

October 11, 2021

Abram Lueders
Downtown Memphis Commission
VIA E-Mail

Dear Abram,

PGAV is pleased to provide the proposed scope of services and fee breakdown to assist the Downtown Memphis Commission (“the Client”) with review of their application and use of PILOT incentives. This proposal letter includes the following:

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General Description

Under Scope of Services, you will find a series of key questions and a proposed scope of work for the Downtown Memphis PILOT Program review. The scope begins with a data gathering process, understanding the background, current approval process, and early engagement. This task is geared toward understanding the current state of the PILOT program. The next task is geared toward understanding existing impact. As the process continues, our work will transition toward reviewing potential policy changes or tweaks that will increase effectiveness. Finally, we will understand the but-for test, considering what is working about the current approach and what factors might formalize the process moving forward. The final deliverable of this scope will include a written report with a review of previous activities, suggested policy changes to consider for the future, recommended adjustments to the but-for test, and a roadmap for implementation in the future.

As we begin the process, we will seek to answer several key questions:

- 1) Is the PILOT program delivering the desired results of growing the tax base and helping projects happen that couldn't otherwise?
- 2) Is the PILOT program helping to build the right development in the right place?
- 3) Can the But-For Test be formalized to provide clearer guidelines for financial analysis to aid staff review and create a more predictable process for developers?
- 4) Are there any other policy changes that should be considered to maximize the public benefit of this vital economic development tool?

Scope of Services

Task 1: CURRENT PROGRAM REVIEW (October – mid November)

PGAV will establish a baseline understanding of the existing conditions and operations of the PILOT program. During this initial task, we will gather all available data and existing reports that will act as the groundwork for the analysis to follow. PGAV will also conduct initial engagement with developers and public officials to understand how the program is viewed and used.

- Background
 - History and enabling legislation
 - Center City Revenue Finance Corporation Board composition & role
 - Program structure and function
- Current Approval Requirements and Review Procedures
 - Current grading criteria
 - But-For Test
 - 60% Rule
 - Affordable housing requirements
 - Equal Business Opportunity (EBO) Program
- Stakeholder Engagement
 - Developers
 - Public Officials
 - Bankers and financial institutions
 - Other quasi-governmental organizations

Task 2: PILOT IMPACT (November – December)

The second task involves significant data analysis. During this task, PGAV will determine the current economic impact of the PILOT program. Using both traditional economic assessment strategies to review tax base impact and a unique spatial analysis, we will form a holistic view of impacts. Using GIS, we are able to layer data to gain a better understanding of how the program is currently operating across a physical area, tying policy and program decisions to spatial impacts. The goal of this task is to understand how the program is acting as an implementation tool for goals of the DMC and identify opportunities for improvement.

- Analysis of approved projects & impact on tax base
- Impact of PILOT fee reinvestment
- Review and consideration of indirect impacts and community benefits
- Creation of a spatial impact matrix in GIS

Task 3: POTENTIAL PROGRAM / POLICY CONSIDERATIONS (January)

Using information learned during Task 1 and Task 2, PGAV will focus on the policy and management of the PILOT program. The policy side will play an important role in determining how to implement the opportunities found during Task 2.

- Review of:
 - Application requirements
 - Grading criteria
 - PILOT duration
 - Reporting & transparency practices
 - Emerging developers & infill projects
 - Alignment with current plans
 - Mobility & parking
 - PILOT monitoring & compliance
 - Other program best practices

Task 4: BUT-FOR TEST (February)

PGAV will review and recommend how the But-For test can be used to re-enforce the goals of the PILOT program while also creating consistency and efficiency in operations.

- Advantages & limitations of the current approach
- Complicating factors for setting return threshold standards
 - Risk
 - Location
 - New construction or adaptive reuse
 - Use/product type
 - Parking
 - Owner-occupied commercial versus speculative construction
 - Single user versus multi-tenant
 - Developer's experience, balance sheet, and existing banking relationships
 - Capital stack
 - Financing terms
 - Exit strategy & holding period for ownership/equity
 - Other public support or incentives
 - Alternative investment options
- Options for formalizing the process to determine eligibility & economic need

Task 5: CONCLUSIONS & DELIVERABLES (March)

During the final phase, PGAV will develop a report outlining the process and findings of each task along with recommendations for moving forward.

- Policy changes to consider, if needed
- Suggested grading criteria adjustments
- Goal-setting for average PILOT length
- But-For Test Improvements
- Recommended next steps & implementation timeline

Professional Fees and Reimbursable Expenses

PGAV proposes to conduct this work for a lump sum fee of \$65,000 exclusive of reimbursable expenses, which will be billed at their direct cost. Fees invoiced will be submitted monthly in proportion to the amount of work completed. Any reimbursable expenses incurred (e.g., travel, printing, or charges for data) will be billed at their cost to PGAV and will be submitted to the Client for prior approval. A fee breakdown by task is shown below.

TASK	FEE
Task 1: Current Program Review <ul style="list-style-type: none"> • Current Program Review • Review of existing policies • Data gathering • Stakeholder engagement 	\$10,000
Task 2: Pilot Impact <ul style="list-style-type: none"> • PILOT Impact Analysis • Analysis of previous/existing projects • Impact and use of PILOT fees • Analysis of additional program benefits • Development of impact matrix 	\$20,000
Task 3: Potential Program / Policy Considerations <ul style="list-style-type: none"> • PILOT Program Structure and Policy Review • Review of application requirements and review procedures • Review of grading criteria • Review of PILOT length • Review of reporting and transparency • Review of alignment with current plans • Determination of best practices 	\$18,000
Task 4: But-For Test <ul style="list-style-type: none"> • Review of But-For Test • Advantages and limitations of current approach • Review of options for formalizing process to determine eligibility and economic need 	\$12,000
Task 5: Conclusions & Deliverables <ul style="list-style-type: none"> • Conclusion and Deliverables • Policy recommendations • Recommendations for grading criteria • Recommendations for PILOT length and approval criteria • Recommendations for But-For improvements • Implementation Plan 	\$5,000
Total Project Fee	\$65,000

Travel and Meetings

Travel to Memphis for in-person meetings and presentations shall be subject to a mutually agreed upon schedule. The total project fee outlined above does not include the fees associated with travel. Meetings conducted virtually (i.e., Microsoft Teams, Zoom, etc.) are included in the proposed fee. All travel to Memphis will be considered a reimbursable expense. PGAV will provide the travel costs to the Client for approval prior to booking.

Subsequent Phases / Additional Services

This agreement is for the services as described under the heading “Scope of Services.” The Client may elect to engage PGAV for Additional Services other than those defined in the Scope of Services. In this instance, PGAV will forward a letter to the Client outlining the additional scope, additional fee, and reimbursable expenses associated with these additional services.

Notices

The relationship between the Consultant and the Client is one that requires confidence, an ability to work well together, the need to promptly share and evaluate pertinent information, and a willingness to communicate and to respond on a timely basis. If either party believes its expectations or its needs for information from the other party (or within the other party’s control) are not being met in a satisfactory manner, each party agrees to notify the other party about the shortcoming. The purpose of such notices is to stimulate timely communication and avoid disputes. A notice from one party to another may be a telephone call, electronic mail, facsimile, express, or postal service.

The project representatives are as follows: Anna Krane on behalf of PGAV and Abram Leuders on behalf of the Client. A party may change its project representative by sending notice of that change to the other party.

Termination

This Agreement may be terminated by either party upon not less than seven days written notice given by registered mail to the above-named persons. In the event of termination, PGAV may submit a final invoice to the Client covering (a) actual fees accrued by PGAV at the date of termination, calculated at Standard Hourly Rates, as shown in the table below, since the date of the last invoice, plus (b) the amount for Additional Services performed by PGAV through the date of termination as authorized under this agreement, plus (c) reimbursable expenses of PGAV incurred under the performance under this Agreement through the date of termination.

Project Staff	Hourly Rate
Vice President	\$250
Senior Director	\$210
Senior Project Manager	\$190
Project Manager	\$150
Administrative/Technical Assistance	\$95

Timing

The services of PGAV are to commence immediately upon execution of a mutual agreement. The proposed project timeline is to begin in October 2021 with final deliverables and presentations in March 2022.

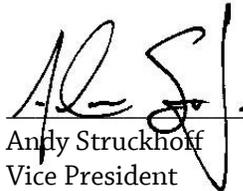
Agreement

This letter, when countersigned by a duly authorized representative of the Client will serve as the entire Agreement for the services outlined herein.

Thank you for the opportunity to work with you on this assignment. If you have any comments or questions, please don't hesitate to call.

On Behalf of:

Accepted:



Andy Struckhoff
Vice President
PGAV Planners, LLC
