



TENNESSEE

A C WHARTON, JR. - Mayor
GEORGE M. LITTLE - Chief Administrative Officer

DIVISION OF HOUSING & COMMUNITY DEVELOPMENT
ROBERT LIPSCOMB - Director

July 24, 2014

Ms. Mary C. Wilson
Director, Office of Community Planning and Development
U.S. Department of Housing and Urban Development
710 Locust Street S.W., Suite 300
Knoxville, TN 37902-2526

RE: Request for transfer of BEDI Grant Award B-10-BD-47-9004 and
Amended Section 108 Application:
Sears Crosstown Multi-Use Redevelopment Project

Dear Ms. Wilson:

As authorized by the Memphis City Council in its Resolution dated December 3, 2013, it gives me great pleasure to submit herewith for your review and approval, a formal request for transfer of BEDI Grant Award B-10-BD-47-9004 and an amended application for Section 108 Loan Guarantee Assistance under the Community Development Block Grant Program on behalf of the Sears Crosstown Multi-Use Redevelopment Project (Crosstown).

The \$2 million BEDI Grant was originally awarded on August 19, 2010 to the Memphis Medical Center Hotel Redevelopment (Hotel) located at 969 Madison. The City also made timely application for a \$4 million Section 108 Loan on or about October 15, 2010. Due to national economic factors, the Hotel Project was not able to obtain its private financing and the City of Memphis chose to select another project for funding. The City of Memphis has selected the Crosstown Project.

The redevelopment of the Sears Crosstown Distribution Facility into a multi-use facility will provide substantial employment, medical services, educational and housing opportunities for the citizens of Memphis. This project will also serve as an economic catalyst to both the immediate neighborhood and the entire city. The Crosstown redevelopment includes transforming the 10-story, 1.5 million square foot warehouse building and associated structures into a mixed use development that will create a major economic anchor on the City's north/west side.

The Crosstown Project also provides the City of Memphis with the opportunity to be one of those few cities across the country that have successfully transformed one of the fourteen 1920s constructed Sears Distribution Facilities into a unique vertical urban village. It will also serve as one of the largest planned historic adaptive reuse projects in the state of Tennessee's history and sure to become a national example for progressive mixed-use development.

Letter to Mary Wilson
July 24, 2014
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Other successful cities that have redeveloped similar facilities are:

- Atlanta- Ponce City Market
- Minneapolis – Midtown Exchange
- Dallas – Southside on Lamar
- Boston – Landmark Center
- Seattle Starbucks Center

The Crosstown Development Team along with their eight Founding Partners, local well-known healthcare, education and arts organizations, have indicated their collective commitment to inhabit nearly 600,000 square feet of the historic building and have joined together as the anchors for this \$198+ million project.

The eight Founding Partners are: ALSAC, Church Health Center, Crosstown Arts, Gestalt Community Schools, Methodist Healthcare, Memphis Teacher Residency, Rhodes College, and St. Jude Children's Research Hospital.

The \$6 million BEDI and Section 108 funds will serve as part of the City's \$15 million grant commitment to the project. In addition, the City will also fund a \$2.1 million loan to the project.

We have completed our economic benefits evaluation of the project and hereby provide you with a comparative look at the former Hotel vs the Crosstown project.

	Hotel	Crosstown
New Jobs	120	877
Federal Investment/New Jobs	\$50,000	\$6,842
BEDI-108/Private Leverage	1:5.62	1:33.08
BEDI/108 Leverage	1:2	1:2

The project also proposes to utilize federally authorized New Markets Tax Credits (NMTC) and its requisite financing structure, which limits principal repayment during the first 7 years of the loan (NMTC Compliance Period), and provides a defined structure for all of the loans and equity. As required by law, all funds flowing through the NMTC structure must be made simultaneously available to the investment fund at the time of the NMTC financial closing. To that end, all BEDI and Section 108 funds will be drawn *en masse* and forwarded to the NMTC closing attorney. This is a similar transaction to the Court Square Redevelopment Project here in Memphis. The currently proposed timeline for closing is on or before August 31, 2014. We will continue to monitor this timeline in conjunction with the project developers and will keep you apprised of that closing timeline.

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By copy of this letter, Paul Webster and Jason Triplett (HUD Financial Management Division), John Baldwin (HUD CPD Rep) and John Downs (National Development Council and Memphis' Consultant) will be provided with a copy set of the attached information.

As always, HUD continues to stand as Memphis' most stalwart partner in its economic development endeavors. Without HUD's continued commitment to Memphis and its citizens, Memphis would look vastly different. We look forward to working with you and your office on the Crosstown Project.

Please do not hesitate to contact me at 901-544-1102 or Debbie Singleton at 901-576-7304 regarding any questions you may have or any additional information required for your review and approval.

Thank you.

Sincerely,



Robert Lipscomb

Cc: AC Wharton, Jr., Mayor, City of Memphis
Paul Webster, Director, Financial Management Division,
Office of Community Planning and Development HUD
Jason Triplett Section, 108/Financial Management Division HUD
John Baldwin, CPD Rep, HUD
Marcus Ward, Senior Assistant City Attorney, City of Memphis
Debbie Singleton, Administrator, PPDD, City of Memphis HCD
Mairi Albertson, Administrator, Planning and Grants, HCD
John Downs, National Development Council

CITY OF MEMPHIS,
TENNESSEE

Application for
Community Development Block Grant Section
108 Loan Guarantee Application

Amendment to Application
Dated 10/15/2010

project
SEARS CROSSTOWN
MULTI-USE
REDEVELOPMENT

Submitted
To
U.S. Department of Housing and Urban
Development

Date
JULY 24, 2014

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- IX) Exhibits

I. HUD Standard Form 424

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission		*2. Type of Application	*If Revision, select appropriate letter(s):
<input type="checkbox"/> Preapplication		<input type="checkbox"/> New	Transfer application to Sears Project
<input type="checkbox"/> Application		<input type="checkbox"/> Continuation	* Other (Specify)
<input checked="" type="checkbox"/> Changed/Corrected Application		<input checked="" type="checkbox"/> Revision	Transfer application to Sears Project

*3. Date Received:	4. Application Identifier:
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5a. Federal Entity Identifier:	*5b. Federal Award Identifier:
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State Use Only:

6. Date Received by State:	7. State Application Identifier:
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8. APPLICANT INFORMATION:

* a. Legal Name:

* b. Employer/Taxpayer Identification Number (EIN/TIN): 92-6000361	*c. Organizational DUNS: 051386258
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d. Address:

*Street1: 125 North Main Street
 Street 2:
 *City: Memphis
 County: Shelby
 *State: Tennessee
 Province:
 Country: USA

*Zip/ Postal Code: 38103

e. Organizational Unit:

Department Name:	Division Name: Division of Housing and Community Development
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f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Mr. First Name: Robert
 Middle Name:
 *Last Name: Lipscomb
 Suffix:

Title: Director

Organizational Affiliation:

*Telephone Number: 901-544-1857 Fax Number: 901-576-7444

*Email: Robert.Lipscomb@memphiscity.gov

Application for Federal Assistance SF-424

Version 02

9. Type of Applicant 1: Select Applicant Type: **C. City or Township Government**

Type of Applicant 2: Select Applicant Type:

- Select One -

Type of Applicant 3: Select Applicant Type:

- Select One -

*Other (specify):

*10. Name of Federal Agency:

U. S. Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14-218

CFDA Title:

CDBG

*12. Funding Opportunity Number:

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Memphis, Shelby County, Tennessee

*15. Descriptive Title of Applicant's Project:

Crosstown Development Project

Attach supporting documents as specified in agency instructions.

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant 7,8 and 9

*b. Program/Project:

Attach an additional list of Program/Project Congressional Districts if needed.

17. Proposed Project:

*a. Start Date: 08/01/14

*b. End Date: 07/31/16

18. Estimated Funding (\$):

*a. Federal \$4,000,000.00

*b. Applicant

*c. State

*d. Local

*e. Other

*f. Program Income

*g. TOTAL \$4,000,000.00

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

a. This application was made available to the State under the Executive Order 12372 Process for review on

b. Program is subject to E.O. 12372 but has not been selected by the State for review.

c. Program is not covered by E.O. 12372

***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

Yes No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)

**I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

Authorized Representative:

Prefix: Mr.

*First Name: Robert

Middle Name:

*Last Name: Lipscomb

Suffix:

*Title: Director of Housing and Community Development

*Telephone Number: 901-544-1857

Fax Number: -01-576-7444

*Email: Robert.Lipscomb@memphistn.gov

*Signature of Authorized Representative:

Date Signed: 07/24/14

Application for Federal Assistance SF-424

Version 02

***Applicant Federal Debt Delinquency Explanation**

The following field should contain an explanation if the Applicant organization is delinquent on any Federal Debt. Maximum number of characters that can be entered is 4,000. Try and avoid extra spaces and carriage returns to maximize the availability of space.

II. General Project Description

A. Principal Objective

To secure governmental assistance for a **SPECIAL ECONOMIC DEVELOPMENT** project. The Section 108 funding is intended to supplement an approved \$2 million **BEDI** grant (B-10-BD-47-9004) awarded to the City of Memphis on August 19, 2010.

The City of Memphis requests to amend its application for a \$4,000,000.00 Section 108 loan, submitted on October 15, 2010, to assist with the redevelopment of the Sears Crosstown Distribution Facility (“Sear Crosstown Multi-Use Redevelopment Project or Crosstown”) into a multi-use facility providing employment, medical services, education and housing. The redevelopment of this 10-story 1.5 million square foot warehouse building and associated structure as a mixed use development that will create a major economic anchor on the City’s north/west side. See **EXHIBIT 1** The City is also requesting to transfer the B-10-BD-47-9004, August 10, 2010 BEDI grant awarded to the Crosstown Project. The revised BEDI Project Narrative regarding the Crosstown Project relative to the BEDI transfer request may be found at **EXHIBIT 2**.

During the 1920s, the Sears and Roebuck Company built fourteen (14) retail locations across the country. See **EXHIBIT 3** The Memphis location welcomed almost 30,000 shoppers on its first day of business. More than 1,000 people were employed to staff the original 53,000 square-foot retail store and to process the 45,000 orders that came into the catalog center each day. During the time of its original construction, the Sears Crosstown building was considered to be distant from the city center.

In the decades following World War II, Memphis’ growth patterns mirrored those of many American cities. By the late 1970s, however, Memphis’ population and purchasing power had migrated far into the suburbs of eastern Shelby County. Sears endeavored mightily to keep the building’s retail, warehousing, and distribution operations alive, but was ultimately unable to do so. The retail store closed in the early 1980s and the building was abandoned entirely in 1993. The neighborhood entered a steady tailspin of decline and the structure has been vacant for 20 years. Cleveland Street, the main corridor in Crosstown, went from a vibrant hub of activity that was the literal intersection of the city to a strip of boarded up and empty storefronts. Disinvestment, abandoned buildings, and empty storefronts led to a Memphis neighborhood at the nexus of Midtown, Downtown, and the Medical District being, in large part, deserted for many years. The Sears Crosstown building itself, 1.5 million square feet in total, was sadly transformed from a beloved symbol of commerce, interaction, and economic mobility into one of the most prominent and pernicious examples of blight in the city. See **EXHIBIT 4**

Redevelopment efforts are being led by Crosstown Arts, a tax exempt 501 c 3 entity created to facilitate the redevelopment of the property. Crosstown Arts will create a Limited Partnership (LP) or Limited Liability Corporation (LLC), and will be the general partner or managing member. The Section 108 loan will be invested through a NMTC structure to assist the for-profit owner managed by Crosstown Arts and appropriate other partners.

Crosstown Arts has provided the City of Memphis with the opportunity to change twenty-one years of decline by assembling, in August 2012, eight Founding Partners – local well-known healthcare, education, and arts organizations – who indicated their collective commitment to inhabit nearly 600,000 square feet of the historic building.

ALSAC, Church Health Center, Crosstown Arts, Gestalt Community Schools, Methodist Healthcare, Memphis Teacher Residency, Rhodes College, and St. Jude Children's Research Hospital are now the anchors of a landmark \$198+ million effort to redevelop the facility into a unique vertical urban village, one of the largest planned historic adaptive reuse projects in the state's history and sure to become a national example for progressive mixed-use development.

FOUNDING PARTNERS - Leaders in Arts, Education, and Healthcare:

The **Church Health Center**, the nation's largest, privately funded faith-based health clinic, provides services to the working uninsured, charging rates based on income and family size. Among the center's services are walk-in acute care, primary and specialty care, dentistry, eye care, counseling and preventive wellness programs. Church Health Center's wellness ministry offers everything from personalized exercise plans and cooking classes to group exercise classes and activities for children and teens. More than 125,000 member visits are recorded annually.

Methodist Le Bonheur Healthcare is an integrated, not-for-profit healthcare delivery system based in Memphis. Their seven-hospital system includes home health services, outpatient surgery centers, minor medical centers, diagnostic centers, sleep centers and a hospice residence. Rated as the number one hospital in the region (2011-2012) by U.S. News and World Report, Methodist received accolades in twelve specialties including neurology and heart surgery, and ranks #29 in the nation for orthopedics.

Gestalt Community Schools is a system of K-12 college-preparatory charter schools in targeted Tennessee communities. GCS schools provide strong academic outcomes for their scholars through initiatives including meaningful community involvement. GCS catalyzes community leadership to help revitalize the neighborhood as it operates its schools in that community. Last fall, its Power Center Academy in Hickory Hill was honored as the highest-performing middle school in Tennessee by the State Collaborative on Reforming Education.

ALSAC is the second-largest healthcare charity in America and the fundraising and awareness organization of St. Jude Children's Research Hospital. Its sole purpose is to raise and provide the funds necessary to operate and maintain St. Jude and to ensure the fulfillment of founder Danny Thomas' promise that no family ever pays St. Jude for anything.

St. Jude Children's Research Hospital has changed the way the world treats childhood cancer and other life-threatening diseases. No family ever pays St. Jude for the care their child receives and, for every child treated there, thousands more have been saved

worldwide through St. Jude discoveries. The hospital has played a pivotal role in pushing U.S. pediatric cancer survival rates from 20 to 80 percent overall; it is the first and only National Cancer Institute-designated Comprehensive Cancer Center devoted solely to children.

Crosstown Arts is a contemporary arts organization dedicated to further cultivating the creative community in Memphis. Managing five types of spaces that integrate varying components of exhibition, performance, production, education and retail, Crosstown Arts supports multidisciplinary and collaborative projects that interconnect people and organizations. Primary components include exhibition space, multidisciplinary artist residency program, and shared art-making labs.

The **Memphis Teacher Residency** is a non-profit organization whose mission is to recruit, equip and retain excellent teachers to work in Memphis' urban areas where the need for strong educators is most critical. The residency model is one adapted from the medical field and provides the opportunity for classroom learning along with practical experience. Residents commit to teaching in a high-need Memphis school for three consecutive years immediately following their residency year.

Rhodes College provides an outstanding liberal arts education. The Rhodes experience combines the best of the classroom and the real world—through internships, service, research and other opportunities in Memphis and far beyond.

* **Residential:** in addition to the above uses, there will be 260 apartments on floors seven through ten that will become home to young leaders in arts, education and healthcare. Artists, teachers, doctors and scientists in the various residency programs of the Founding Partners will be living in apartments ranging from studios to one-, two- and three-bedrooms. A minimum of 20% of the units will be affordable housing as defined by the Downtown Memphis Commission.

The partners have agreed on a development plan that demolishes approximately 400,000 square feet. The remaining 1.1 million square feet has approximately 886,000 rentable area and 300,000 of combined common and not lease-able area. The Founding Partners have committed to leasing approximately 60% of the revenue area as follows:

Health	227,702
Education	142,460
Arts Related	44,759
Residential	<u>94,565</u>
Pre – Leased	509,486

The remaining area is proposed for the following uses:

Education	18,000
Residential	173,585
Office	120,929
Retail	<u>64,383</u>
Uncommitted	376,897

The commitment of the Founding Partners, all anchor institutions in Memphis, provides the redeveloped facility with an extremely strong economic base immediately and significantly mitigates the operating risk, helping to insure the major economic impact the facility will have on the community and City.

B. Project Background

Sears, Roebuck & company originally developed the Art Deco building in 1927, the fourteenth in its series, as a catalog order distribution center and retail store. The original 640,000 square foot building initially had 1,000 workers. The last of 5 additions was completed in 1965 resulting in a 1.5 million square foot facility. The facility was closed in 1993 and has been vacant since. In 2009 Todd Richardson, a University of Memphis art history professor, and Christopher Miner, a video artist, formed Crosstown Arts to accelerate arts-based community and economic development in the neighborhood. Crosstown Arts secured a grant and contracted an experienced Development Team to create a vision that, in August 2012, led to the execution of MOUs with the 8 Founding Partners on a development concept and to lease approximately 581,000 square feet of the 882,000 rentable square feet in the redeveloped property.

C. Purpose of Loan

The City of Memphis has committed to providing grant and loan funds toward the redevelopment. The \$4 million Section 108 loan, \$2 million BEDI grant, along with \$8.105 million from the City’s Green Communities Program funded by a Qualified Energy Conservation Bond (QECB) allocation from the State of Tennessee and \$3 million in Capital Improvement Program (CIP) funds will support the City’s commitment. City financing will be used for the following:

Environmental Remediation	\$2 million	BEDI Grant
Design and Professional Fees	\$4 million	Section 108 Loan
Qualified Energy Conservation Bonds (Purchase Windows and Energy Efficient Equipment only)	\$8.15 million	QECB Bonds
Street Connections	\$1.5 million	City CIP Funds
Storm Water Connections	\$0.95 million	City CIP Funds
Street Lighting	\$0.5 million	City CIP Funds

Summary of Financing Sources/Uses

In addition to the City financing there will be \$181.4 million of development financing. Development financing will come from the following sources:

Equity	\$15.0 million
New Markets Tax Credits Structure	\$60.0 million

Debt	\$91.6 million
Shelby County Grant	\$ 5.0 million
City CIP	\$ 3.0 million
Historic Tax Credits	\$23.9 million

Uses of Development Funds are:

Building and Land Acquisition	\$ 1.5 million
Construction and Build-out	\$105.2 million
Tenant Improvements	\$ 40.0 million
Construction Soft Costs	\$ 11.0 million
Financing/Fees/Professional/Contingency	\$ 40.8 million

(A more detailed budget is attached at **EXHIBIT 5**)

D. Financing Terms

The Section 108 Loan will be amortized over a 20-year term. As these funds will be provided to the project as a grant, the City will be responsible for debt service. The project also uses the NMTC financing structure, which limits the debt repayment during the first 7 years of the loan, and provides a defined structure for all of the loans and equity. The City will manage the loan payments to the Interim or Permanent Facility to insure principal payments are made on the schedule in **EXHIBIT 6**. The operating proforma for the project is attached as **EXHIBIT 7**. Debt Service on the Section 108 loan will be provided by the City's General Fund or other available sources.

As mentioned, the City proposes to disburse the Section 108 funds into the upper tier of a NMTC structure. This structure enables the City to leverage the Section 108 loan with NMTCs to secure approximately \$189 million in additional investment. See **EXHIBIT 8**

E. The Community Development Strategy and This Project

Sear Crosstown facility has been vacant for over 20 years. This vacant and deteriorating building is a major deterrent to investment and economic development in an area at the nexus of midtown, downtown and the medical district and was thought to be undevelopable. The opportunity to redevelop this property into an asset and economic anchor is of such importance that the City has quickly pushed this project to the top of its priorities. The Consolidated Plan for the City of Memphis identifies the need to leverage private investment into mid-town development projects that produce jobs for low and moderate income people. The revitalization of the existing vacant building into a vibrant mixed-use vertical urban village anchored in arts, education and healthcare will also increase economic activity the surrounding area, thus expanding economic opportunities for low and moderate income persons.

III. National Objectives

The Community Development Block Grant program, including Section 108, requires a project to meet a National Objective, as defined in the statute and HUD regulations. The Sears Crosstown Redevelopment Project will meet the National Objective of job creation or retention activities. The regulatory citation is: **24 CFR §208.a (4)**:

“An activity designed to create or retain permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, will be available to low-and-moderate income persons”

The Public benefit created by this project has been determined through the creation, in aggregate, of not less than **877 net new** full time jobs. Not less than 51% of the jobs (442) will be available to low and moderate income persons.

IV. Eligible Activities

Section 108 loan funds and BEDI funds will be used for the following eligible activities:

24 CFR §570.703(e) - Clearance, demolition, and removal . . . and remediation of properties with known or suspected environmental contamination . . .

24 CFR §570.203(b) – Assistance to a for-profit entity undertaking special economic development activities. Funds will be used to pay for Design and costs of fixtures or equipment.

The use of the Section 108 and BEDI money will be used to fund the design and other soft costs necessary for the redevelopment to occur and to purchase energy efficient windows and other energy efficient equipment to insure the property can be operated in a cost effective manner after redevelopment. Also, any funds allocated toward the remediation required prior to the construction would be under a separate contract and executed and completed prior to the construction.

Qualification under "SPECIAL ECONOMIC DEVELOPMENT" also requires the project to meet Public Benefit standards under **24 CFR §570. 209**. This is covered in a separate section below.

V. Compliance Statement

Davis - Bacon Act Compliance

The City of Memphis is knowledgeable of and will comply with the Davis- Bacon Act. The proposed use of Section 108 and BEDI funds, however, will be expended for soft

costs (A&E) and the purchase of equipment only (no labor costs). The proposed spending has been forwarded to Deborah Conyers, Region V HUD Area Office and determined that it will not by itself trigger compliance with Davis-Bacon and Related Act on construction. The City will continue to monitor the progress of the project and the expenditure of funds to insure that no funds expended will trigger Davis Bacon.

City of Memphis memo and email response found at **EXHIBIT 9**.

Environmental Review

The City of Memphis will comply with HUD's Environmental Regulations applicable to CDBG and Section 108. No funds will be dispersed prior to environmental clearance, and it is understood that any physical development hard costs undertaken prior to environmental clearance cannot be reimbursed through Section 108 or BEDI funds.

Citizen Participation

The City of Memphis assures compliance with HUD's citizen participation regulations applicable to CDBG and Section 108, as cited at **24 CFR §570.704(a)(2)** consistent with its citizen participation plan.

Consistency with Consolidated Plan

The City will assure the completion of an amendment, reflecting the Sears Crosstown Redevelopment project, to its currently adopted Consolidated Plan submitted for approval on May 12, 2014.

Other

All other applicable statutes and regulations will be followed, see attached certifications.

VI. Public Benefit

The Section 108 loan and the BEDI Grant (\$4 million plus \$2.0 million) will provide assistance under **24 CFR §570.703(e) and (f)**, under the eligible category of "SPECIAL ECONOMIC DEVELOPMENT". The project will trigger HUD's standard term Public Benefit, as found in citation **24 CFR §570.209(b)(1)(i)**.

In **Exhibit 10** job projections were based upon a report from RKG Associates, Inc. and industry standards. New wages are projected to be \$36 million per year and the new local tax revenue generated is projected to be \$1.5 million per year.

Then: \$6.0 million divided by 877 FTEs is equal to \$ 6,842 per FTE. Public benefit requirements are met by not exceeding the \$50,000 per new job statutory maximum for individual projects under **24 CFR §570.209(b)(3)** with the City choosing to exclude the project from the aggregate standards as permitted under **24 CFR §570.209(b)(2)(v)(F)**;

assistance to a business operating in a census tract with 20% or more residents in poverty, based on the 2010 Census.

VII. Repayment and Securitization

REPAYMENT

The City of Memphis is requesting a \$4,000,000 loan guarantee, with funds from the sale of notes to be granted to the development entity, for a period of 20 years. The initial 8 years of the loan payments (the NMTC Compliance Period) will be interest only at an effective rate of .5%. Post NMTC, the loan will be converted to a Deferred Payment Loan to be forgiven by 8.33% per year for the remaining 12 year term, in exchange for the retention of the proposed 877 jobs. Funds for the repayment will come from the City's General Fund or other available sources. The proposed Principal Repayment schedule may be found at **EXHIBIT 6**.

COLLATERAL

The City will have a 3rd lien position on the property (through the NMTC structure)..

CDBG UNDERWRITING

For purposes of CDBG eligibility, the 24 CFR Appendix "A", *Guidelines and Objectives for Evaluating Project Costs and Financial Requirements* of the regulations will be followed prior to closing and properly recorded

VIII. Certifications and Assurances

- A) Entitlement Public Entity Certifications
- B) Certification of Efforts to Obtain Other Financing
- C) Certification of Authority to Pledge CDBG Funds
- D) Certification for a Drug-Free Workplace (HUD-50070)
- E) Certification Regarding Debarment & Suspension (HUD-2992)
- F) Certification of Payments to Influence Federal Transactions (HUD-50071)

Certification A

Entitlement Public Entity Certifications

In accordance with the Housing and Community Development Act of 1974, as amended, (the "Act") and with **24 CFR §570.704 (b)(8)**, public entity certifies that:

- (i) It possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M ("Subpart M") and to use the guaranteed loan funds in accordance with the requirements of Subpart M.
- (ii) Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required.
- (iii) Before submission of its application to HUD, the public entity has:
 - A) Furnished citizens with information required by **24 CFR §570.704(a)(2)(i)**;
 - B) Held at least one public hearing to obtain the views of citizens on community development and housing needs; and
 - C) Prepared its application in accordance with **24 CFR §570.704(a)(1)(iv)** and made the application available to the public.
- (iv) It is following a detailed citizen participation plan which meets the requirements described in **24 CFR § 570.704(a)(2)**.
- (v) The public entity will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:
 - A) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*); and
 - B) The Fair Housing Act (42 U.S.C. 3601-20).
- (vi) In the aggregate, at least 70 percent of all CDBG funds, as defined at **24 CFR §570.3(e)**, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low and moderate income persons, as described in criteria at **24 CFR**

§570.208(a).

- (vii) It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low and moderate income housing described in **24 CFR §570.606**.
- (viii) It will comply with the requirements of **24 CFR §570.200(c)(2)** with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.
- (ix) (Where applicable, the public entity may also include the following additional certification.) It lacks sufficient resources from funds provided under Subpart M or program income to allow it to comply with the provisions of §570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds.

Signed: _____

Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development

Date: _____

7/24/14

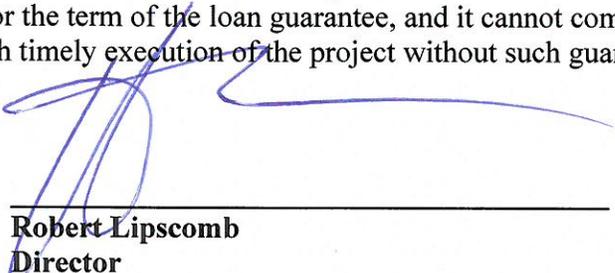
Marcus Ward
Senior Assistant City Attorney

Certification B

Certification of Efforts to Obtain Other Financing

The City of Memphis hereby assures and certifies with respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it has made efforts to obtain financing for the activities described herein without the use of such guarantee, it will maintain the documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with timely execution of the project without such guarantee.

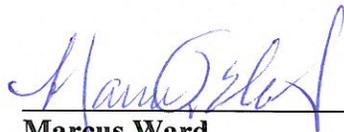
Signed:



Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development

Date:

7/24/14



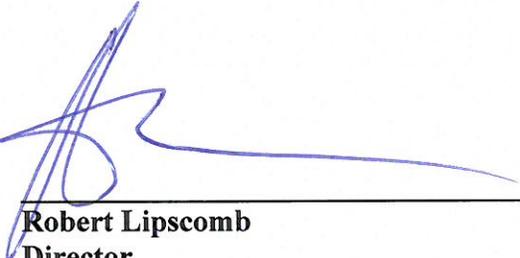
Marcus Ward
Senior Assistant City Attorney

Certification C

Certification of Legal Authority to Pledge Grants

The public entity hereby certifies and assures with respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it possesses the legal authority to make the pledge of grants required under 24 CFR §570.705(b)(2).

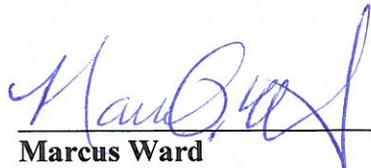
Signed:



Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development

Date:

7/24/14



Marcus Ward
Senior Assistant City Attorney

Certification D

Certification Regarding Drug-free Workplace Requirements

The certification set out below is a material representation upon which reliance is placed by the U.S. Department of Housing and Urban Development in awarding the loan guarantee assistance. If it is later determined that the public entity knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, the U.S. Department of Housing and Urban Development, in additions to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.

Certification

- A. The public entity certifies that it will provide a drug-free workplace by:
- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the public entity's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
 - (b) Establishing a drug-free awareness program to inform employees about -
 - (1) The dangers of drug abuse in the workplace;
 - (2) The public entity's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
 - (c) Making it a requirement that each employee to be engaged in the performance of the activities undertaken with the loan guarantee assistance be given a copy of the statement required by paragraph (a);
 - (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the loan guarantee, the employee will -
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction.

- (e) Notifying the agency in writing, within ten calendar days after receiving notice under paragraph (d)(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number (s) of each affected grant;
- (f) Taking one of the following actions, within 30 calendar days of receiving notice under paragraph (d)(2), with respect to any employee who is so convicted--
 - (1) Taking appropriate personnel action against such employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (g) Making a good faith effort to continue a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f).

B. The public entity shall insert in the space provided below the site(s) expected to be used for the performance of work under the assistance covered by the certification:

Place of Performance (include street address, city, county, state, zip code of each site):

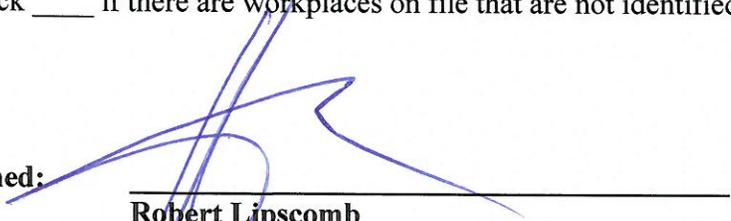
Name of Public entity: City of Memphis, Division of Housing and Community Development
701 N. Main
Memphis, Shelby County, Tennessee
38107-2311

Program Name: Community Development Block Grant

Project Number: _____

Check if there are workplaces on file that are not identified here.

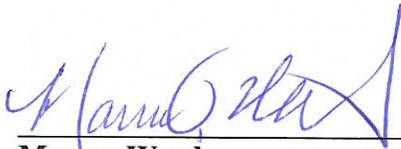
Signed:



Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development

Date:

7/24/14



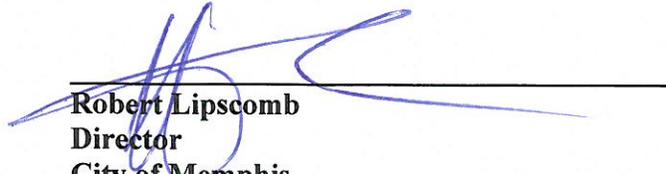
Marcus Ward
Senior Assistant City Attorney

Certification E

Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions

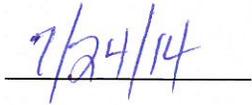
- (1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
 - (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
 - (b) Have not with a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - (d) Have not within a three year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause of default.
- (2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Signed:



Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development

Date:



Marcus Ward
Senior Assistant City Attorney

Certification F

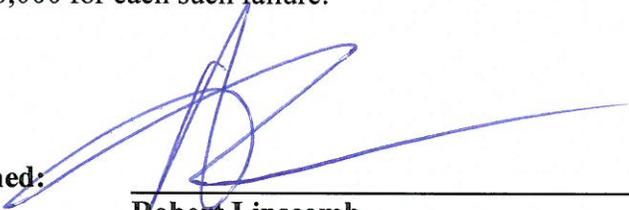
**SECTION 108 LOAN GUARANTEES
STATEMENT REGARDING LOBBYING**

**THE UNDERSIGNED CERTIFIES, TO THE BEST OF HIS OR HER
KNOWLEDGE AND BELIEF, THAT:**

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit standards Form – LLL, “Disclosure Form to Report Lobbying” in accordance with its instruction.

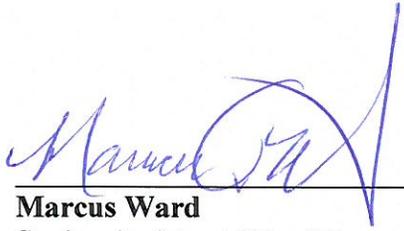
Submission of this statement is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U. S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Signed: _____


Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development

Date: _____

7/24/14


Marcus Ward
Senior Assistant City Attorney