



Board of Supervisors Memorandum

January 13, 2015

**Foreign Trade Zone Agreement for Property Tax Abatement for
New Employer HomeGoods to Locate to 3649 E. Corona Road in Pima County**

Background

As part of our efforts to attract new employers to the region, certain incentives are provided by Pima County. One such incentive is property tax abatement by declaration of a particular property as eligible for a Foreign Trade Zone (FTZ) designation; hence property taxation at a rate of assessed value that is reduced from 19 percent to 5 percent, a substantial property tax reduction.

The County is designated as the appropriate body to negotiate agreements with new employers; and in previous cases, these agreements have held harmless school districts and educational institutions such as Pima Community College. In addition, previous agreements were based on a certain set of facts related to investment or future employment. Previous agreements did not tie the continued abatement to specific economic performance of the new or relocated business activity, nor was the length of abatement tied to economic performance. The abatement period has varied from as few as 5 years to as many as 15 years. Most agreements are within the 5- to 10-year range.

Property Tax Incentives for a Major New Employer

Tucson Regional Economic Opportunities, Inc. (TREO) has been successful in attracting a new major logistics employer to the region. The County will provide certain incentives for reduced property taxes for a certain period of time for this new employer to the region.

These County property tax abatement agreements set forth performance measures in capital and equipment investment, as well as levels of employment, benefits and wages paid to new employees. To be eligible for a property tax reduction through an FTZ agreement, the new employer must meet all conditions of forgiveness continuously over the reduction period. Because of the level of capital and equipment investment, the property tax reduction period is extended to 15 years, as opposed to the more normal 5- to 10-year period. If the conditions are not met, the property is taxed as if the FTZ agreement did not exist.

Each of the property taxing jurisdictions approves a PILOT (payment in lieu of taxes) agreement. This agreement specifies the employer will pay certain entities the property tax that would have been in effect had the FTZ designation not been made. In this particular case, full property taxes that would have been due from commercial use of the property will be due to the Sunnyside Unified School District and Pima Community College.

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State equalization and fire districts assistance taxes will be fully paid. The agreement also specifies those taxing jurisdictions that will waive the PILOT, thereby providing property tax reductions for the new employer.

The County controls its taxing such as the primary property tax, the Regional Flood Control District secondary tax, the Library District secondary tax, and debt service secondary tax. This simply means the County will reduce property taxes that would have been paid at the higher, Class one, commercial assessment ratio of 19 percent and receive only the amount that will be received at the Foreign Trade Zone Class six rate of 5 percent. The City of Tucson will also be asked to waive their PILOT property taxes.

It should be noted that under the agreement, the property owner pays property taxes at the lower assessed value and then agrees to make a PILOT to all property taxing jurisdictions. Then, specific taxing jurisdictions, such as the County and the City, waive the PILOT payments.

After providing this property tax relief incentive, the taxes paid to all entities will exceed the present taxes now being paid on the property in question.

New Employer Developing a Major Logistics Center on Property Located at 3649 E. Corona Road in the City of Tucson – HomeGoods

HomeGoods, a division of The TJX Companies, Inc., is a destination store for off-price, home fashions and delivers great value on an ever-changing selection of exciting top brands and home fashions from around the world at prices generally 20 to 60 percent below department and specialty store regular prices on comparable merchandise, every day. As of November 1, 2014, HomeGoods operated 458 stores in the United States and Puerto Rico. We believe HomeGoods continues to have significant growth potential and that the United States market could support 825 HomeGoods stores in the long term. Given this growth potential, HomeGoods has chosen Pima County because of our logistics advantages for this new distribution facility and regional center.

A new facility of approximately 800,000 square feet will be built at a new construction cost of approximately \$40 million. Given the continued negative growth in construction sector jobs in Arizona, the initial construction employment for the \$40 million capital investment is particularly important.

This facility will be located west of Alvernon Way and north of Los Reales Road at 3649 E. Corona Road. An additional \$39 million will be spent to purchase and install equipment to be utilized at the site. The new employer will employ up to a minimum of 895 new

employees in Year 15, and in Year 1 will initiate operations with 410 employees. As a condition of FTZ establishment, capital expenditures must meet the minimum thresholds stated above; and employment must equal 410 in Year 1, 760 in Year 5, 815 after Year 10 and 895 in Year 15.

Also as a condition of FTZ establishment, all employees must receive employer-provided health insurance, employer-provided dental insurance and an employer-provided 401K plan. Sixty-six percent of the health insurance premium will be paid by the employer, 50 percent of the dental insurance premium will be paid by the employer, and the employer will provide a match equal to at least 25 percent (but up to 50 percent) of the employee contribution to the 401K plan.

The average hourly wage must be equal to \$11.80 in Year 1, \$11.94 in Year 5, \$12.86 in Year 10, and \$13.00 in Year 15.

This additional major employer will add significant logistics emphasis in the area proximate to regional plans for a major southwestern logistics center in the Southwest. These property tax reduction incentives tied to economic investment, employment and employee benefits are a reasonable local government incentive for the relocation of this particular employer to the region.

Monetary Value of Reduced FTZ Property Taxes

Table 1 below shows the property taxes currently paid by the six individual parcels under consideration for development of the new logistics facility for HomeGoods. These individual tax parcels are 14041128A, 14041134C, 14041134B, 14041135C, 14041135D and 14041135A. Table 1 shows the total current taxes for all six parcels for County only, City only, County and City, and education and fire districts.

Table 1: Current Taxes for All Six Parcels Combined.

Total Current County-only Taxes	\$36,614
Total Current City-only Taxes	8,215
Total Current City and County Taxes Combined	44,829
Total Current Education and Fire District Taxes	49,812

Based on Tax Year 2017, which would be the year the facility is fully operational, the taxes without an FTZ would be as shown in Table 2 below. The table shows County only, City only, County and City, and education and fire districts.

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Table 2: Total 2017 Taxes for All Six Parcels Combined, Without FTZ.

Total County-only Taxes	\$513,331
Total Current City-only Taxes	136,012
Total City and County Taxes Combined	649,343
Total Education and Fire District Combined Taxes	716,382

Finally, Table 3 shows the property taxes that would be paid with the FTZ designation with the payment in lieu of taxes agreement of the property taxes that will be paid beginning in year 2017 for each entity described previously.

Table 3: Total 2017 Taxes for All Six Parcels Combined, With FTZ.

Total County-only Taxes	\$207,709
Total Current City-only Taxes	55,034
Total City and County Taxes Combined	262,743
Total Education and Fire District Combined Taxes	716,382

Recommendation

Given the economic development opportunity associated with a major HomeGoods regional distribution center in long-term employment benefits, as well as local construction and equipment spending, I recommend the Board of Supervisors approve the Payment in Lieu of Taxes (PILOT) Fee Agreement with HomeGoods. This employer continues to confirm the importance of southern Arizona becoming a logistics hub for the Southwest.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – January 8, 2015

Attachment

c: Hank Atha, Deputy County Administrator for Community and Economic Development

Payment In Lieu Of Taxes (PILOT) Fee Agreement

This PILOT Fee Agreement ("Agreement") is entered into, to be effective as of the 13th day of January, 2015 ("Effective Date"), by and among HOMEGOODS, INC., a Delaware corporation ("Operator"); Pima County, Arizona ("County"); Pima County Flood Control District ("FCD"); Pima County Library District ("Library"); Pima County Community College District; Sunnyside School District; Pima County Joint Technical Education District; and the City of Tucson (the "City").

Recitals

- A. All parties to this Agreement other than Operator may be referred to in this Agreement singly as a "Public Entity" or collectively as the "Public Entities." The County, the Library, and the FCD may be referred to collectively as the "County Entities". All Public Entities other than the City and the County Entities may be referred to singly as a "District" or collectively as the "Districts").
- B. The Foreign-Trade Zones Act (19 U.S.C. § 81a-81u) authorizes the formation of foreign-trade zones and subzones for the purpose of encouraging the conduct of commercial and industrial operations in the United States that might otherwise be conducted abroad.
- C. Arizona Revised Statutes (A.R.S.) § 44-6501 authorizes the State and any county, city, town, and any public or private corporation, to apply to the U.S. Foreign-Trade Zone Board for establishment, activation and operation of foreign-trade zones and subzones within the State.
- D. Tucson Regional Economic Opportunities, Inc., an Arizona nonprofit corporation ("TREO"), is the grantee of the foreign-trade zone in Pima County, FTZ No. 174.
- E. Operator plans to acquire real property described on Exhibit A (the "Site"), which is within the jurisdictional boundaries of each of the Public Entities; make substantial capital improvements to the Site; and use it for the construction and operation of a distribution center to serve Operator's business. These improvements and operations are expected to have direct and indirect economic impacts within the community. Operator anticipates hiring a high number of employees at a range of wage and salary levels. Operator strives to maintain its wages at a level that is competitive with wages for similar job classifications in the marketplace.
- F. In connection with Operator's operations, Operator intends to apply for designation of its Site as a usage-driven site under the Alternative Site Framework of FTZ No. 174. Operator has asked the Public Entities to support its application (the "Application"), understanding that a showing of local economic benefit and support is essential for a successful application.
- G. Pursuant to A.R.S. § 42-12006(2), real and personal property that is located within the area of an activated foreign-trade zone or subzone is classified as Class Six property for purposes of ad valorem taxes. The assessed valuation for Class Six property is less than the valuation that would be applicable to the Site if it were not located within a foreign-trade zone (the "Reduced Assessment").
- H. The Reduced Assessment results in significantly lower primary and secondary property taxes than would otherwise be applicable, which impacts the revenues to the Public Entities,

each of which relies heavily on property tax revenues for its operations. This classification also impacts the amount of state equalization assistance property tax that is levied by the County pursuant to A.R.S. § 15-994 and distributed to school districts throughout the County.

- I. The Public Entities are willing to support Operator's Application for the Subzone provided that they receive assurances that Operator's operations at the Site will provide a defined level of economic benefits to the community and will not adversely impact certain public revenues.
- J. The County and the Operator are concerned about the availability of educational funding within the County, understanding that a strong educational system is important not only intrinsically but as a component of long term sustainable economic growth and development, which benefits both the community as a whole and private business interests.

NOW THEREFORE, in light of the above facts and circumstances, the above parties agree as follows:

1. Recitals. Each Party acknowledges the accuracy of the above Recitals, which are incorporated into and made a part of this Agreement.
2. Support of Application. Each of the Public Entities agrees that it will, under the terms and conditions set forth in this Agreement, support Operator's Application by submitting no-objection letters to the proper authorities, upon request by Operator. If Operator has not applied for Site designation as described in the Recitals by June 30, 2018, or if Operator has applied for designation but the application has been rejected or denied this Agreement will automatically terminate as of that date, and any no-objection letters submitted by the Public Entities will no longer be effective and will be deemed to be withdrawn.
3. PILOT Fees.
 - 3.1. *Public Entity PILOT Fees*. For each tax year during which the Site is subject to a Reduced Assessment, Operator will pay to each Public Entity a payment-in-lieu-of-taxes fee (a "PILOT Fee") equal to the difference between (i) the sum of the primary and secondary property taxes that would be due to that Public Entity with respect to all real and personal property within the Site for that tax year if the Site was *not* subject to the Reduced Assessment; and (ii) the sum of the primary and secondary property taxes that are *actually* paid to that Public Entity with respect to real and personal property within the Site for that year.
 - 3.2. *PILOT Fee for State Equalization and Fire District Assistance Taxes*. For each tax year during which the Site is subject to a Reduced Assessment, Operator will also pay to the County a PILOT Fee equal to the difference between (i) the amount of the state equalization assistance property tax that would be levied by the County pursuant to A.R.S. § 15-994, and the amount of the fire district assistance tax that would be levied by the County pursuant to A.R.S. § 48-807, on all real and personal property within the Site for that tax year if the Site was *not* subject to the Reduced Assessment; and (ii) the amount of such taxes actually paid to the County with respect to real and personal property within the Site for that year.

3.3. *Payment of Fees.* Within thirty (30) days following a semi-annual payment by Operator of its primary and secondary property taxes with respect to real and personal property within the Site, the County shall prepare and deliver to Operator an invoice setting forth the amount of the Pilot Fee for each Public Entity for such period (“PILOT Invoice”). Operator will pay the PILOT Fee to each Public Entity within ninety (90) days after receipt of the PILOT Invoice. In the event Operator disagrees with the PILOT Invoice, Operator will pay the PILOT Fee under protest, in the same manner as a taxpayer would pay disputed property taxes, and a representative of the Operator and a representative of the County will promptly meet to attempt to resolve such dispute. Any delay by County in sending the PILOT Invoice to Operator will not be deemed to excuse Operator from its obligation to pay any amounts due under this Agreement upon later receipt of the PILOT Invoice.

3.4. *Late Payments.* Operator will pay a 10% late fee for any PILOT Fee that is not paid within ten days after written notice to Operator (from any Public Entity) that a PILOT Fee is overdue. This is not a penalty but an estimate of the cost of such late payments to the Public Entities.

4. Forgiveness of County PILOT Fee.

4.1. *Economic Impacts.* The City and each of the County Entities will refund to Operator the PILOT Fee paid to that Public Entity for each calendar year during the PILOT Fee Forgiveness Period (as that term is defined below) if, and only if, Operator demonstrates that it met the conditions applicable to that year as set forth in Exhibit B. The refunds will not include the PILOT Fee for the State Equalization and Fire District Assistance Taxes.

4.2. “PILOT Fee Forgiveness Period” as used in this Agreement means a period of 15 years beginning on the date that Operator commences actual business operations on the Site (the “Commencement Date”). For administrative convenience, the parties are calculating the economic performance measures on Exhibit B, and any PILOT Fee refunds, based on a calendar year. If the Commencement Date is a day other than January 1, the PILOT Fee Forgiveness Period will consist of a partial calendar year (referred to as “Year 1” on Exhibit B), 14 full calendar years (Years 2 through 15), and another partial calendar year (Year 16) at the end. In that case, any refunds for the first and last years will be prorated to reflect that they are for partial calendar years; any Year 1 refund will include only the PILOT Fees allocated to the portion of the calendar year following the Commencement Date, and any Year 16 refund will include only the PILOT Fees allocated to the portion of that calendar year from January 1 to the end of the PILOT Fee Forgiveness Period.

4.3. *Payment of Refund.* Any PILOT Fee refund that is due to Operator will be paid by the City and each of the County Entities to Operator within 30 days after receipt of a correct and complete Annual Report (defined below) regarding the year for which the PILOT Fee was paid.

4.4. *Annual Report.* Operator will provide the City and the County with an annual report (the “Annual Report”), audited by a certified public accountant, that discloses the payroll, employee benefit, and capital-investment information needed to determine whether Operator has met the conditions applicable to that year as set forth in Exhibit B. The Annual Report must be in a form reasonably satisfactory to County and City, be reasonably itemized, show how any calculations were done, and be furnished no later than March 30th each year for the preceding calendar year. The Annual Report must also show the amount of the PILOT Fees paid for that year to the City and each of the County Entities, and the

amount of any refund that Operator believes it is due under Section 4.1 above. The City and County will not require Operator to include in the Annual Report information that is proprietary or confidential by law, such as personal identifying information of individuals.

4.5. *Audits.* The City and County will each have the right, at any time, to conduct an informal audit of the information in the three most recent Annual Reports, and Operator will furnish to such Public Entity the information and documentation reasonably requested by the Public Entity to conduct such audit and verify the information and calculations in the Annual Reports, either by furnishing the Public Entity with copies of such documentation or by permitting the Public Entity to inspect the documentation on-site. If an audit reveals that Operator received a refund to which it was not entitled, Operator will promptly repay those funds to the City and the County Entities. If an audit reveals that Operator was entitled to a refund that it did not receive, the City and County Entities will each promptly pay that refund to Operator.

5. Property Tax or Valuation Appeal. Nothing in this Agreement will be construed to limit the right of Operator or any successor owner of any property within the Site to petition, contest or otherwise appeal the County's calculation of the assessed valuation or limited assessed valuation of property within the Site pursuant to applicable law. In the event any such appeal results in a reduction in the assessed or limited assessed valuation for any tax year, Operator will notify each Public Entity of the reduction, in writing, as well as the amount of refund to which Operator would be entitled if the PILOT Fee paid to that Public Entity had been paid as a property tax. Each Public Entity receiving such notice will refund any overpayment of any PILOT Fee received by such Public Entity for that tax year.

6. One-Stop. Operator will advertise all available positions with the County's One-Stop employment-assistance program and will report to the County the number of employees hired for positions advertised with the County One-Stop.

7. Liability. The obligations of the Public Entities hereunder are several, not joint; no Public Entity will be deemed to be in default of this Agreement by virtue of a default by another.

8. General Provisions.

8.1. *Successors and Assigns.* This Agreement is binding on all successors or assigns of Operator and all successor owners of the Site so long as it is subject to a Reduced Assessment.

8.2. *Compliance with Laws.* The parties shall comply with all applicable federal, state and local laws, rules, regulations, and Executive Orders, without limitation to those designated within this Agreement. The laws and regulations of the State of Arizona shall govern the rights of the parties, the performance of this Agreement and any disputes hereunder. Any action relating to this Agreement shall be brought in an Arizona court in Pima County.

8.3. *Non-Discrimination.* The parties shall not discriminate against any employee, client or any other individual in any way because of that person's age, race, creed, color, religion, sex, disability or national origin in the course of carrying out their duties pursuant to this Agreement, and in the course of carrying out their duties pursuant to this Agreement the parties shall comply with the provisions of Executive Order 75-5, as amended by Executive Order 2009-09, which is incorporated into this Agreement by reference, as if set forth in full herein.

- 8.4. *ADA.* The parties shall comply with all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. 12101-12213) and all applicable federal regulations under the Act, including 28 CFR Parts 35 and 36.
- 8.5. *Severability.* If any provision of this Agreement, or any application thereof to the parties or any person or circumstances, is held invalid, such invalidity shall not affect other provisions or applications of this Agreement that can be given effect, without the invalid provision or application and to this end the provisions of this Agreement are declared to be severable.
- 8.6. *Conflict of Interest.* This contract is subject to cancellation for conflict of interest pursuant to A.R.S. § 38-511.
- 8.7. *No Joint Venture.* It is not intended by this Agreement to, and nothing contained in this Agreement shall be construed to, create any partnership, joint venture or employment relationship among the parties. No party shall be liable for any debts, accounts, obligations or other liabilities whatsoever of another, including (without limitation) a party's obligation to withhold Social Security and income taxes for itself or any of its employees.
- 8.8. *No Third Party Beneficiaries.* Nothing in the provisions of this Agreement is intended to create duties or obligations to or rights in third parties not parties to this Agreement.
9. Notice. Any notice required or permitted to be given under this Agreement shall be in writing and shall be served by overnight delivery or by certified mail upon the other party as follows (or at such other address as may be identified by a party in writing to the other party):

Public Entities:

Pima County
 130 W. Congress Street
 10th Floor
 Tucson, Arizona 85701
 Attention: County Administrator

**Pima County Community
 College District**
 4905 E. Broadway Blvd.
 Tucson, Arizona 85709

Sunnyside School District
 2238 E. Ginter Rd.
 Tucson, Arizona 85706
 Attention: Governing Board President

**Pima County Joint Technical
 Education District**
 2855 W. Master Pieces Drive
 Tucson, Arizona 85741
 Attention: Governing Board Chair

Operator:

HomeGoods, Inc.
 770 Cochituate Road
 Framingham, MA 01701
 Attention: Steve Holden

With copies to:

HomeGoods, Inc.
 770 Cochituate Road
 Framingham, MA 01701
 Attention: Vice President – Real Estate

The TJX Companies, Inc.
 770 Cochituate Road
 Framingham, MA 01701
 Attention: Kevin R. Bernier, Esq.

City of Tucson
255 W. Alameda
P.O. Box 27210
Tucson, AZ 85726-7210
Attention: City Manager

10. Entire Agreement. This document, together with all exhibits, constitutes the entire Agreement between the parties pertaining to the subject matter hereof, and all prior or contemporaneous agreements and understandings, oral or written, are hereby superseded and merged herein. This Agreement may not be modified, amended, altered or extended except through a written amendment signed by the parties.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this PILOT Fee Agreement as of the Effective Date.

Pima County, Arizona

HOMEGOODS, INC., a Delaware corporation

Sharon Bronson
Chair of the Board of Supervisors

Ann McCauley
Secretary

Date

Date

Mary B. Reynolds
Vice President/Treasurer

Date

Pima County Flood Control District

Pima County Library District

Sharon Bronson
Chair of the Board of Directors

Sharon Bronson
Chair of the Board of Directors

Date

Date

Attest:

Approved as to Form:

Robin Brigode, Clerk of the Board

Deputy County Attorney

Pima County Community College District

Sunnyside School District

Lee Lambert
Chancellor of the Board of Governors

Daniel Hernandez, Jr.
President of the Governing Board

Date

Date

**Pima County Joint Technical
Education District**

City of Tucson

Ruth Soloman
Chair of the Governing Board

Jonathan Rothschild, Mayor

Date

Date

EXHIBIT A
LEGAL DESCRIPTION OF SITE

Legal Description

Parcel 1:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel No. 1:

Lot 6, BANDES ADDITION, according to Book 9 of Maps, Page 6, records of Pima County, Arizona;

EXCEPT that portion conveyed in Docket 7538, Page 492 and as amended in Docket 13180, Page 5424; and

EXCEPT that portion conveyed in Docket 11656, Page 1226; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

Parcel No. 2:

The North half of abandoned Elvira Road lying Southerly and adjacent of Lot 6, BANDES ADDITION, according to Book 9 of Maps, Page 6 and as abandoned by Resolution and Order recorded in Docket 868, Page 422 and as shown in Book 7 of Road Maps, Page 27, records of Pima County, Arizona;

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

APN: 140-41-128A

Parcel 2:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel No. 1:

The West half of Lot 11, BANDES ADDITION, according to Book 9 of Maps, Page 6, records of Pima County, Arizona;

EXCEPT that portion conveyed in Docket 7902, Page 1359 and in Docket 7965, Page 970; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

Parcel No. 2:

The South half of abandoned Elvira Road lying Northerly and adjacent of Lot 11, BANDES ADDITION, according to Book 9 of Maps, Page 6 and as abandoned by Resolution and Order recorded in Docket 868, Page 422 and as shown in Book 7 of Road Maps, Page 27, records of Pima County, Arizona;

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

APN: 140-41-134C

Parcel 3:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel No. 1:

The East half of Lot 11, BANDES ADDITION, according to Book 9 of Maps, Page 6, records of Pima County, Arizona;

EXCEPT that portion conveyed in Docket 7902, Page 1359 and in Docket 7965, Page 970; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

Parcel No. 2:

The South half of abandoned Elvira Road lying Northerly and adjacent of Lot 11, BANDES ADDITION, according to Book 9 of Maps, Page 6 and as abandoned by Resolution and Order recorded in Docket 868, Page 422 and as shown in Book 7 of Road Maps, Page 27, records of Pima County, Arizona;

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

APN: 140-41-134B

Parcel 4:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel No. 1:

Lot 12, BANDES ADDITION, according to Book 9 of Maps, Page 6, records of Pima County, Arizona;

EXCEPT the East 655.00 feet thereof; and

EXCEPT that portion conveyed in Docket 7902, Page 1356; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

Parcel No. 2

The South half of abandoned Elvira Road lying Northerly and adjacent of Lot 12, BANDES ADDITION, according to Book 9 of Maps, Page 6 and as abandoned by Resolution and Order recorded in Docket 868, Page 422 and as shown in Book 7 of Road Maps, Page 27, records of Pima County, Arizona;

EXCEPT the East 655.00 feet thereof; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

Parcel No. 3:

That portion of Lot 12, BANDES ADDITION, according to Book 9 of Maps, Page 6, records of Pima County, Arizona, being a portion of the Southeast quarter of Section 16, Township 15 South, Range 14 East, of the Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

Commencing at the Southeast corner of said Section 16;

Thence North 00°08'38" West along the East line of said Section 16, a distance of 1322.15 feet to the 1/16th corner;

Thence South 88°53'39" West, a distance of 200.00 feet to the West right-of-way line of Hughes Access Road as shown in Book 7 of Road Maps, Page 22;

Thence North 01°16'26" West along said right-of-way line, a distance of 30.00 feet to the North right-of-way line of Corona Road as recorded in Docket 7902, Page 1356, said point being the POINT OF BEGINNING;

Thence North 01°16'26" West, a distance of 800.90 feet;

Thence North 88°53'39" West, a distance of 655.00 feet;

Thence South 01°16'26" East along said right-of-way line, a distance of 800.90 feet;

Thence South 88°53'39" East, a distance of 655.00 feet to the POINT OF BEGINNING;

EXCEPT that portion conveyed in Deed in Docket 7902, Page 1356; and

EXCEPT any portion lying within Alvernon Way aka Hughes Access Road as recorded in Book 7 of Road Maps, Page 22; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

APN: 140-41-135A, 140-41-135C

Parcel 5:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel No. 1:

That portion of Lot 12, BANDES ADDITION, according to Book 9 of Maps, Page 6, records of Pima County, Arizona, being a portion of the Southeast quarter of Section 16, Township 15 South, Range 14 East, of the Gila and Salt River Base and Meridian, Pima County, Arizona, described as follows:

Commencing at the Southeast corner of said Section 16;

Thence North 00°08'38" West along the East line of said Section 16, a distance of 1322.15 feet to the 1/16th corner;

Thence South 88°53'39" West, a distance of 200.00 feet to the West right-of-way line of Hughes Access Road as shown in Book 7 of Road Maps, Page 22;

Thence North 01°16'26" West along said right-of-way line, a distance of 30.00 feet to the North right-of-way line of Corona Road as recorded in Docket 7902, Page 1356;

Thence North 01°16'26" West, a distance of 800.90 feet to the POINT OF BEGINNING;

Thence continuing North 01°16'26" West, a distance of 491.43 feet to the North line of said Lot 12;

Thence North 88°53'39" West along the North line of said Lot 12, a distance of 655.00 feet;

Thence South 01°16'26" East along said right-of-way line, a distance of 491.43 feet;

Thence South 88°53'39" East, a distance of 655.00 feet to the POINT OF BEGINNING;

EXCEPT any portion lying within Alvernon Way aka Hughes Access Road as recorded in Book 7 of Road Maps, Page 22; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

Parcel No. 2

The South half of abandoned Elvira Road lying Northerly and adjacent of Lot 12, BANDES ADDITION, according to Book 9 of Maps, Page 6 and as abandoned by Resolution and Order recorded in Docket 868, Page 422 and as shown in Book 7 of Road Maps, Page 27, records of Pima County, Arizona;

EXCEPT any portion lying Westerly of the herein described property; and

EXCEPT any portion lying within Alvernon Way aka Hughes Access Road as recorded in Book 7 of Road Maps, Page 22; and

EXCEPT all coal, gas, oil and other minerals as reserved in the Patent from the United States of America.

APN: 140-41-135D

EXHIBIT B

CONDITIONS FOR FORGIVENESS OF COUNTY AND CITY PILOT FEE

Pursuant to Section 4.1 of the Agreement, the City and County will, each year during the PILOT Fee Forgiveness Period, forgive and refund to Operator the City and County PILOT Fees paid by Operator for that year if the Operator has satisfied all of the below conditions as applicable to that year. A table is attached which further illustrates how the conditions apply to each year of the PILOT Fee Forgiveness Period.

- Expenditure by Operator of at least the following amounts, for Site acquisition and construction on the Site of new capital improvements, including utility improvements and installations, site preparation work, and other permanent improvements to the Site.

Year 1¹ of the PILOT Fee Forgiveness Period: total investment, by the end of the year, of at least \$32 million since and including Site acquisition

Years 2 and following, through the end of the PILOT Fee Forgiveness Period: total investment, by the end of the year, of \$40 million since and including Site acquisition

- Expenditure by Operator, from and after the date of Site acquisition, of at least the following amounts for purchase and installation of equipment, systems, and other property necessary for the operation of the Site (not including any amounts included in the calculation of the total real-property investment, above):

Year 1¹ of the PILOT Fee Forgiveness Period: total investment, by the end of the year, of at least \$25 million, cumulatively, since Site acquisition

Years 2 through 4 of the PILOT Fee Forgiveness Period: total investment, by the end of the year, of at least \$35 million, cumulatively, since Site acquisition

Year 5 of the PILOT Fee Forgiveness Period: total investment, by the end of the year, of at least \$36 million, cumulatively, since Site acquisition

Years 6 and following, through the end of the PILOT Fee Forgiveness Period: total investment, by the end of the year, of at least \$39 million, cumulatively, since Site acquisition

- Each year: employer-provided health insurance offered, during the entire year, to all direct employees² at Site, at least 66% of the premium for which is paid by the employer.
- Each year: employer-provided dental insurance offered, during the entire year, to all direct employees² at Site, at least 50% of the premium for which is paid by the employer.
- Each year: employer-provided 401(k) plan offered, for the entire year, to all direct employees² at Site, for which employer provides a match equal to at least 25% of the employee contribution.
- Minimum of full-time-equivalent employees³ (FTEs) working at the Site, for the entire year, and minimum total payroll⁴ for that year, as follows:

Years 1¹ through 5: at least 410 FTEs³ with an annual minimum payroll of \$9.2 million

Years 6 through 10: at least 760 FTEs³ with an annual minimum payroll of \$18.9 million

Years 11 and following, through the end of the PILOT Fee Forgiveness Period: at least 815 FTEs³ with an annual minimum payroll of \$21.9 million

- Each year: the average (mean) hourly wage for all employees working at the Site (blended hourly and management) is, for the entire year, at least 130% of the state minimum wage then in effect.

¹ “Year 1” is the period from the Commencement Date through December 31 of the year in which the Commencement Date occurs. If the Commencement Date is other than January 1, Year 1 will be a partial year.

² The term “direct employees,” as used in this Exhibit B, means individuals who are employed directly by Operator or an affiliate of The TJX Companies, Inc., a Delaware corporation, that are scheduled to work a minimum of thirty-five (35) hours per week.

³ The term “full-time-equivalent employees” or “FTEs,” as used in this Exhibit B, means employees at the Site scheduled to work for a minimum of thirty-five (35) hours per week, whether permanent, temporary, or contract employees.

⁴ “Payroll” as used in this Exhibit B means the gross wages of all employees, as shown on W-2 forms.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16 ¹
Total Cumulative Real Property Investment at Site (in millions)	\$32	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Total Cumulative Personal Property Investment at Site (in millions)	\$25	\$35	\$35	\$35	\$36	\$39	\$39	\$39	\$39	\$39	\$39	\$39	\$39	\$39	\$39	\$39
Employer-Provided Health Insurance Offered to Site Direct Employees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Employer-Provided Dental Insurance Offered to Site Direct Employees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
401(k) Plan Offered to Site Direct Employees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Minimum Number of FTEs at Site	410	410	410	410	410	760	760	760	760	760	815	815	815	815	815	815
Minimum Total Annual Payroll at Site (in millions)	\$9.2	\$9.2	\$9.2	\$9.2	\$9.2	\$18.9	\$18.9	\$18.9	\$18.9	\$18.9	\$21.9	\$21.9	\$21.9	\$21.9	\$21.9	\$21.9
Average Hourly Wage for Employees at Site at least 130% of State Minimum Wage	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

¹ If Commencement Date is not January 1st, there will be a partial calendar year at the end of the 15-year PILOT Fee Forgiveness Period.