

EDGE

ECONOMIC DEVELOPMENT
GROWTH ENGINE
FOR MEMPHIS & SHELBY COUNTY

PILOT PROGRAM REVIEW

JANUARY 21, 2015

PRESENTED BY



Younger
Associates

Interviews Conducted //

- EDGE Board Members
- Commercial Real Estate Developers & Brokers
- City Council Economic Development Committee
- County Commission Economic Development Committee
- Trade Union Representatives
- EDGE Diversity Consultants
- Community Dev. Corps
- PILOT Recipients
- Location Consultants
- Memphis Chamber
- University of Memphis
- Tennessee Economic and Community Development
- Law firms engaged in PILOT work
- Shelby County Trustee, Staff



Other PILOT Programs Reviewed //

- Nashville
- Knoxville
- Chattanooga
- Murfreesboro
- Clarksville
- Jackson
- DeSoto County, MS
- Downtown Memphis Commission
- Memphis Housing Education & Health Board



Organizing Principles //

- Simplify
- Maximize Memphis and Shelby County Competitiveness in Attracting Jobs
- Neutral Impact on PILOT Benefits Awarded



Key Changes Recommended //

- Streamline the Application Process
- Make Evaluation Simpler and More Transparent
- Clearly Define Three Types of PILOTS
 - Jobs PILOT
 - Expansion PILOT
 - Community Builder PILOT
- Coordinate Diversity Requirements within the PILOT Program and Focus on Local Spending
- Clarify Compliance Procedures



Application Process //

Current

12 Page Application Document

Actual applications can sometimes include hundreds of pages

Recommended

4 Page Application

Online Application

Application can be completed in very brief period of time when site, construction cost, jobs and wages are known



Evaluation Process //

Current

Scoring Based
on Matrix

And

Benefit Cost
Analysis

Recommended

Scoring Based
on Matrix

Utilize Benefit/Cost/Fiscal
Impact Analysis for
Calibrating the Matrix



Minimum Requirements //

Current

15 Net New Jobs

Pay \$10 per hour
employer paying 50% of health
insurance

\$1 Million Investment

Diversity Plan

Recommended

15 Net New Jobs

Pay \$12 per hour
employer paying 50% of health
insurance

\$1 Million Investment

Spend portion of benefit with
locally owned small minority and
women owned businesses

Note: pay would be reset every 3 years
at 50% of the Shelby County Annual
Average Wage



Current Matrix Variables // 32

Jobs, Wages, Capital Investment

Location

- City
- NMTC Census Tract
- Pidgeon Industrial Park
- Brownfield
- Renewal Community Census Tract
- Urban Revitalization Area

Company Size/Standing

- Fortune 500/Global 1000
- Recognized Industry Leader
- Major Local Employer

Benefit to Cost Ratio exceeding
3:1

Diversity Plan

Environmental

- LEED Certification, Silver, Platinum
- Company Fleets
- Renewable Energy
- Waste Recycling
- Ridesharing
- Water Conservation
- Other

Workforce

- Prisoner Re-entry
- Work Release

Target Industries – 8

MWBE Ownership

Headquarters – District, Regional,
National, International



Recommended Matrix Variables // 8

Jobs, Wages, Capital
Investment

Location

- City of Memphis
- NMTTC Census Tract

MWBE Ownership

Headquarters – National,
International

Spending with locally owned
small businesses (including
minority/woman owned)



Jobs PILOT

Community Reinvestment Credit //

Current

CRC is treated as a special eligibility program

Lengthy description in policies and procedures

Investment Cap

Netting Provision that can be waived

Recommended

Simplify language to note that existing buildings are eligible for PILOT

Eliminate Cap and Netting



Jobs PILOT Changes in Scoring //

Current

Jobs - 1 point per 5 jobs up to 50 jobs, plus 1 point per 10 jobs above 50

Wages – 10 points if wages meet or exceed 75% of SCAAW
• plus 2 points for each 5% above 75%

Capital Investment – 1 point per \$1 Million

Headquarters all types ½ year

MWBE Spending – no points for compliance, may award 1 year if 20% above guidelines, 2 years if 40% above guidelines

Recommended

Jobs – 1 point per 5 jobs

Wages – 10 points if wages meet or exceed \$38,000*

• Plus 1 point for every \$1,000 wages exceed \$38,000

Capital Investment – ½ point per \$1 Million

National/International Headquarters-2 yrs

Spending with locally owned small businesses – 1 year

• Plus 1 year for each 20% above minimum

\$38,000 ≈ 75% SCAAW



Jobs PILOT

Abatement Percentage //

Current

Maximum of
75% for County

80% for City
2015

75% for City
2016

Recommended

Maximum of
75% for
County and
City



Jobs PILOT Diversity Program //

Current

Required Meeting with EDGE
Diversity Consultant

Separate Policy Document

Separate Application

Separate Annual Report

Quarterly Compliance Report

Separate Site Visits

Recommended

EDGE consultant available to
assist with finding locally owned
vendors

Local Business Partner
Program

Documents, reporting and
compliance fully integrated with
PILOT program



Jobs PILOT Diversity Program //

Current

Best faith effort to spend 25% of construction with MWBE/LSOB firms

Best faith effort to spend 25% of controllable spending with MWBE/LSOB firms

Compliance: clawback of any additional years awarded for Diversity Plan

Recommended Alternative 1

Minimum of 25% of construction with Locally Owned Small Businesses (including women and minorities)

Annual spending of amount equal to \$1,000 per new job

Compliance: cash payment equal to any shortfall

Recommended Alternative 2

Minimum of 15% of construction with Locally Owned Small Businesses (including women and minorities)

Annual spending of 15% of PILOT savings (5% of savings on manufacturing equipment)

Compliance: either cash payment of shortfall or reduction of PILOT benefit

Jobs PILOT

Workforce Guidelines //

Current

Target of 15%
of jobs from
WIN or
“other identified
labor source”

Recommended

List all jobs with
WIN

Report number
of WIN referrals
and hires



Jobs PILOT

Ramp Up and Compliance //

Current

Ramp up varies with typical goal of 2 years

Annual compliance reports for PILOT and Diversity Program

Total of 10 compliance site visits among all active PILOTs

Total of 10 compliance site visits for Diversity Program

Recommended

Ramp up of 1 year for PILOT terms of 4 or fewer years, 2 years for terms greater than 4 years

Annual compliance report

More notice of report due date

Compliance site visit in first year following ramp up

Compliance site visit once every four years thereafter



Expansion PILOT //

- Replaces Retention PILOT
- Minimums Requirements:
 - 100 Jobs
 - \$10 Million Investment
 - 10 years located in Shelby County
- Current Wage Requirement: \$100% SCAAW
- Recommended: \$38,000 (same as Jobs PILOT)
- Scoring would change from Benefit/Cost analysis to Jobs PILOT matrix



Community Builder PILOT //

- New 5 Year Trial Program
- Limited to 15 sites, in or adjacent to NMTC census tracks, up to 3 in unincorporated Shelby County
- Maximum site size 20 acres
- Property owners must provide written approval
- Retail, office, industrial, distribution, tourism/hospitality, other commercial, or mixed use project all qualify; no residential
- Application process developed with the Community Development Council of Memphis and CDCs
- Mayors to select among applications
- EDGE to pre-approve sites for 15-year PILOT terms of 75% abatement of City and County taxes
- Projects have 5 years from time of approval to close



Other Recommendations //

- Improve efforts to explain the PILOT program
- Simplify and streamline all PILOT-related documents to the extent possible
- Make PILOT terms and conditions easier to find in the lease
- Review PILOT policies and matrix at the end of year one and every 24 months thereafter
- Calibrate Matrix if needed as part of the review, based on fiscal impact analysis

