



ECONOMIC DEVELOPMENT GROWTH  
ENGINE FOR MEMPHIS & SHELBY  
COUNTY

FAST TRACK  
PAYMENT·IN·LIEU·OF·TAX PROGRAM  
POLICIES AND PROCEDURES

OF THE ECONOMIC DEVELOPMENT GROWTH ENGINE INDUSTRIAL  
DEVELOPMENT BOARD OF THE CITY  
OF MEMPHIS AND COUNTY OF SHELBY, TENNESSEE

Effective: June 1, 2019

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## I. GENERAL PURPOSE AND PROVISIONS

The City of Memphis and County of Shelby, Tennessee, are committed to the promotion of high quality development in all parts of the City and County, as well as the surrounding region, and to ongoing improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City of Memphis and County of Shelby have established the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (“EDGE”) to lead Memphis and Shelby County economic development organizations, including the Industrial Development Board of the City of Memphis and County of Shelby, Tennessee and Depot Redevelopment Corporation of Memphis and Shelby County and the Memphis and Shelby County Port Commission. A primary tool of EDGE to effectuate its mission of economic development is the ability to grant a payment in lieu of (property) tax incentive.

The formation of EDGE was authorized by resolutions of the City Council of Memphis and the Board of Commissioners of Shelby County on February 1, 2011, and January 24, 2011, respectively. In authorizing its formation pursuant to Tennessee Code Annotated section 7-53-201, the legislative bodies found that EDGE was to:

- unite economic development programs into a new entity to effectuate this community possessing the most successful means possible in providing a streamlined economic development process with efficiencies and expertise to recruit, retain and expand the employment base and economic wealth base of this community; and
- increase the efficiency, effectiveness and impact of existing programs by leading and coordinating the Industrial Development Board of the City of Memphis and County of Shelby, Tennessee, the Depot Redevelopment Corporation of Memphis and Shelby County, Foreign Trade Zone 77, the Memphis and Shelby County Port Commission, the Office of Economic Development of Memphis and Shelby County, the successors of any aforementioned entity, and any and all such other offices, corporations, and commissions relating to economic development and growth as designated from time to time by the City of Memphis and Shelby County, Tennessee, to the extent allowed by the laws of the United States of America and the State of Tennessee.

It is the intention of EDGE to conduct its activities consistent with the provisions of Tennessee Code Annotated section 7-53-101, et seq., and any and all other laws of the United States and the State of Tennessee applicable and available to EDGE for PILOTs, and with the enactments of the local legislative bodies, the Memphis City Council and the Shelby County Board of Commissioners, in establishing EDGE.

The intent of the **Memphis Fast Track PILOT** Program is to attract new business to Memphis and Shelby County and spur industrial, industrial warehouse and office investment in conjunction with employer job creation in the City of Memphis and unincorporated Shelby County. The **Memphis Fast Track PILOT** Program shall provide a ten (10) year PILOT Term, with a two (2) year Ramp-Up Period, at 75% abatement of

City of Memphis and Shelby County taxes on real property improvements and tangible personal property for Projects located in the City of Memphis. The **Memphis Fast Track PILOT** awards shall be made upon application by applicants and approval by the Board. If the Applicant does not meet the requirements of the Memphis Fast Track PILOT Program, set forth below, then the Applicant may apply under another EDGE PILOT program (Jobs, Expansion, Retail, or Community Builder) in order to receive a PILOT incentive.

In accordance with the requirements of State law, EDGE must find each Project that is presented for approval to be in the public interest and one that will result in investment and jobs in Memphis and Shelby County. Any proposed Project shall not contemplate or reward the shifting of jobs currently located in the City of Memphis and/or Shelby County. Only Eligible Uses shall qualify for a PILOT. Nothing herein shall imply or suggest that EDGE, the City of Memphis, or Shelby County is under any obligation to provide a PILOT to any Applicant. All Applications shall be considered on a case-by-case basis, with the required performance criteria for each Project set accordingly, and the decision to approve or deny an Application for a **Memphis Fast Track PILOT** shall be at the discretion of EDGE and, as specified, the discretion of the Mayors of the City of Memphis and/or County of Shelby.

In addition, EDGE will encourage Applicants to include significant and verifiable mechanisms to reduce air and water pollution, solid waste, and energy consumption, and consider other investments that will improve the physical environment in Memphis and Shelby County.

EDGE has the right to amend or waive these Policies and Procedures, as needed, upon a majority vote of the EDGE Board of Directors, in order to effectuate its mission of economic development for Memphis and Shelby County, including the adoption, incorporation, and implementation of any and all available programs statutes, or other measures made available by the United States, the State of Tennessee, the County of Shelby, and/or the City of Memphis.

## II. DEFINITIONS

“Applicant” means the person or entity which submits to EDGE an Application for a PILOT.

“Application” means that document prepared, submitted, and, perhaps, amended by the Applicant, in accordance with the provisions of these Policies and Procedures, for the purpose of obtaining a PILOT from EDGE.

“Capital Investment” means the investment in land, buildings, design fees, site preparation, equipment and any other property for the Project.

“Charter” means the charter of EDGE, the State of Tennessee Amended and Restated Charter of Incorporation of EDGE, effective February 19, 2012, as amended from time to time.

“Contract Employee” means a person employed by a party other than the PILOT Recipient and whose labor is contracted for by PILOT Recipient and who is considered a necessary member of the workforce responsible for duties and assignments required to be performed in order for the PILOT Recipient to operate its business. All Contract Employees are subject to the PILOT criteria for determining Net New Jobs, including, but not limited to, Wages and health insurance requirements.

“CRC” means “Community Reinvestment Credit” or real property located in Shelby County with existing improvements thereon and for which EDGE may award a PILOT, treating said existing improvements as if they are constructed new for the Project. By allowing a PILOT for CRC, EDGE’s intention is to allow the same PILOT benefits for a PILOT Recipient utilizing existing property as are allowed for new property and new construction.

“Eligible Uses” shall be office and industrial uses including distribution, assembly/ value-add and manufacturing uses. Retail stores, residential uses, pawn shops, adult entertainment and product stores, liquor and tobacco stores, payday loan and title loan establishments and car dealerships, as well as other business types determined in EDGE’s sole discretion shall not be considered as Eligible Uses.

“Fiscal Impact Analysis” means an analysis periodically completed by EDGE’s Staff (the “Staff”) or consultants working on behalf of EDGE that is used by EDGE to compare the financial benefits of a Project applying for a PILOT with the costs over a time period. Such Fiscal Impact Analysis shall be used periodically to adjust, if necessary, the Fast Track PILOT Program.

“Full-Time Equivalent Job” means a job for which a PILOT benefit is awarded and is a full-time job which provides full-time employment of at least 1,600 hours per year, and permanent part-time jobs, which, when combined, total at least 1,600 hours of employment for the Project. For example, if an employer has one worker working 1,600 hours per year and two workers working 800 hours per year each, that employer would be providing employment for two Full-Time Equivalent Jobs. A Full-Time Equivalent Job must be paid at least \$13.00/hour and PILOT Recipient must offer to pay at least one half of health insurance costs for the employee. The \$13.00/hour must be the actual amount paid and not the Wage. This minimum amount paid will reset every three (3) years to one half the Shelby County Annual Average Wage rounded to the nearest ½ dollar. Contract Employees are included as Full-Time Equivalent Jobs.

“Lease Agreement” means the formal contract pertaining to the lease of real and/or tangible personal property which is the subject of a Project, and contains all of the terms and conditions with which all parties of said Lease Agreement must be in compliance. The Lease Agreement is between EDGE, as lessor, and as lessees, the PILOT Recipient, a Related Party and/or an Unrelated Party as applicable.

“Local Business Participation Commitment” means the commitment by Applicant to

spend or cause to be spent a certain amount related to the Project with MWBE's between the date of the Resolution and the expiration of the Term.

"Local Business Participation Program" means the EDGE Local Business Participation Program as set forth in Article X.

"Net New Jobs" means the number of new Full-Time Equivalent Jobs created by the Project, and based at the site(s) that is/are the subject of the Lease Agreement. Net New Jobs shall not include any Full-Time Equivalent Jobs being provided by Applicant in Shelby County at the time the PILOT Application is submitted to EDGE, including any jobs located at another site in Shelby County at the time of the PILOT Application and moved by Applicant from said other site(s) in Shelby County to the Project site(s).

"PILOT Lessee" means the individual or entity that owns the real and/or tangible personal property being contributed to the PILOT Project and leases back by the PILOT Lessee for the benefit of the PILOT Recipient and the Project. The PILOT Lessee may be the PILOT Recipient, but may also be a Related Party and/or an Unrelated Party as parties to the Lease Agreement. If the PILOT Lessee is not the PILOT Recipient, the term of the basic operating lease agreement between the PILOT Lessee (original fee owner) and the PILOT Recipient (the sub-lessee) for the property must be equal to (with options to renew and/or extensions for the sub-lease taken into account) or greater than the term of the Lease Agreement.

"PILOT Program" means the Fast Track PILOT program defined by these Policies and Procedures.

"PILOT Recipient" means the person or entity directly receiving a PILOT from EDGE and/or the Sponsor.

"PILOT Term" means ten (10) years for which a PILOT is approved for a Project under the Fast Track PILOT Program, unless extended by a term of up to two (2) years under the Local Business Participation Program set forth herein.

"Policies and Procedures" means these Fast Track PILOT Policies and Procedures, being the Fast Track Payment In Lieu of Tax Program Policies and Procedures of the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee.

"Project" means the project which brings together the real and/or tangible personal property (e.g., the buildings, structures, machinery, equipment, and land), Net New Jobs, Capital Investment, and other rights and obligations of the PILOT Recipient and EDGE, as approved by the Board and memorialized in the Resolution and Lease Agreement.

"Ramp-Up Period" means the time period within which the PILOT Recipient must meet its Net New Jobs, and Capital Investment, and any other benchmarks required in the Resolution. During the Ramp-Up Period, the PILOT Recipient receives its approved

PILOT benefit and is subject to all reporting criteria, but is not subject to compliance requirements. The Ramp-Up Period shall be two (2) years for all Projects. The Ramp-Up Period commences on the date of the first Lease Agreement executed between EDGE and the PILOT Recipient. Local Business Participation Commitment shall be measured pursuant to Article X and shall not have a Ramp-Up Period.

"Related Party" means the parent, owner or affiliate, including, brother/sister entities of the Applicant or PILOT Recipient.

"Resolution" means that resolution approved and executed by EDGE setting forth the PILOT benefits to be provided directly or indirectly to the PILOT Recipient for the Project.

"Sponsor" means any person or entity with legal or economic responsibility for the Project. Typically, the Sponsor is the Related Party of the PILOT Recipient. If the Project includes a Sponsor, then both the Sponsor and the PILOT Recipient will be parties to the Lease Agreement.

"Unrelated Party" means any party that is not a Related Party.

"Wage" or "Wages" means the Project's annual average wage for Full-Time Equivalent Jobs. Accordingly, "Wage" shall include regular wages, overtime pay, paid holidays, and paid vacation.

### **III. GENERAL PILOT OBJECTIVES AND PROVISIONS**

A. In accordance with the requirements of the laws of the State of Tennessee, EDGE must find each Project that is presented for approval to be in the public interest and one that will increase employment within the State of Tennessee. EDGE will evaluate projects for PILOT eligibility based on the following minimum performance standards:

1. Net New Jobs. A Project must create at least twenty-five (25) Net New Jobs to be considered for a Fast Track PILOT.
2. Capital Investment. A Capital Investment of at least \$1,000,000 is required to be considered for a Fast Track PILOT. Additional Capital Investment in an amount not to exceed 10% of the amount initially approved by EDGE may be added to the Project without EDGE's prior approval for the PILOT Term and receive the PILOT benefits.
3. Local Business Participation Commitment. To be considered for a Fast Track PILOT, the Applicant must meet the Minimum LBP Standard in the Local Business Participation Program set forth in Article X.
4. Location. The Project must be located in the City of Memphis or County of Shelby.

The PILOT Recipient must achieve its commitment for Net New Jobs, Capital Investment,

and other elements of the PILOT Evaluation Matrix included in the Resolution by the end of the Ramp-Up Period. The PILOT Recipient must achieve its Local Business Participation Commitment by the end of the Term.

B. The following types of Projects, facilities and buildings may be considered for a Fast Track PILOT:

1. Industrial Projects constructed to manufacture, assemble, process, fabricate, and distribute agricultural, mining, biomedical, electronics, food, chemical, alternative fuels, automobiles, or other products;
2. Distribution Facilities constructed to receive and forward goods to various locations;
3. Office Buildings and Service Facilities that the PILOT Recipient will occupy for at least the PILOT Term; and

C. The following types of Projects shall not be considered for a Fast Track PILOT:

1. Projects that are already underway or have begun construction. The utilization and occupancy of existing real property by a new Project, however, is allowed if a CRC is approved by the EDGE Board or the Project is based on improvements on real property or new tangible personal property expansion;
2. Projects for Housing, Entertainment and Recreation Facilities; and
3. Speculative projects. No PILOT application shall be approved if it would constitute an artifice or device to circumvent EDGE's requirement that "speculative" rental projects not be approved.
4. Fast Tract PILOTS shall not be used for job retention purposes.

D. The Policies and Procedures shall not be construed to deny a PILOT for an Applicant because the actual or equitable ownership of the property to be utilized for the Project resides in an entity or entities other than the Applicant or user. Such Applications shall be considered upon their individual merits, but in no event shall property owned by a party other than the Applicant or user of the facility be considered unless all of the facility or a predetermined percentage of the facility will be used for the Project which is the subject of the PILOT.

E. To provide the intended benefit for approved PILOT Projects, EDGE shall take title to the real and/or tangible personal property associated with the Project and shall then, via the Lease Agreement, lease such property back to the PILOT Lessee for the duration of the PILOT Term, with the PILOT payments being established consistent with these Policies and Procedures and as set forth in the Lease Agreement.

F. Under Lease Agreements, PILOT payments are to be made to the appropriate

governmental entities in lieu of ad valorem taxes on the property involved in the Project, such properties no longer being subject to taxation by virtue of their ownership by EDGE.

Generally and subject to exceptions set forth herein, for real property, such PILOT payments are to be based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the Project at the time EDGE takes title to the property. At the present time, the minimum allowable fraction is subject to change from time to time by action of the Memphis City Council, Shelby County Commission, and/or EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. PILOT payments shall be based on 100% of the land value of the Real Property, as determined annually by the Shelby County Assessor. The minimum allowed PILOT payment for real property is based on twenty-five (25%) of the improvement tax assessment for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five (25%) of the improvement tax assessment for Shelby County.

Generally and subject to exceptions set forth herein, for tangible personal property, such PILOT payments are to be based on a fraction of the property taxes that would otherwise be collected and attributable to the tangible personal property that is new to Shelby County at the time EDGE takes title to the property. The tangible personal property must be new to Shelby County at the time it is included into the PILOT. The minimum allowable fraction is subject to change from time to time without notice by action of the Memphis City Council, Shelby County Commission, and/or the EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. At the present time, the minimum allowed PILOT payment is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five percent (25%) for Shelby County.

G. Each PILOT Recipient, in its development, ownership, and/or operation of the Project, will be required to comply with all laws, ordinances, orders, rules, regulations, and requirements of the duly constituted public authorities, which are or shall become applicable to the Project, including those applicable to the repair and/or alteration of the properties thereof, and the use or manner of use of said properties and the Project.

H. In order to support the community's economic development goals, which include enhancing locally owned, small, minority and women owned businesses, PILOT Recipients must participate in EDGE's Local Business Participation Program, the guidelines for which are set forth in Section X below.

I. New property may be added to the PILOT through new Lease Agreements every year during the Ramp-Up Period. After the expiration of the Ramp-Up Period, additional property may be added to the Project by amending the last real property or tangible personal property Lease Agreement executed during the Ramp-Up Period. For personal property, the value of such property added from a year (or years) preceding the effective date upon which transferring to the EDGE will be based on the PILOT Recipient's

historic value recognized by the Shelby County Tax Assessor.

J. No PILOT will be awarded unless said award is recommended in writing by the Mayor of the City of Memphis (if the Project is located in whole or in part in the City of Memphis) and the Mayor of Shelby County (acting alone, if the Project is located in the unincorporated area of Shelby County).

K. No licensed transportation property (such as motor vehicles, watercraft, railcars, and aircraft) shall be eligible for inclusion in a Project and may not be counted as part of an Applicant's Capital Investment for the determination of eligibility for a PILOT or for the purposes of determining the PILOT Term. Unlicensed transportation property may be included in a Project and receive PILOT benefits if it is solely used at the site of the Project.

L. Applicant must demonstrate compliance with and payment of all municipal, county and state taxes due for all properties owned by it and located in Shelby County at the time of the filing of its PILOT Application and, if approved, during the entire PILOT Term. Payment of taxes which are under appeal shall not be required until the appeal is finally resolved, as provided under law.

M. EDGE shall complete a Fiscal Impact Analysis to give EDGE and the community a full view of the PILOT program.

N. PILOT benefits are freely assignable to a Related Party, provided the PILOT Recipient or Sponsor remains legally obligated to EDGE for the performance of all obligations set forth in the Resolution. The PILOT Recipient and intended assignee must provide written notice of such assignment to EDGE at or before the date of assignment. PILOT benefits are not assignable to an Unrelated Party without the prior written consent of EDGE.

O. A PILOT Recipient, in its sole discretion, may choose to terminate any Lease Agreement, at any time, and receive back ownership of the affected Project property from EDGE with any payments under the Lease Agreement remaining as a lien on the Project's property. Should a PILOT Recipient wish only to receive back a portion of the Project property, EDGE shall cooperate in the execution of all documents needed to give effect to this result.

P. Applicant must offer or provide health insurance for its Net New Jobs and pay at least 50% of the health insurance premiums to be eligible for a PILOT.

#### **IV. CONFLICTS OF INTEREST**

Each EDGE Board member, each member of the Staff, and each third party entity retained by EDGE for assistance evaluating an Application shall be responsible for disclosing any material interest which he or she may have in or with an Applicant, Sponsor, Project, or Project financing source. Any EDGE Board member, Staff member or third party entity

having any material interest in a Project or having a material interest in or family relationship with an Applicant, Sponsor or Project financing source shall submit to EDGE General Counsel a description of that interest or relationship, and EDGE General Counsel shall advise both EDGE and the affected member whether the member needs to recuse himself or herself from consideration of and/or work on the subject PILOT Application. Such recommendation of EDGE General Counsel shall be conclusive. If recusal is recommended, Staff shall work on the PILOT Application without participation from the EDGE Board member or Staff member who recused himself or herself, and EDGE will then consider the Application without participation from the recused EDGE Board member and/or Staff member.

EDGE Counsel shall not have a professional legal relationship with the Applicant, Sponsor, the Project, or the Project financing source, as such a relationship would constitute a conflict of interest hereunder. In the event of a conflict of interest involving an EDGE Counsel on a Project or Application, special counsel, which may include other EDGE Counsel who has no such conflict, shall be retained by EDGE to represent it in connection with the particular Project being considered.

## V. NETTING

For a PILOT Recipient new to Shelby County, all of the Project real estate (land and buildings) and tangible personal property, whether leased and/or owned by the PILOT Recipient will be eligible for the full benefit of the Memphis Fast Track PILOT.

For a PILOT Recipient currently operating its business in Shelby County, if the PILOT Recipient provides more Net New Jobs than are currently employed in Shelby County at the time of the Application to the Board, then the following netting provisions will not apply. Otherwise, for a PILOT Recipient currently operating its business in Shelby County and providing less Net New Jobs than are currently employed in Shelby County at the time of the Application to the Board, all of the real property improvements whether new or existing, and all of the tangible personal property new to Shelby County, or a combination thereof, leased and/or owned by the PILOT Recipient at the Project will be eligible for the benefits of the Fast Track PILOT based on (i) the total physical area of the building(s) to be used by the PILOT Recipient at the Project's expanded or new location multiplied by a fraction, the numerator being the total number of Net New Jobs at the Project and the denominator being the current number of the PILOT Recipient's Full-Time Equivalent Jobs in Shelby County, and (ii) the total value of the tangible personal property to be used by the PILOT Recipient at the Project's expanded or new location multiplied by a fraction, the numerator being the total number of Net New Jobs at the Project and the denominator being the current number of the PILOT Recipient's Full-Time Equivalent Jobs in Shelby County.

For real property:

$$\text{Total number of Net New Jobs} \quad \times \quad \text{Total square footage of the Project} = \text{Total Project square footage that will benefit from the PILOT}$$

Current number of  
Full-Time Equivalent  
Jobs in Shelby County

For tangible personal property:

Total number of <u>Net New Jobs</u> Current number of Full-Time Equivalent Jobs in Shelby County	X	Total value of Project tangible personal property	=	Total tangible personal property that will benefit from the PILOT
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## VI. APPLICATION PROCESS

Any Applicant seeking a PILOT from EDGE, to encourage and secure investment and jobs within the City of Memphis and/or Shelby County, shall be required to comply with the following Application policies and procedures. Nothing within these Policies and Procedures shall imply or suggest that EDGE, the City of Memphis, and/or Shelby County are under any obligation to provide a PILOT in any amount or value to any Applicant.

EDGE regularly meets to consider Applications for PILOT's. EDGE considers Applications at duly called meetings conducted in compliance with the State of Tennessee's open meeting and open records laws. Monthly meetings may be waived or held at different locations and on dates selected at the discretion of EDGE.

A. Pre-Application. Potential Applicants and/or their representative(s) are encouraged to hold a pre-application meeting with the Staff to review the proposed Project and discuss the projected Net New Jobs, Wages, Capital Investment, Local Business Participation and other PILOT criteria, as applicable. Please note that EDGE is subject to the public records laws of the State of Tennessee, and any information submitted to EDGE may be viewed or copied by any citizen of the State of Tennessee.

B. Explaining the Need for a PILOT. Applicants shall submit a statement demonstrating that the PILOT sought is an important component of an overall plan to achieve the economic development of the Project. The Memphis Fast Track PILOT Program is not an entitlement program and is granted only when the Applicant's need is demonstrated and the community's net benefit is identified.

C. Application. An Application for a Fast Track PILOT shall be made on EDGE's approved PILOT application form or in conformance with said form. Each Application shall include the full scope of the proposed Capital Investment in the Project. An application fee in accordance with Section VII will be charged and payment of same must accompany any PILOT Application. The application fee is non-refundable, but will be credited toward the payment of the Closing Fee. PILOT Applications must be filed with

Staff no later than the close of business ten (10) business days prior to the EDGE meeting at which the Application is to be considered, unless the Staff approves a shorter period of time between said filing and the hearing

Applicant shall make available its audited financial statements for the last three (3) fiscal years for review by Staff (or EDGE's designated agent) to confirm the Applicant's financial ability to complete the Project as proposed, unless this condition is waived or modified by Staff and the waiver is confirmed by a vote of the EDGE Board. Further, if a publically held corporation, the Applicant shall provide a copy of its latest annual report. If a privately held company, the Applicant shall provide a certified statement of the Company's net worth with corresponding disclosure notes as provided in the Applicant's latest approved or audited financial statement.

Each Application shall include statements that the Applicant shall not discriminate on the grounds of handicap or disability, age, race, color, religion, sex, natural origin, or any other classification protected under federal, Tennessee or local law. The Applicant will provide certification of ongoing compliance in this regard with its Annual Report to EDGE.

D. Application Amendment. The Applicant may amend its Application within one (1) year from EDGE Board approval of the PILOT Resolution for the Project. Amendments made after that time may be accepted only upon approval of EDGE.

E. Initiation Period. PILOT Recipient must initiate its Project by closing on a real or personal property Lease Agreement within two (2) years of the approval of the Resolution by the EDGE Board (the "Initiation Period"). During the Initiation Period, PILOT Recipient must provide status reports to the EDGE Board if the first Lease Agreement is not closed by the twelfth (12th) or eighteenth (18th) month of approval of the Resolution. If the first Lease Agreement is not closed during the Initiation Period, PILOT Recipient will have to apply to EDGE for an extension of time within which to close its first Lease Agreement; or, in the alternative, PILOT Recipient will have to submit a new Application for the Project at a later date.

## VII. PAYMENTS

A. Application Fees. The Application must be completed and submitted to EDGE with an application fee, in the amount of \$3,000.00.

B. Fees Paid at Closing.

1. Closing Fee. A closing fee computed as follows will be paid to EDGE prior to or at the time of closing of the Lease Agreement. Closing fees are based on the benefits that a PILOT Recipient will receive (i.e., value of the tax savings over the anticipated term of the Lease Agreement). The closing fee will be calculated at five percent (5%) of the estimated property tax savings (for real property, the PILOT Recipient's projected real property investment as shown in the Resolution shall be used to determine the value rather than the Assessor's value of the property), with

a minimum of \$1,500 owed and a maximum of (i) \$50,000 for a Project with a proposed Capital Investment of \$20,000,000 and below, (ii) \$100,000 for a Project with a proposed Capital Investment between \$20,000,001 and up to \$30,000,000, and (iii) \$300,000 for a Project with a proposed Capital Investment over \$30,000,000, including both the City of Memphis and the Shelby County portions and taking into account all closing fees paid for the Project. The PILOT Recipient will also be responsible for paying any additional expenses (i.e., recording fees, transfer tax, courier, copies and postage). The PILOT Recipient shall not be required to pay for or to reimburse EDGE's attorney or consultant fees.

2. Inner City Fees. In addition to the Closing Fees set forth above, for all personal property that is the subject of a PILOT located in the City of Memphis, the PILOT Recipient shall pay an additional fee in the amount of five percent (5%) of the property taxes otherwise due to the City of Memphis up to a maximum fee of \$50,000, and a fee in the amount of five percent (5%) of the property taxes otherwise due to Shelby County up to a maximum fee of \$50,000.

For all personal property that is a subject of a PILOT located in Shelby County but outside of the City of Memphis, the PILOT Recipient shall pay a fee in the amount of five percent (5%) of the property taxes otherwise due to Shelby County, up to a maximum fee of \$50,000.

3. PILOT Payments and Rent. All PILOT Recipients shall make their PILOT payments as set forth in the Lease Agreement and shall pre-pay net basic rent for the entire PILOT Term at the rate of \$100 per year at the time of closing any Lease Agreement.
4. Termination Fee. All PILOT Recipients must pre-pay a termination fee of \$1,000 at the time of closing any Lease Agreements.
5. PILOT Recipients may terminate PILOT and all the real property or personal property leases at any time; however, for personal property, the PILOT Recipient shall be responsible for the full year of PILOT payments in the year the purchase option is exercised or the year the Lease Agreements are terminated for any reason. These payments will be invoiced as part of the closing process.

These fees will be invoiced as part of the closing process.

C. Lease Amendments and Other Documentation. Amendments and other documentation, including, but not limited to joinder/estoppel fees, assignment/consents to or for existing PILOT Lease Agreements shall require a fee of \$1,000. For other documentation not involved with adding or removing property from the PILOT, the PILOT Recipient shall be responsible to reimburse EDGE's actual expenses, costs and reasonable attorney's fees incurred in reviewing closing documents or otherwise expended by EDGE as a result of PILOT Recipient's transactions.

D. Assignment of PILOT Benefits. In the event that the application for assignment of a

PILOT, to an Unrelated Party is approved by EDGE, transfer fees shall be charged on the following basis and payable immediately upon such assignment.

1. One percent (1%) of the property tax savings up to \$1,000,000, with a minimum fee of \$4,000; plus
2. 0.5% of any property tax savings over \$1,000,000, provided that the maximum transfer fee payable for any assignment shall be \$25,000.

E. Penalties.

1. Termination. Upon the expiration of a Lease Agreement, EDGE shall provide written notification to the PILOT Recipient advising it of PILOT Recipient's duty, pursuant to the Lease Agreement, to submit to EDGE all required documentation and approvals needed to enable it to execute any deeds and bills of sale necessary to transfer ownership of Project property to the PILOT Lessee. PILOT Recipient's failure to submit the required documentation and approvals within ninety (90) days of said notification shall result in a penalty of \$2,000 per month, which shall accrue for each month or part of a month during which PILOT Recipient fails to submit these documents, beginning ninety (90) days after said notification has been submitted by EDGE.
2. Annual Report. If PILOT Recipient or Sponsor fails to file the Annual Report by January 31 of each year, PILOT Recipient shall pay a late fee of Fifty Dollars (\$50.00) for each day the Annual Report is late (February 1 or later) until the Annual Report is filed, subject to a maximum fee of Three Thousand Dollars (\$3,000) which will accrue interest at the rate of 1.5% per month or the maximum rate allowed by law. Late Annual Reports shall be accompanied by the payment of the late fee when filed. In addition, PILOT Recipient shall bear the costs of inspection pursuant to Section IX herein.
3. PILOT Payments. The PILOT payments shall be due and payable on the same dates as ad valorem tax payments are due to the City of Memphis or Shelby County or any other applicable municipality (as the case may be). If any such PILOT payments are not paid by the applicable delinquency dates for payment of the corresponding county, city or other applicable municipality ad valorem taxes (as the case may be), then PILOT Recipient shall pay a penalty with respect to such delinquent PILOT payment from and after the delinquency date in the same amount as the penalty and all other charges which would be due on the corresponding county, city or other applicable municipality ad valorem taxes.

## VIII. CLOSING REQUIREMENTS

A. Insurance. EDGE must be listed as an additional insured on all property insurance contracts, including, without limitation, casualty and liability insurance policies and property insurance policies which cover property utilized for the Project and whose title has been conveyed to EDGE. Insurance coverage limits shall be in an amount not less

than \$5,000,000 for injury or death of a single person, \$5,000,000 for a single accident, and \$5,000,000 for property damage combined single limit coverage.

B. Environmental Report Requirements. The PILOT Recipient must submit Phase I Environmental Report (“Environmental Report”) with no recognized environmental conditions, for any real property being included in a Lease Agreement, unless waived by the EDGE Board, dated no more than three (3) months prior to the first Lease Agreement closing on developed real property or six (6) months prior to the first Lease Agreement closing on undeveloped real property. All Environmental Reports must explicitly grant to EDGE the right to rely on such reports. All Environmental Reports, which must be certified to EDGE, shall comply with the All Appropriate Inquiries Rule (40 C.F.R. § 312), as amended from time to time, and the following applicable standards designed by the American Society for Testing and Materials (“ASTM”) (all as subsequently amended or modified):

1. Standard Practice for Environmental Site Assessments: ASTM E 1528-06 Assessments;
2. Standard Practice for Site Assessments: Phase I Environmental Site Assessment Process, ASTM E 1527-05; and
3. Standard Guide for Environmental Site Assessments: Phase II Environmental Site Assessment Process, ASTM E1903-11.

Subject to the specific provisions of the Lease Agreement, the PILOT Lessee and/or PILOT Recipient shall comply and ensure compliance with all applicable local, state, and federal environmental laws and regulations. In the event that the PILOT Lessee and/or PILOT Recipient discovers or receives notice from any governmental agency with regards to any environmentally hazardous material or condition affecting the PILOT property which is the subject of the Lease Agreement, the PILOT Recipient shall promptly provide written notice thereof to EDGE; shall conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other related actions required, if any; and shall indemnify and hold harmless EDGE for any and all costs associated therewith, including any costs of testing, remediation and attorney’s fees, if any.

C. Mayors’ Letter. EDGE must receive a letter from the Mayor or Mayors as set forth in Section III.J. recommending approval of the PILOT prior to the closing of the first Lease Agreement.

D. Personal Property Depreciation. At the initial and any subsequent closing of any tangible personal property Lease Agreement or Amendment, the PILOT Recipient shall submit to EDGE and/or its agents, if any, a then current pro forma Tennessee schedule for tangible personal property that will be the subject of the Lease Agreement.

E. Deadlines. EDGE counsel must receive notice of PILOT Recipient’s intent to close on

a Lease Agreement or Amendment at least thirty (30) days prior to the expected closing date, but in no event later than November 1 of each year if the PILOT Recipient intends for the closing to be effective as of December 31. All Lease Agreements must close by the second Friday in February of the following year in order to be made effective as of the immediately preceding December 31st.

EDGE Counsel will then prepare the necessary documents and submit to the PILOT Recipient for approval and execution.

## **IX. EVALUATION/COMPLIANCE**

To demonstrate that its actions in granting PILOT incentives for specified Projects promote the public good, EDGE requires PILOT Recipients to certify each year that their performance commitments are met, and, if not, to explain fully.

Each year the PILOT Recipient shall provide information in the manner described in the Lease Agreement and complete an Annual PILOT Compliance Report Form (“Annual Report”) as approved by EDGE.

Such Annual Reports shall be submitted by the PILOT Recipient to EDGE and its designated agent (if any). To the extent that any agency of the City of Memphis, Shelby County, or the State of Tennessee shall require of EDGE any information or documentation regarding the Project, the PILOT Recipient shall provide or otherwise assist EDGE, as needed, in the production of such information or documentation.

Upon the expiration of the Ramp-Up Period and/or the PILOT Recipient fails to maintain the Net New Jobs requirement during the PILOT Term, the PILOT Recipient shall be deemed to be in default, and EDGE may reduce the PILOT Term by five (5) years.

Upon the expiration of the Ramp-Up Period and/or the PILOT Recipient fails to maintain the Capital Investment requirement during the PILOT Term, the PILOT Recipient shall be deemed to be in default, and EDGE may reduce the PILOT Term by five (5) years.

Upon the expiration of the Ramp-Up Period and/or the PILOT Recipient must be in compliance with the Local Business Participation Program.

No default shall be deemed to have occurred so long as the Project would qualify for PILOT incentives no less than those provided in the Resolution, as the same would be determined taking into consideration the totality of the terms contained in the Resolution and actually retained, maintained, created, paid, made or achieved Resolution requirements (as the case may be) by PILOT Recipient.

Staff or the designated agent of EDGE shall provide EDGE, on an annual basis, a compilation of the past year’s activities, and the ongoing activities of the Projects operating under the then current Lease Agreements.

## **X. LOCAL BUSINESS PARTICIPATION PROGRAM**

A. Minimum Requirement. In order to encourage growth locally, each PILOT Recipient shall participate in EDGE's Local Business Participation Program. PILOT Recipient shall meet with EDGE's LBP Consultant within twelve (12) months of the effective date of the first Lease Agreement to discuss its plan for achieving the Local Business Participation Commitment. PILOT Recipient must spend with Local Business Participants an amount equal to at least 25% of the PILOT Recipient's hard construction costs and site work plus an amount equal to at least 15% of projected PILOT savings for real and/or tangible personal property, as shown in the Resolution, for every year of the PILOT Term ("Minimum LBP Standard"). To count toward the requirements of this Article X, expenditures must be for the Project. If the Project is (i) a manufacturing project with \$75,000,000 or more in tangible personal property, or (ii) a Project with 75% of its total Capital Investment in manufacturing, machinery or equipment tangible personal property, the required minimum for PILOT Recipient is an amount between 25% and 34% of hard construction costs and site work plus an amount between 15% and 24% of real property PILOT savings and an amount equal to at least 5% of tangible personal property PILOT savings over the PILOT Term. For the purpose of this Policy, "Local Business Participant" or "LBP" means any business that is certified as a Minority/Woman Business Enterprise ("MWBE") by the City of Memphis or Shelby County government. A vendor shall be recognized as a LBP if included in lists maintained by City of Memphis or Shelby County government for that purpose during the year in which the vendor contract is entered into with or the purchase is made by the PILOT Recipient.

Expenditures for a Local Business Participant who provides contract workers ("LBP Temp Agency") to the PILOT Recipient shall be restricted to the LBP Temp Agency's administrative fee and not include the wages paid to the contract workers or the cost of their benefits. The PILOT Recipient shall either (i) be credited for documented administrative fee payments to the LBP Temp Agency of contract workers; or (ii) be credited with an amount equal to two percent (2%) of the payment to the LBP Temp Agency contract workers.

B. Exceptional Performance. Additionally, PILOT Recipient shall receive the following additional years to its PILOT Term for meeting its exceptional Local Business Participation Commitment and maintaining its exceptional Local Business Participation Commitment throughout the entire PILOT Term. The additional years shall be added at the end of the PILOT Term:

1. One (1) additional year:
  - a. If it spends an amount between 35% and 44% of hard construction and site work plus an additional amount between 25% and 34% of the PILOT savings with LBPs over the PILOT Term; or
  - b. If the Project is (i) a manufacturing project with \$75,000,000 or more in tangible personal property, or (ii) a Project with 75% of its total Capital

Investment in manufacturing machinery or equipment tangible personal property, and the PILOT Recipient spends an amount between 35% and 44% of hard construction costs and site work plus an additional amount between 25% and 34% of real property PILOT savings and an amount greater than or equal to 15% of personal property PILOT savings over the PILOT Term.

2. Two (2) additional years:

- a. If it spends an amount greater than or equal to 45% of hard construction and site work participation plus an additional participation amount greater than or equal to 35% of the PILOT savings with LBPs over the PILOT Term; or
- b. If the Project is (i) a manufacturing project with \$75,000,000 or more in tangible personal property, or (ii) a Project with 75% of its total Capital Investment in manufacturing machinery or equipment tangible personal property, and the PILOT Recipient spends an amount greater than or equal to 45% of hard construction costs and site work plus an additional amount greater than or equal to 35% of real property PILOT savings and an amount greater than or equal to 25% of personal property PILOT savings over the PILOT Term.

C. Enforcement. Local Business Participation Commitment shall be measured over the duration of the PILOT Term; however, the PILOT Recipient shall meet with EDGE staff prior to the annual anniversary that is at least three (3) years before the expiration of the PILOT Term for the first lease. For example, if the PILOT Recipient receives a 10 year PILOT Term, it must meet prior to the seventh anniversary of the first lease closing. PILOT Recipient must demonstrate to the Board's or its Compliance Committee's reasonable satisfaction that it has or will meet the Local Business Participation Commitment by the expiration of the PILOT Term or the Board may reduce the PILOT Term up to two years as provided below. For enforcement purposes in this Article X, EDGE may reduce (or "clawback") years from the end of the PILOT Term. The clawback will be a proportional reduction based upon the difference between the required participation terms and the accomplished LBP expenditures with the maximum clawback period being the lesser of (i) twenty percent (20%) of the PILOT Term; or (ii) two (2) years. For example, a PILOT with a 10 year term and the Applicant achieving 90% of the Minimum LBP Standard would result in a 1 year clawback. While an Applicant with a 10 year PILOT achieving 75% of the Minimum LBP Standard would compute to a 2.5 year clawback which would be reduced to a 2 year clawback for enforcement purposes. The evaluation and potential clawback starts in the third year before the expiration of the PILOT Term and for each year thereafter. All claw-back reductions shall be cumulative.

1. A LBP must be on an approved City of Memphis or Shelby County list during the year in which the vendor contract is approved.

2. Unless waived in the Resolution, the PILOT Recipient is required to list all Net New Jobs with the Workforce Investment Network and the Greater Memphis Alliance for a Competitive Workforce, and give due consideration to individuals referred by those organizations for open positions.

ADOPTED BY THE BOARD OF THE ECONOMIC DEVELOPMENT GROWTH  
ENGINE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS  
AND COUNTY OF SHELBY, TENNESSEE ON JUNE 21, 2017 AND FURTHER  
AMENDED BY THE BOARD OF THE ECONOMIC DEVELOPMENT GROWTH  
ENGINE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS  
AND COUNTY OF SHELBY, TENNESSEE ON \_\_\_\_\_.

By: \_\_\_\_\_  
Reid Dulberger  
President

ATTEST:

By: \_  
\_\_\_\_\_  
Al Bright, Jr.  
Chairman

[FAST TRACK]