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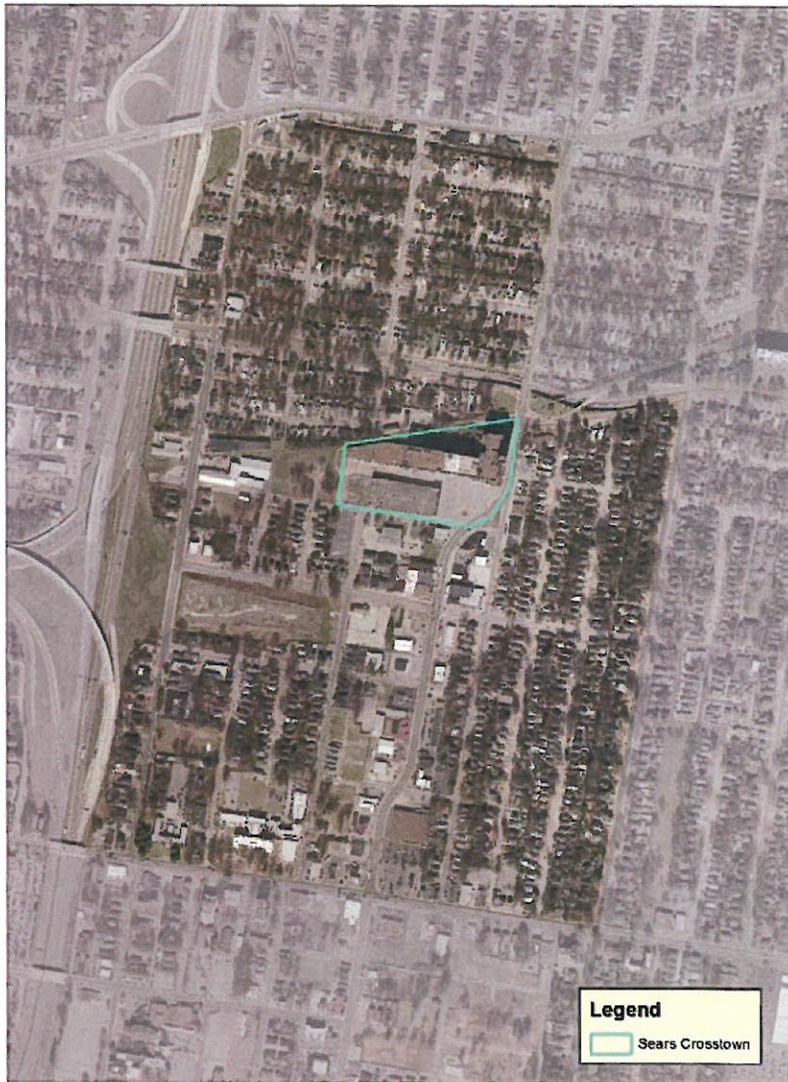
Davis Bacon Correspondence

Exhibit 10:

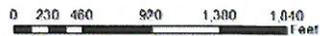
Economic/Job Analysis

EXHIBIT 1

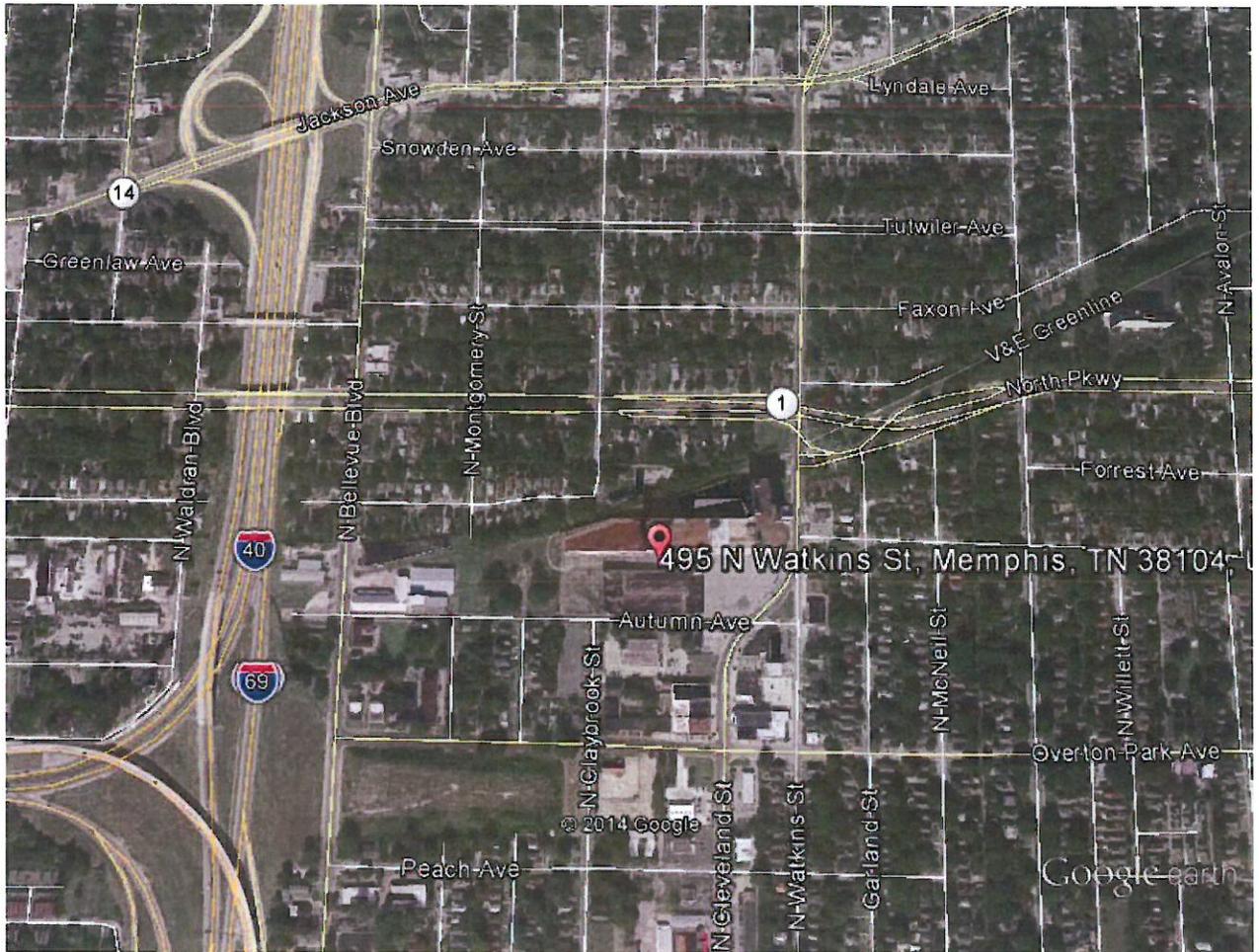
Census Tract Map



Census Tract 25



Aerial View



Current Conditions



Project Renderings



EXHIBIT 2

Crosstown Project: Narrative

Rating Factor 1: Capacity and relevant organizational experience

1. Applicant capacity

The City of Memphis, Division of Housing and Community Development (HCD) is a key partner in addressing the city's blight and deterioration challenges, creating opportunities for redevelopment, and stimulating the local economy. Originally established to plan and implement housing revitalization, HCD added economic development to its goals in 1991. Since that time, supporting commercial development that creates jobs, increases the tax base, and enriches the Memphis community has become a top priority of the city's Three-Year Strategy under its Consolidated Plan. Extensive Federal funds and local resources have been committed for infrastructure improvements to encourage reinvestment in targeted areas of the city, especially where blight has destroyed communities and landscapes and limited commercial development in the past.

(1)a. Performance: Administration of CDBG, HOME, and other HUD programs.

During its fiscal year ending July 31, 2013 (the latest for which data is compiled-the City is currently working on its FY03 CAPER), the City of Memphis Division of Housing and Community Development (HCD) administered over \$39,000,000.00 in CDBG, HOME, ESGP, HOPWA, Lead Based Paint Hazard Reduction grants, CDBG Disaster Recovery, Neighborhood Stabilization 3, and City of Memphis Funds. The quantitative outcomes in FY13 included 500 rental units, 136 single family rehabilitations (including major and minor renovations), assisting 501 homebuyers with down payment assistance and/or homebuyer and credit counseling, implementing a lead hazard reduction program, and providing funding to agencies that served 3,389 homeless individuals and 4497 persons

with special needs.

City funds are used to primarily address the economic development objectives of job creation and small business development via the services provided by the Renaissance Business Center (RBC) located at 555 Beale. In FY2013, there were 12 loans made totaling \$1,089,000.00. These loans created 33 jobs and retained 35 jobs. Primarily, loans were made to businesses in various industries. RBC also administers a Contractor's Assistance Program, which leverages funds by providing small, minority, and women-owned businesses with technical assistance, and information on bonding, insurance, and capital. 40 licensing/ bonding/ training programs were held in FY13 with 549 participants.

Loans are serviced through HCD's in-house loan servicing department. This department insures that all program income is collected and accounted to industry standards for all CDBG, HOME, Section 108, and special needs programs. The current total principle balance of HCD's portfolio is \$96,594,494.00 and consists of 4,076 projects.

HCD meets its timeliness tests for its entitlement funding, and has successfully completed and closed out competitively awarded grants including lead paint hazard reduction demonstration grants, and is currently on schedule with its other grant programs. HCD has staff in the planning, accounting, monitoring and compliance departments that monitor the timeliness in implementation of grants and grant spending.

(1)b. Performance: Economic development projects.

In recent years, HCD has undertaken several economic development projects. Federal funds were combined with other non-federal local funds for the purchase and refurbishment of the American Queen Vessel, and for marketing and operating expenses.

The Term of the Loan will be for a period of ten (10) years, and will be repaid by GASC through boarding and docking fees that it will assess every passenger boarding any vessel operated by GASC on the Inland River System until the City Loan has been fully repaid. The boarding and docking fees will be \$89 per person, per vessel. The total annual economic impact is estimated to be \$89.5 million and is projected to generate \$1.8 million in new local taxes. Additionally, the project will bring 21,827 visitors to Memphis with 64 trips beginning or ending in the City. The project will also create 587 new jobs including headquarters, maintenance and operations, training, the onboard marine crew, and guest services.

HCD has also continued its support of efforts to revitalize downtown Memphis and the Riverfront. Two recent projects that demonstrate this include Beale Street Landing and the Memphis Pyramid Project. Beale Street Landing will provide a place for citizens and tourists to access the Mississippi River at its widest point, an economic development opportunity which benefits the City of Memphis and the State of Tennessee, a modern docking facility for large riverboats and an appropriate terminus to Tennessee's Number 1 Tourist Attraction – Beale Street.

The Memphis Pyramid project is a 2007 project whereby, Memphis was awarded a \$2 million BEDI and a \$9.14 million Section 108 loan for the Memphis Pyramid Project, with a total budget of \$125 million. Job creation estimates exceed 1,000 jobs. The project will provide unique amenities including an aquarium, aviary, restaurants, and more. Construction began in November of 2011 with a projected opening date of 4th quarter 2014.

(1)c. EZ/EC/RC status and tax benefit maximization. The project is located in Census Tract 25, which is part of Memphis' Renewal Community (RC). As of 2009 (the last report available online), the Memphis Renewal Community estimated \$30,325,000 in

cumulative savings to businesses do to the RC wage credits, \$30,630,000 in cumulative savings to businesses due to the commercial revitalization deduction, \$10,800,000 in cumulative savings to businesses due to the increased Section 179 deduction, and \$20,340,000 cumulative savings to businesses due to the work opportunity credit.

(1)d. BEDI awards/Section 108 loans.

University Place

HUD approved a transfer of the 1998 BEDI grant to the University Place HOPE VI Revitalization Area, where the primary sites of concern included the vacant Baptist Rehabilitation Hospital, and two vacant manufacturing plants, including the Memphis Furniture Factory and the Desoto Hardwood Flooring Company. The known environmental hazards included lead, asbestos, and underground storage tanks. Private and City funds were used to undertake a Phase I and Phase II environmental assessment at the hospital site. The results of a Phase II confirmed the presence of subsurface and groundwater problems.

The BEDI project was adjacent to an obsolete public housing development called Lamar Terrace that was demolished and redeveloped using HOPE VI funds. The BEDI work and the revitalization of the area is complete.

Court Square Center

The City of Memphis received \$2 million of BEDI funds and \$8,500,000 in Section 108 loan guarantee funds for the Court Square Center project. The project entails the remediation and redevelopment of an entire abandoned city block, comprised of a historic 21-story office building, a former department store and a storage building. The project will create 51,000 square feet of new commercial space, 76 units of rental housing and

140 jobs. A portion of the BEDI and Section 108 loan funds will be used for the remediation of the site, as well as for the construction and rehabilitation of the buildings. BEDI funds will also be used to pay interest costs on the Section 108 loan. Total project costs are estimated at \$28.8 million.

The apartments in the historic Lincoln American Tower and Lowenstein building reflect the history of each building, featuring original existing elements including marble lobby floors and wooden structure beams. The difference between the three buildings' apartment layouts and finishes is a comparison of superlatives, whether it is the high ceilings, exposed 19th Century support beams in Lowenstein, the 1925 marble corridors and glazed terra cotta facade of Lincoln American Tower, or the floor to ceiling glass curtain wall and modern design of CA2. These attributes make Court Square Center perfect choice for people seeking apartments for rent in Memphis.

Memphis Pyramid Redevelopment

The City of Memphis, TN received a BEDI grant of \$2 million and a Section 108 Loan for \$9,914,000 for the Pyramid Redevelopment Project. Federal funds will be committed to assisting the construction of a Bass Pro Shops retail destination center through clearance and site preparation. With a total budget of \$125 million. Job creation estimates exceed 1,000 jobs. The project will provide unique amenities including an aquarium, aviary, restaurants, and more. Construction began in November of 2011 with a projected opening date in 4th quarter 2014.

Partner capacity

Crosstown, LLC purchased the historic Sears & Roebuck Distribution Center in 2007 as a civic venture to redevelop the 1.5 million square foot structure, vacant since 1993, and revitalize the surrounding neighborhood. In 2010, an experienced development team was

engaged to complete a year-long feasibility study and guide the project through the design, financing and construction processes. This team consists of Dr. Todd Richardson and McLean Wilson, co-leaders of the project, Bologna Consultants and Carkuff Interiors.

In August 2012, eight Founding Partners – local well-known healthcare, education, and arts organizations – 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 \$190,000,000+ 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. Once these commitments were solidified, the development team engaged a number of highly qualified consultants to expand the development team and execute the vision. The consultant group assembled includes planners, engineers, architects, and specialty consultants. The group is led by the architecture, design and planning firm Looney Ricks Kiss (Memphis) in association with Dialog (Vancouver, BC).

The Development Team has since added experts in construction, marketing and communications, management and operations, legal, accounting, tax credit professionals and neighborhood outreach personnel to the ever-expanding team.

Rating Factor 2: Distress/extent of the problem

The Sears Crosstown property is located at 495 North Watkins, in the Crosstown Neighborhood, between the Memphis Medical District and the Evergreen residential

neighborhood just a few minutes east of the downtown area. It is strategically close to the Interstate 240 interchange and Poplar Avenue, one of the city's main east-west roads. Many major medical institutions are within a few blocks, including the University of Tennessee (UT) Health Sciences Center, the Regional Medical Center of Memphis, LeBonheur Children's Medical Center, the Veterans Affairs Medical Center, Methodist University Hospital, Baptist College of Health Sciences, and the Southern College of Optometry.

In the decades following World War II, Memphis' growth patterns mirrored those of many American cities. During the time of its construction in the late 1920s, the Sears Crosstown building was considered to be distant from the city center. 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.

1. Poverty rate

The Sears Crosstown site is located in Census tract 25, a predominantly commercial neighborhood with just over 3600 residents. The median household income in this area is estimated at \$29,526. Median household income is less than that of Memphis households as a whole, which have a median income of \$36,115, as well as the \$50,233 national median household income. The poverty rate is 37.6% much more than the 27% rate of the greater Memphis area.

2. Unemployment rate

Unemployment in the census tract where the site is located is 75.1%. City-wide, the unemployment rate is 7.2%.

3. Other indicators of decline

The area contains dilapidated, unsafe housing and vacant storefronts and lots. In addition to inadequate housing, the predominantly African-American residents are challenged by marginal education (28% high school graduation rate) and a lack of accessible job opportunities. Expanded efforts are needed to revitalize this blighted, economically depressed part of the city and include low-income people in its economic progress.

Rating Factor 3: Soundness of approach

1. Consistency/appropriateness of proposed activities with needs

(1)a: Extent to which activities meet needs. This project will enable the renovation and reutilization of the vacant former Sears Crosstown facility that, when developed into a vibrant community place, will serve not only as a catalyst for revitalizing Crosstown, but also as a landmark cornerstone among Midtown, Medical Center, and Downtown It will

address the needs described above with the following activities:

Improving aesthetics and stimulating future development. The former 1,500,000 square foot iconic, Art Deco-style building was an economic engine from the 1930s through the mid-1980s, until Sears vacated the building in 1993. It has been vacant since. Conditions in this “working-class” neighborhood range from well-maintained to disinvested with vacant and neglected properties. The historic Sears Roebuck & Co. Distribution Center, originally built in 1927 and located in the Crosstown neighborhood of Memphis, TN, is being preserved and redeveloped as a mixed-used, “vertical urban village” anchored by arts, education and healthcare. The project will consist of a charter high school for arts and sciences, teacher residency and graduate urban education program for 100-150 Memphis teachers, wellness and fitness center, healthcare clinics, contemporary art exhibition space with shared art-making facilities, healthcare administration offices, along with other commercial and mixed-residential uses. Due to its scale and mix of tenant uses, this Project will serve as an anchor and catalyst to revitalization and economic development in the Crosstown neighborhood, Medical Center as well as the surrounding communities.

Creating jobs and economic impact. During construction, this project will create nearly 1,000 construction jobs, 884 indirect construction jobs, and put more than \$50,000,000 in construction wages and \$39.5 million indirect construction wages into our economy. Post construction, the Crosstown building will be home to 1,317 jobs, which includes 877 net new full-time-equivalent positions. These jobs will contribute \$37,000,000 in wages to our economy every year. Taxable retail sales from ongoing retail, restaurant, and other activities will result in annual net sales tax revenues of \$1,500,000. Additional residential

and employment at Sears Crosstown represents an estimated annual demand for \$7,600,000 in consumer spending. The indirect economic impact throughout the rest of the Memphis metropolitan area will produce 619 new jobs with \$21,500,000 in wages. A minimum of 20% participation by certified minority and women-owned businesses, per the payment-in-lieu-of-taxes agreement being sought with the Downtown Memphis Commission. Twenty-percent (20%) of the project's 230 new residential units will be designated as affordable to low-income housing, which means that the project will provide 46 new units of affordable housing in one of the most diverse and high need districts of our city.

Expanding benefits to adjacent neighborhoods. Based on the needs of the Founding Partners and plans for residential, project architects have estimated that there will be 2,500 people in the building at peak times between 8:00 a.m. and 3:00 p.m. As a result, the redevelopment's economic benefits will carryover throughout the rest of the district, particularly along the Cleveland Street corridor that runs south to Union Avenue – a corridor that will be an ideal setting for the City of Memphis' new “complete streets” vision – and the vastly under-developed areas of Washington Bottoms and Klondike-Smokey City. In recent months, the Cleveland Street corridor in Crosstown has seen over 20,000 square feet of blighted empty storefronts leased up and completely renovated with new tenants. This tenancy includes education, music, art, office, retail, and health care.

Using Green Technology/Enhancing Sustainability Because of the potential for great environmentally sustainable outcomes, both for the building and the surrounding neighborhood, the development team will pursue LEED certifications for core and shell (CS), and commercial interiors (CI). Certification will provide independent, third-party

verification that the development's location and design meet accepted high levels of environmentally responsible, sustainable development.

The development will seek to enhance bicycle infrastructure including internal storage and unique internal bike friendly circulation. The development team is also working closely with the City of Memphis to add dedicated bike lanes to the main Cleveland Street corridor leading to the building, as well as extend and upgrade the Vollintine-Evergreen Greenline (which terminates at the building). In addition, the development team will partner with the city to create mass transit options including bus and light rail interface. The ability for users to walk or bike to many services, both in the neighboring community and within the building itself, will greatly reduce the reliance on carbon based modes of transportation.

The Project will maximize the reuse of the 1.5 million square foot historic existing structure and materials thus preserving the embedded carbon and energy footprint of this substantial amount of construction. The Crosstown Project seeks to be an exemplary example of a large-scale mixed-use redevelopment with leading edge sustainable thinking and design.

(1)b: Unmet needs from Consolidated Plan/impediments to fair housing. This project addresses several community development priority needs as detailed in the *City of Memphis Consolidated Plan Three-Year Strategy for 2014-2016*, including those for affordable rental housing, public services including health services and education services, public improvements, and job creation to complement economic development activities.

The City of Memphis' 2011 Analysis of Impediments to Fair Housing (the AI) identifies as one impediment an *Inadequate Supply of Affordable Housing Relative to Resident Income*. It states that the shortage of affordable housing is attributable, in part, to a lack of resources to build and preserve such units in Memphis. The AI recommends and the City has incorporated, as part of its Action Plan, the recommendation to create a housing strategy that increases the production of affordable and accessible housing, in low-income communities that provides increased access to housing opportunities. The de-concentration of persons with disabilities, racial and ethnic minorities, and poverty is a component of this strategy.

The site of the Sears-Crosstown project falls within Census Tract 25 which according to the 2010 census contains a 49.8% black demographic and a 37.3% white. The project will result in a population increase for area and produce 230 residential units, of which 46 units will be allocated to low-moderate income renters. Post construction, the project expects to generate 1,317 jobs and will spur an estimated \$330,000,000 in total economic impact.

(1)c: Activities/brownfields status/remediation responsibility. The original 10-story Sears building was constructed in 1927 in Art Deco style. Additional sections were added to the original structure from 1929 to 1965, totaling about 1.5 million gross square-feet. The 14-story east tower houses a 75,000 gallon sprinkler system water tank. There is a multi-story parking garage on the site, built in 1965, with over 1,100 parking spaces.

According to an environmental assessment performed on the site, asbestos and PCB-containing materials will require removal. Interior demolition along with transportation and disposal of materials will be required. Abatement and demolition proposals have not

been bid at this time, so the contractor responsible for the remediation is not known at this time. Funds will not support any environmental remediation by those responsible for problematic conditions as a result of past private use.

2. Eligible activities/national objectives

The proposed project meets CDBG national objectives for job creation under 24 CFR 570.208(4) as it will “create or retain permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, involve the employment of low- and moderate-income persons.” The project meets one or more of the criteria described under 570.208(4) (i and iv), including (A) (B) and (C) based on the high poverty level within the target census tract.

Activities proposed in this application are eligible under 24 CFR 570.703 of the Section 108 Loan program. Relevant provisions are (e): Clearance, demolition and removal of buildings and improvements on rehabilitated real property; and (f) Site preparation, including construction, reconstruction, or installation of public and other site improvements, utilities, or facilities related to the redevelopment of rehabilitated real property.

3. Project readiness

(3)a: *Environmental investigation.* In 2007, Creative Project Management, Inc conducted a Phase I Environmental Assessment for the site. The report provided a comprehensive list of asbestos-containing materials present in the structure, as well as window type air conditioners, a vault-mounted electrical transformer, and fluorescent lighting requiring removal. Lead paint was found on walls, elevators, windows, and other components. Also in 2007, a Phase II Environmental Assessment was completed for

further investigation of the potential for underground storage tanks. The areas of concern were excavated and no tanks were found. Samples were taken and analysis confirmed that all samples contained contamination that is below all action levels and that there was no further action required. Estimates for abatement have been secured, along with estimates for interior demolition. Both the Phase I and Phase II reports were updated in 2014 and the development team is working on a “no further action required” action from the State of Tennessee.

(3)b: Site control. Crosstown LLC currently owns the building and will be donating it to the development and a new entity governed by current leadership from the Crosstown Development Team and leadership from the Founding Partners organizations. The entity will be structured such that all future profits generated from the project will be directed back into the building and Crosstown neighborhood.

(3)c: Approvals. The project has received approval for Part I of the Historic Preservation Application - the Evaluation of Significance, for Part 2 of the Historic Preservation Certification Application – Description of Rehabilitation conditional approval, National Register of Historic Places listing, Land Use Control Board approval of the Crosstown Planned Development, Technical Review Board approval of the Crosstown Planned Development, and approval of a 20 year Payment In Lieu of Taxes through the Center City Revenue Finance Corporation.

(3)d: User agreements. These eight Founding Partners are the initial organizations that have committed, as a collective, to be tenants in the redeveloped Sears Crosstown building. In contrast to typical commercial real estate projects that fit tenants into generic spaces, Founding Partners are participating in a transparent, collaborative planning and

development process, resulting in a place uniquely well-suited to serve their operations and missions.

(3)e: Delivery of economic benefits. This project will have an estimated one-time economic impact of \$170 million in investment, \$50.1 million in construction wages and 997 construction jobs. The project is projected to generate \$2.9 million in new local tax revenue during construction and set-up, and \$1.5 million in annual new local tax revenues. The project is expected to be completed at the end of calendar year 2016. The project will generate a total \$67.5 million in economic impact per year. The project will support an estimated 1,317 jobs directly, It will also support 619 indirect jobs across the Shelby County economy.

(3)(e)i: Timeframe

Key activities	Projected Dates
Acquisition	Complete
Abatement	July 2014 – Sept 2014
Demolition	Aug 2014 – Sept 2014
Construction	Sept 2014 – December 2016

As the BEDI and Section 108 funds will be drawn as a single draw and submitted through to the Investment Funds established through the New Markets Tax Credits (NMTC) Structure, all funds will be drawn, disbursed and expended at the time of the NMTC closing.

(3)(e)ii: Section 3 requirements. The majority of jobs created by the this project will be filled by people of low and moderate incomes, as required under Section 3 of the Housing and Urban Development Act of 1968. Additionally, the selected construction contractor will partner with MHA to recruit low- and very low-income people from nearby developments for employment.

4. Section 108 application

A project summary is included. The original Section 108 application, dated October 15, 2010, was submitted within 60 days of BEDI award notification. The amended application, dated July 15, 2014, was submitted. The project summary is as follows:

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 awarded to the City of Memphis on August 19, 2010.

The City of Memphis requests to Amend the application submitted for a \$4,000,000.00 Section 108 loan 10/15/2010 to assist with the redevelopment of the Sears Crosstown Distribution Facility (Crosstown Development Project) 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 August 10, 2010 BEDI grant awarded to the Crosstown Project. A copy of the City's 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 \$195,000,000 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 to contract for development technical assistance, and in 2012 executed 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 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 \$181.3 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	\$ 30.0 million
Construction Soft Costs	\$ 11.0 million
Financing/Fees/Professional/Contingency	\$ 50.8 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.

5. Financial feasibility/need

The total projected cost of developing the project is approximately \$195 million. Equity investment will cover approximately \$15 million of costs. New Market Tax Credit structure provides \$60 million and Historic Tax Credits provide \$23.9 million. Private debt needed is \$91.6 million. The remaining \$8 million is public investment and other grants. The BEDI and 108 funds are included in the amount projected for New Markets Tax Credits.

(5)a: Use of BEDI/108 funds to fill financing gaps. HCD is requesting \$2 million in BEDI funds and \$4 million in Section 108 loan funds toward remediation and soft costs.

(5)b: Project costs and financial requirements

TOTAL Project Budget:

Building and Land Acquisition	\$ 1.5 million
Construction and Build-out	\$105.2 million
Tenant Improvements	\$ 30.0 million
Construction Soft Costs	\$ 11.0 million
Financing/Fees/Professional/Contingency	<u>\$ 50.8 million</u>
TOTAL	\$198.5 million

Rating factor 4: Leveraging resources

1. Section 108 funds

The \$2 million BEDI request will be used to leverage \$4 million in Section 108 funding

for a 1:2 leverage ratio.

2. Other financial resources

Equity	\$15.0 million
New Markets Tax Credits Structure	\$60.0 million (Inclusive of BEDI & 108)
Debt	\$91.6 million
Shelby County Grant	\$ 5.0 million
City CIP	\$ 3.0 million
Historic Tax Credits	\$23.9 million

Rating Factor 5: Achieving results and program evaluation

1. Performance measurement plan

Measurable outcomes of this project, in accordance with the HUD logic model, are as follows:

1. Redevelopment of a vacant Sears & Roebuck Distribution Center, including environmental abatement, for the development of a new business opportunity expected to generate almost \$67.5 million in annual economic impact. Activities under this outcome include \$24,290,579 worth of remediation and interior demolition of 388,000 square feet of building space. This will be achieved in year one of the project and success will be measured through environmental post-testing and building inspection indicating site is construction-ready. Economic impact will be measured by quarterly/annual revenue reports, tax reports, and employment and salary data.
2. Creation of an estimated 1,317 jobs directly at the Crosstown site, including 60 to 70 permanent jobs available to low to moderate income persons. It is also projected to support 619 indirect jobs across the Shelby County economy. Activities include supporting demolition, construction, and all other phases of project development that will enable the opening of the Crosstown site in order to generate these opportunities. Most of

these permanent jobs will be created in 2016, when the project is completed. Success will be measured through tracking and a reporting system designed to capture relevant employment data.

2. Policy priorities

This project will address Policy Priority (f) through investment in multiple energy saving and sustainability technologies. The development team will pursue LEED certifications for core and shell (CS), and commercial interiors (CI). Certification will provide independent, third-party verification that the development's location and design meet accepted high levels of environmentally responsible, sustainable development.

3. Bonus points

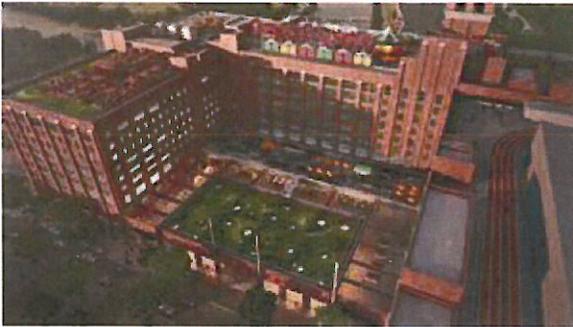
The City of Memphis has received preferred sustainability status under the HUD Sustainable Communities Regional Planning Grant Program. The Crosstown Project meets the Livability Principles under the Partnership for Sustainable Communities: coordinate and leverage federal policies and investments, supports existing communities, values communities and neighborhoods and enhances economic competitiveness.

EXHIBIT 3

Other Developed Sears' Facilities



Atlanta



As the largest adaptive reuse project in Atlanta's history, Ponce City Market will restore 1.1 million square feet of the historic Sears, Roebuck & Company building, creating a vibrant urban centerpiece that combines 330,000 square feet of retail and restaurants, 475,000 square feet of office space and 259 residential flats.

The redevelopment will focus on preserving the building's historic character and sustaining its connection with the community. Ponce City Market will reflect the authenticity of the historic structure and the surrounding neighborhoods, returning the building to its prominence as a thriving landmark in the Southeast.

The evolution of Ponce City Market will incorporate a pedestrian network, city parks and access to new BeltLine trails, linking dynamic intown neighborhoods with the convenience and comfort of highly desirable retail, dining, exceptional residences and Class-A loft office space.

As a development born of integrity, in 2014 Ponce City Market is destined to emerge as Atlanta's next great urban experience.

**Minneapolis
Midtown Exchange
Opened in 2006**



Development Summary

- **Allina Commons** (411,000 SF): The anchor tenant at the project, bringing 1,850 jobs to Midtown Exchange.
- **Midtown Global Market** (71,000 SF): Designed to involve local ethnic businesses and entrepreneurs, providing 200 jobs.
- **Hennepin County Service Center** (10,000 SF): Providing convenient access to governmental services for the community.
- **Additional retail/service space** (12,000 SF.): Tenants to be identified, adding an estimated 30 jobs.
- **Hotel**: 136-room, full-service [Sheraton® hotel](#), approximately 70 new jobs.
- **Parking**: 1,900+ spaces on site.
- **Housing**:
 - *Townhomes*: 52, average price \$175,000.
 - *Condominiums*: 88 loft-style, one and two-bedroom units, average price \$240,000.
 - *Rental apartments*: 219 one- and two-bedroom units, rents \$650-\$1,075.

Dallas
The Southside on Lamar



This 45-acre development is master-planned by Foster + Partners and will extend the reach of South Side's successes through the introduction of additional multi-family projects, entertainment, restaurants, retail stores and galleries. The approach is to create a spectrum of opportunities for the future while allowing the overall plan to be economically viable in the present.

The project includes the NYLO hotel.

Boston
The Landmark Center



LANDMARK CENTER, Boston, Massachusetts, is a 1 Million s.f. mixed use development of **office, retail, restaurant and entertainment**, and is a well known piece of the historic fabric in the Fenway neighborhood.

With over 40,000 daily employees and 80,000 university students in the immediate area, plus an additional 3-million seasonal visitors per year, the Fenway is an excellent opportunity for any retail, restaurant or office location.

949,532 (Retail 262,286 / Office: 687,246) Proposed 500,000 SF of Mixed Use Retail and Residential

Major Tenants: Retail: Bed, Bath and Beyond, Staples, REI, Regal Cinemas, Longhorn Steakhouse

Seattle

Starbuck's Center



In 1912, the building was constructed by the Union Pacific Railroad in a successful attempt to lure Sears, Roebuck and Co. to Seattle. The building was used to fulfill the Sears Catalog in the Western United States. Sears opened their retail store at this location in 1925. According to the owner, this is currently the world's oldest continuously operated Sears store.

The building was repeatedly expanded throughout the twentieth century. After the Sears catalog business was closed, the building was sold in 1990, and eventually redeveloped as the SoDo Center. Starbucks began moving some administrative offices to the old Sears building in 1993. On June 20th, 1997 Starbucks became the building's primary tenant and secured the naming rights.^[1]

The **Starbucks Center**, world headquarters for Starbucks, is the largest multi-tenant building by floor space in Seattle, Washington, with over 2,200,000 square feet (200,000 m²). It is located in Seattle's SoDo neighborhood, which makes up a part of the city's large industrial district. It is both the largest and oldest building in the country to earn a national green certification.