shall only be awarded to real property improvements.