

**A RESOLUTION OF THE INDUSTRIAL DEVELOPMENT BOARD OF
LENOIR CITY, TENNESSEE APPROVING AN ECONOMIC IMPACT
PLAN FOR THE TOWN CREEK ECONOMIC DEVELOPMENT AREA
AND AUTHORIZING THE SUBMISSION OF SUCH PLAN TO THE
LENOIR CITY COUNCIL AND THE LOUDON COUNTY
COMMISSION**

WHEREAS, The Industrial Development Board of Lenoir City, Tennessee (the "Board") has prepared an economic impact plan (the "Economic Impact Plan") regarding the development of an area located between Interstate 75, Highway 321, Harrison Avenue and Highway 95, that will include a development known as the Town Creek Development (the "Plan Area"); and,

WHEREAS, the Town Creek Development will include the development of retail and commercial, (the "Project"); and,

WHEREAS, the Economic Impact Plan would permit certain tax increment financing ("Tax Increment Financing") to be provided through the issuance of the Board's bonds, notes or other obligations in the total amount not to exceed \$20,000,000 pursuant to Chapter 53, Title 7 of the Tennessee Code Annotated; and,

WHEREAS, the proceeds of the Tax Increment Financing would be used to pay the cost of infrastructure improvements (the "TIF Eligible Costs") that are necessary for the development of the Project; and

WHEREAS, upon adoption of the Economic Impact Plan, the incremental property tax revenues (the "TIF Revenues") that result from the development of the Plan Area under the Economic Impact Plan will be allocated to the Board to be used to pay debt service of the Tax Increment Financing; and,

WHEREAS, in accordance with the Economic Impact Plan, the Board would issue the Tax Increment Financing to a lender or lenders to finance the TIF Eligible Costs and would pledge the TIF Revenues to such lender or lenders to apply to the debt service on the Tax Increment Financing; and,

WHEREAS, the Tax Increment Financing shall not represent or constitute a debt or pledge of the faith and credit or the taxing power of the Board, Lenoir City or Loudon County, Tennessee; and,

WHEREAS, the Board has approved the Economic Impact Plan and has submitted the Economic Impact Plan to the City Council of Lenoir City, Tennessee for approval in accordance with Tennessee Code Annotated §7-53-312.

NOW, THEREFORE, BE IT RESOLVED by The Industrial Development Board of Lenoir City, Tennessee as follows:

RESOLVED, that the Economic Impact Plan, in the form attached hereto as Exhibit A, is hereby approved by the Board; and further

RESOLVED, that the Board shall refer and submit the Economic Impact Plan to the City Council of Lenoir City, Tennessee for approval; and further

RESOLVED, that the Board shall refer and submit the Economic Impact Plan to the County Commission of Loudon County, Tennessee for approval; and further

RESOLVED, that any and all other actions heretofore taken on behalf of Board to prepare, refer and submit the Economic Impact Plan to the City Council of Lenoir City, Tennessee and the County Commission of Loudon County, Tennessee are hereby approved, ratified and confirmed in all respects; and further

RESOLVED, that the officers of the Board are hereby authorized to take all appropriate action to carry out the terms of the Economic Impact Plan.

Signed this ___ day of _____, 2007.

Approved: _____

Title: _____

Attest: _____

Title: _____

TOWN CREEK DEVELOPMENT

ECONOMIC IMPACT PLAN

**THE INDUSTRIAL DEVELOPMENT BOARD
OF LENOIR CITY, TENNESSEE
SEPTEMBER, 2007**

LENOIR CITY - INDUSTRIAL DEVELOPMENT BOARD

TIM GRINDSTAFF

SOL THOMAS

GLEN HILL

JANIE TUCKER

SANDRA GUINN

TOMMY MOSER

VAN SIMMONS

LENOIR CITY - CITY COUNCIL

MAYOR – MATT BROOKSHIRE

TONY AIKERNS

GERALD “GENE” HAMBY

MIKE HENLINE

DOUGLAS “BUDDY” HINES

GENE “BLACKIE” JOHNSON

EDDIE SIMPSON

THE INDUSTRIAL DEVELOPMENT BOARD OF LENOIR CITY

TOWN CREEK DEVELOPMENT ECONOMIC IMPACT PLAN

I. Overview

Tax increment financing is an economic development tool used by municipalities to allocate all or a portion of the new, additional taxes generated by a development over a limited period of time to pay debt service on debt incurred to finance public infrastructure and other improvements necessitated by that development. The tax increment is generally the difference in tax revenues generated by the property in the development area after a project has been completed compared with the tax revenues generated by the property before an economic impact plan was adopted. This difference is made available to pay debt service on a tax increment financing that finances improvements to the public infrastructure necessitated by the development. In Tennessee, only incremental property taxes, and not sales taxes, may be pledged to a tax increment financing.

The benefits to a municipality of using tax increment financing include the following:

- (a) Tax increment financing transactions can be effective as “off balance sheet” financing of components of public infrastructure such as utilities and road improvements. Tax increment financing debt is not included in the municipality’s general debt obligations. The structure of these transactions allows the municipality to utilize new incremental revenue streams to accelerate funding of municipal improvements. This enables a municipality to complete public infrastructure that it otherwise could not afford at the time.
- (b) Tax increment financings provide financing for projects that are not otherwise economically feasible. For instance, tax increment financing transactions may contribute to the redevelopment of blighted and under-utilized property selected by the municipality.
- (c) Because of the accelerated development of public infrastructure improvements, the ad valorem property tax base from properties in an area larger than the development area often increases, which produces even greater tax benefits for the municipality.
- (d) Tax increment financing projects are financed from increases in tax revenues that the development itself generates and not from tax subsidies from other areas of the municipality.

- (e) Tax increment financing projects may attract significant new jobs, businesses, and investment to the community, or help retain jobs and businesses that otherwise would be lost without the investment made possible through tax increment financing.

The County Commission of Loudon County (the "County") and the City Council of Lenoir City (the "City") have the statutory authority to authorize tax increment financing transactions through approval of economic impact plans. Such bodies are in the best position to determine the relative priorities of the proposed infrastructure improvements and the related community benefits from a public policy standpoint.

The Industrial Development Board of the City of Lenoir City (the "Board") was established in 1966 pursuant to the Tennessee Industrial Development Corporation Act, Tennessee Code Annotated §§ 7-53-101 et seq. (the "Act"). The Board's statutory purpose includes financing, owning, and leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade in Tennessee. In 2004, the Tennessee General Assembly amended the Act to vest industrial development corporations like the Board with authority to initiate and administer tax increment financing for certain qualified projects approved by County Commission and/or City Council. The Board's responsibility under the amendment include the following:

- (a) Preparation of an economic impact plan for the project that complies with the statutory criteria;
- (b) Holding a public hearing relating to the economic impact plan after proper published notice; and,
- (c) Administering the incremental tax payments under the tax increment financing.

The amendment, which is codified as part of the Act as Tennessee Code Annotated § 7-53-312, provides that County Commission must approve tax increment financings affecting property taxes owed to the County and City Council must approve tax increment financings affecting property taxes due to the City. Neither has the authority to authorize a tax increment financing transaction affecting the property taxes of the other.

II. Authority for Economic Impact Plan

Industrial Development Boards ("IDBs") are authorized under Tennessee Code Annotated § 7-53-312 to prepare and submit to cities and counties an economic impact plan with respect to an area that includes an industrial park within the meaning of Tennessee Code Annotated § 7-53-312 or a project within the meaning of Tennessee Code Annotated § 7-53-101 and such other properties that the IDB determines will be directly improved or benefited due to the undertaking of such industrial park or project. Tennessee Code Annotated § 7-53-312 also authorizes cities and counties to apply and pledge new incremental property tax revenues, which arise from the area subject to the economic impact plan, to the IDB to promote economic

development, to pay the cost of projects or to pay debt service on bonds or other obligations issued by the IDB to pay the costs of projects.

III. Boundaries of Plan Area

The area designated as the plan area for the purpose of this Economic Impact Plan (the "Plan Area") is shown on the map attached hereto as Exhibit A, and a list of the parcels included within the Plan Area is attached hereto as Exhibit B. The Plan Area is generally bounded by Interstate 75 on the north, Highway 321 on the east, Harrison Avenue on the south, and Old Highway 95 on the west. The Plan Area is hereby declared to be subject to this Economic Impact Plan.

The Plan Area includes only those parcels on which the Project described in the next section will be located and other parcels that will directly benefit from the undertaking of the Project. Those parcels that are included in the Plan Area but on which the Project is not located will directly benefit from improved public infrastructure, including roads and utilities, that will be constructed in connection with the Project. Such improvements would not occur unless the Project was constructed.

IV. The Project

As was mentioned above, a "project," within the meaning of the Act, must be located within the Plan Area for the Plan Area to be eligible to be subject to an economic impact plan. The term "project" is defined under the Act to cover a wide array of facilities. Those facilities include office buildings and retail facilities.

In this case, a number of different eligible projects will be located in the Plan Area. The majority of the Plan Area consists of agricultural property known as the Eldridge Farm that has not previously been developed. A tract of that property containing approximately 268 acres was acquired by MZEE, LLC, and plans for the development of this property are being completed.

Another tract of approximately fifty-three acres of the agricultural property located adjacent to Highway 321 was purchased by Southeastern Retail Investments. This property will be developed into an approximately 225,000 square foot retail shopping facility, which is a qualifying project under the Acts.

The remainder of the agricultural property is expected to be developed by an entity that will include MZEE, LLC and its successors and assigns, as a large mixed-use development. This mixed-use development will include additional retail shopping facilities and a substantial amount of high-quality office space, particularly medical office space. Each of these facilities will be a qualifying "project" under the Act. A conceptual land use plan for the property currently owned by MZEE, LLC is attached as Exhibit C. As that exhibit shows, that portion of the development

will include the development of a large number of buildings, most of which would qualify as eligible projects under the Act.

The facilities to be developed as described above that are eligible projects under the Act are referred to herein collectively as the Project. This Project is hereby identified as the qualifying project for purposes of Tennessee Code Annotated § 7-53-312 that will be located in the Plan Area.

Most of the Plan Area, while having the potential to contribute to the City and County tax base through positive economic development, has remained largely undeveloped because of the lack of public infrastructure and related amenities to support the desired mixed-use development. Stimulating mixed-use development and investment in this area will provide, as described herein, additional sales tax revenues, employment opportunities, and public amenities which will directly benefit the community as a whole extending far into the future. The Board therefore intends to provide financial assistance in connection with the development of the Project as described in the next section.

V. Financial Assistance to Project

Pursuant to the Act, the costs of a qualifying project include not only the cost of the actual facility but also all other costs determined by the Board to be necessary to be incurred in connection with the facility. In this case, the Project would not have public access unless the necessary public roads are constructed to provide such access. Moreover, the Project would not have access to public utilities unless those utilities were constructed to provide service to the Project. The costs of the public infrastructure are therefore eligible project costs under the Act. The Board will provide financial assistance to the Project by applying the proceeds of the tax increment financing described herein to pay a portion of the cost of these public improvements that will be incurred in connection with the development of the Project.

These public improvements are expected to include, without limitation, the following:

- The construction of a boulevard to be known as Town Creek Parkway connecting Highway 321 and Old Highway 95 and ancillary public connector roads to Adesa Drive and Harrison Road. These public roads will provide direct access to the Project and are necessitated by the construction of the Project.
- The construction of other related public road improvements including improvements to Town Creek Road, the construction of D.O.C. Boulevard and improved access to Highway 321 across from the recently constructed hospital.
- The construction of public utilities along the roads described above that are required to provide public utility services to the Project.

- The construction of public sidewalks along most of the public roads described above to provide pedestrian access to the Project and the installation of landscaping along the public roads to be constructed.
- Preparation of the site on which the roads and public utilities will be located.

An estimate of the costs to be incurred in connection with the public improvements is attached hereto as Exhibit D.

The Board will pay and/or reimburse MZEE, LLC or the developer of the Plan Area for all or a portion of the cost of such public improvements upon receipt of adequate documentation of such costs. Once design work for the Project is substantially finalized, the Board will enter into a development agreement with MZEE, LLC or its successors and assigns and/or other appropriate parties specifying the scope and the cost of the public improvements to be reimbursed, not exceeding \$20,000,000.

VI. Expected Benefits to City and County

There are numerous expected benefits to the City and the County that will result from the development of the Plan Area. One significant benefit is the additional tax receipts to be received from the City and the County. As was discussed above, the Project is anticipated to include a significant amount of retail space, the development of which will result in substantial additional sales tax revenues for both the City and the County. Once the retail facilities are constructed as part of the Project, with a projected 1,421,250 square feet of space completed in 2012, producing approximately \$31.03 of sales per square foot, the expected total sales would be \$44,096,144 resulting in sales tax revenues of \$3,968,653 in the aggregate to the City and the County, which would be allocated based upon state law. Because many of the retail facilities to be located in the Plan Area are expected to be leased to retailers that are not presently operating in Loudon County and will attract new customers to the Loudon County area, a significant portion of these sales tax revenues are expected to be supplemental revenues to the City and County. The projected sales tax revenues by 2026 is expected to be \$4,987,852 on total sales of \$55,402,572 assuming a 2% per year inflation factor.

The incremented property taxes from the Plan Area will generally be used while the tax increment financing described herein is outstanding to pay debt service on such financing. However, once such financing is paid, the City and County will benefit from the additional property tax revenues that will result from the development of the Project. Moreover, even during the period that the tax increment financing is outstanding, the City and County will receive that portion of their respective property taxes that is to be used to pay debt service or the City's and the County's debt.

The development of the Plan Area is also expected to create a significant number of new jobs. Approximately 3,800 new construction jobs (representing \$142 million in wages) will be

created. After completion of the Project, development of the Plan Area is expected to result in over 3,500 new full and part time jobs representing \$76 million in annual wages. An additional 200 new jobs (representing an additional \$7 million in annual wages) will be created at multi-family and senior living facilities that are expected to be constructed in the Plan Area

The development of the Plan Area will also provide the local community with a number of public amenities. Much of the Plan Area is expected to be developed as a "town center" development with sidewalks, walking paths, water features and other public amenities. This development will provide residents of the City and County with a high-quality work, shopping, entertainment and recreational area of a type that is not presently available in the area.

The Project is expected to be constructed in phased development over a 5-year period, although the timing of each phase is contingent on demand for the commercial and office space.

VII. Distribution of Property Taxes and Tax Increment Financing

a. Distribution of Taxes. Property taxes imposed on real and personal property located within the Plan Area shall be allocated and distributed as provided in this subsection. The taxes assessed by the City and the County on the real and personal property within the Plan Area will be divided and distributed as follows in accordance with Tenn. Code Ann. § 7-53-312(c):

i. The portion of the real property taxes payable with respect to the Plan Area that are equal to the taxes payable in the year prior to the date of approval of this Economic Impact Plan (the "Base Tax Amount") shall be allocated to and, as collected, paid to the City and the County as all other taxes levied by the City and the County on all other properties; provided, however, that in any year in which the taxes on the property within the Plan Area are less than the Base Tax Amount, there shall be allocated and paid to the City and the County only the taxes actually imposed.

ii. The excess of real and personal property taxes with respect to the property in the Plan Area over the Base Tax Amount (the "TIF Revenues") shall be allocated and, as collected, paid into a separate fund of the Board, created to hold such payments until such TIF Revenues are applied to pay debt service on the obligations expected to be issued by the Board that are described to pay the costs of the improvements described above.

This allocation is subject to the provisions of Tenn. Code Ann. §7-53-312(j), which requires that taxes levied upon property within the Plan Area for the payment of debt service of the City and the County shall not be allocated to the Board.

b. Tax Increment Financing Obligations. In order to pay for the costs of the improvements described above, the Board intends to use the incremental tax revenues that it would receive as a result of the adoption of the Economic Impact Plan to pay debt service on obligations incurred to finance such costs. This tax increment financing will be structured as follows:

i. The Board will borrow not to exceed \$20,000,000 through the issuance and sale of notes, bonds or other obligations of the Board. The Board shall pledge any and all TIF Revenues allocated to the Board pursuant to this Economic Impact Plan to the payment of such notes, bonds or other obligations. In no event will the obligations issued by the Board be considered a debt or obligation of the City or the County in any manner whatsoever, and the source of the funds to satisfy the Board's payment obligations thereunder shall be limited solely to the TIF Revenues.

ii. The proceeds of the notes, bonds or obligations shall be used to pay the costs of the improvements described above together with expenses of the Board in connection with the Project and the tax increment financing and capitalized interest on the notes, bonds or other obligations for a maximum period of twenty (20) years from the first April 1 following the completion of the Project, but not later than April 1, 2032.

c. Time Period. Taxes on the real property within the Project Area will be divided and distributed as provided in this Section of the Economic Impact Plan for a period equal to the lesser of (a) the period that the tax increment financing described below is outstanding or (b) twenty (20) years from the first April 1 following the completion of the Project but not later than April 1, 2032.

d. Qualified Use. The Board, the City and the County, by the adoption of this Plan, find that the use of the TIF Revenues as described herein, is in furtherance of promoting economic development in the City and the County and that costs to be financed as described herein are costs of the Project.

e. Impact on City and County. The Base Tax Amount for all property within the Plan Area that is subject to tax increment financing with respect to the City is \$96,688 and with respect to the County is \$115,737. It is not possible to predict precisely the amount of the TIF Revenues; however, it is expected that the TIF Revenues, which are in excess of the Base Tax Amount, upon completion of the Project will be approximately \$2,942,200. The estimates in this paragraph do not include any incremental taxes attributable to personal property because of the difficulty of estimating such taxes.

VIII. Approval Process

Pursuant to Tenn. Code Ann. § 7-53-312, the process for the approval of this Economic Impact Plan is as follows:

a. The Board holds a public hearing relating to the proposed Economic Impact Plan after publishing notice of such hearing in a newspaper of general circulation in the County at least two (2) weeks prior to the date of the public hearing. The notice must include the time, place and purpose of the hearing as well as notice of how a map of the subject area may be viewed by the public. Following such public hearing, the Board may submit the Economic Impact Plan to the City and the County for their approval.

b. The governing bodies of the City and the County must approve the Economic Impact Plan. The Economic Impact Plan may be approved by resolution of the governing bodies, whether or not the local charter provisions of the governing bodies provide otherwise.

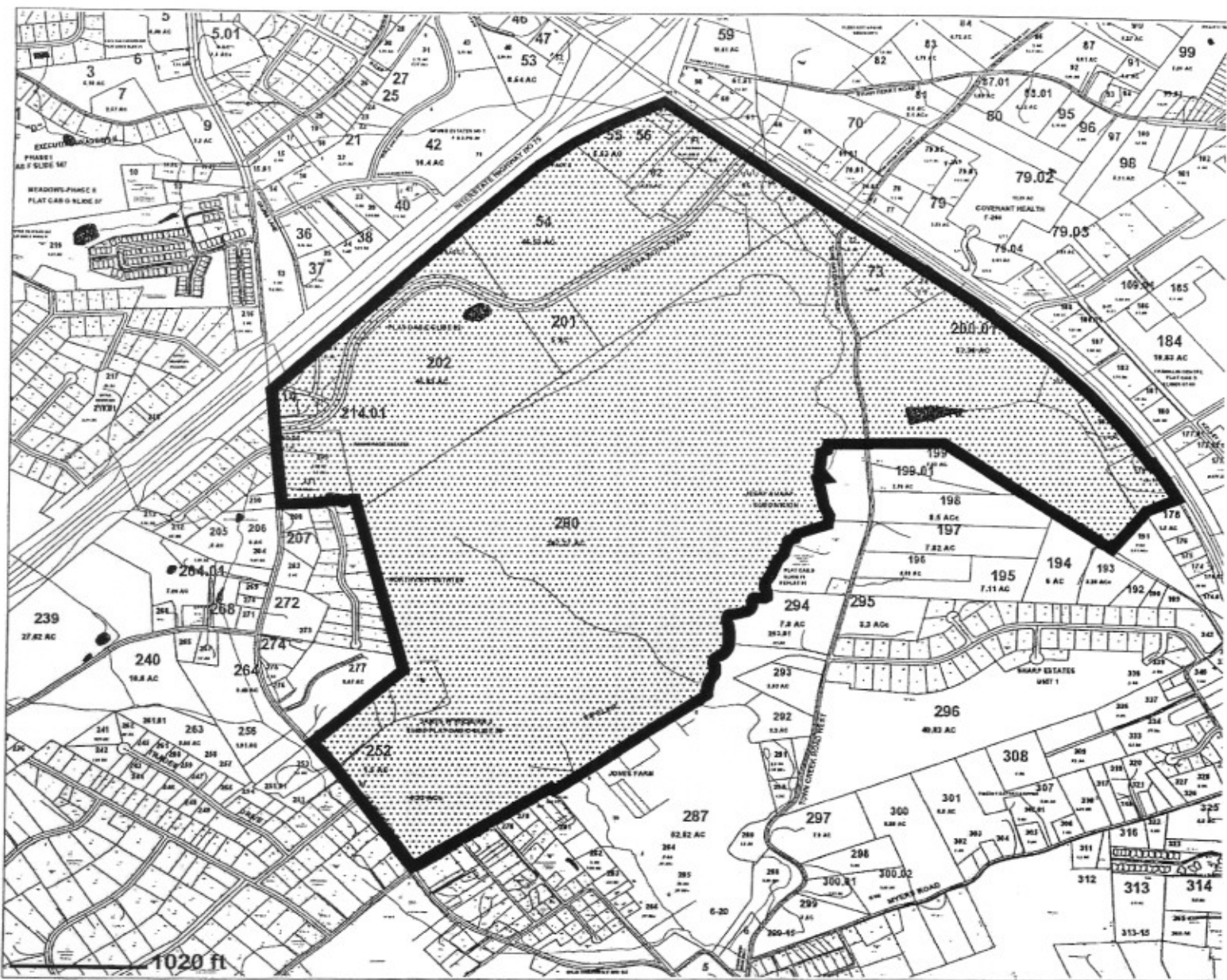
c. Once the Economic Impact Plan has been approved by the governing bodies of the City and the County, the clerk or other recording official of each of the City and the County shall transmit the following to the appropriate tax assessor and taxing agency affected: (a) a copy of the description of the property within the Plan Area, and (b) a copy of the resolution approving the Economic Impact Plan.

IX. PROVISION FOR AMENDING THE PLAN

This plan may be amended only by a written plan amendment approved by the City Council and County Commission in the same manner as this Plan was originally approved.

EXHIBIT A

dbr/mis/2978.doc
9636-000
September 13, 2007



LOUDON COUNTY, TENNESSEE - MAP15PROJECT

DISCLAIMER: THIS MAP IS FOR PROPERTY TAX ASSESSMENT PURPOSES ONLY. IT WAS CONSTRUCTED FROM PROPERTY INFORMATION RECORDED IN THE OFFICE OF THE REGISTER OF DEEDS, AND IS NOT CONCLUSIVE AS TO LOCATION OF PROPERTY OR LEGAL OWNERSHIP.

Exhibit B

dbr/mis/2978.doc
9636-000
September 13, 2007

Properties included in the Plan Area

Tax ID Numbers

Parcel 200
Parcel 200.01
Parcel 182
Parcel 179
Parcel50.01
Parcel 54
Parcel 55
Parcel 56
Parcel 57
Parcel 62
Parcel 63
Parcel 64
Parcel 65
Parcel 66
Parcel 67
Parcel 71
Parcel 72
Parcel 73
Parcel 74
Parcel 201
Parcel 202

EXHIBIT C



Exhibit D

ESTIMATE OF PROBABLE COSTS FOR INITIAL INFRASTRUCTURE IMPROVEMENTS

Proposed Roadway Construction

Parkway	3,182,000
Adesa Connector	1,290,000
Harrison Road Connectors	400,000
Benjamin Dr. Extension	<u>1,440,000</u>
TOTAL	6,312,000

Existing Roadway Upgrades

US Highway 321	154,000
Town Creek Road	239,000
Kingston Street	<u>450,000</u>
TOTAL	843,000

Roadway – Related Construction

Detention/Sediment Ponds & Related Grading	4,728,000
Erosion Control	192,000
Sidewalks (Parkway & Adesa Connector)	420,000

LDSP (Parkway & Adesa Connector)	<u>800,000</u>
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TOTAL	6,140,000
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Signalization

Kingston Street/Parkway	100,000
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Benjamin Dr. Extension/Parkway	100,000
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Adesa Connector/Parkway	<u>100,000</u>
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TOTAL	300,000
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Utilities

Sanitary Sewer	1,617,000
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Water	320,000
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Gas & Electric	1,077,000
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Communications	<u>335,000</u>
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TOTAL	3,349,000
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Subtotal; Construction	16,944,000
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Contingency; 10% of Subtotal; Construction	1,694,000
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Total Construction	18,638,000
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Admin; Design & Const. Phase Services

Admin; Field Surveys & Design	602,000
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Construction Phase – General	196,000
Construction Phase – Resident Project Representative	<u>420,000</u>
TOTAL	1,218,000
TIF Issuance Expenses and other expenses	144,000.00
Total Project	\$20,000,000

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9636-000
September 13, 2007
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