



TAX INCREMENT FINANCING POLICIES AND GUIDELINES
FOR CITY OF ATHENS, TENNESSEE

The City of Athens, Tennessee desires to assist with qualified redevelopment projects, urban renewal projects, and economic impact projects that demonstrate a substantial and significant public benefit by constructing public improvements and/or cause the productive reuse of under-utilized property. Tax increment financing, as allowed by law, offers a means to assist with such projects which are for the public good or for such projects which would otherwise not occur but for Tax Increment Financing. In furtherance of this objective, the City of Athens is establishing policies and guidelines under which the City of Athens will consider and implement the use of Tax Increment Financing for a specific project.

To assure the judicious use of Tax Increment Financing, the City of Athens will evaluate each project to ensure that the benefits accruing from the approval of the project with Tax Increment Financing are appropriate and in the best interest of the City.

TCA Section 13-20-201, et al and TCA Section 7-53-301, et al and specifically Section 7-53-312 are the legal authorities for the use of Tax Increment Financing by municipalities. Projects which may warrant the use of Tax Increment Financing are those in which the use or reuse of property will:

- A) Eliminate blight;
- B) Remove, prevent, or reduce blight, blighting factors, or the cause of blight;
- C) Reduce poverty;

D) Stabilize and upgrade existing residential, commercial, and industrial areas;

E) Create economic stability;

F) Strengthen the employment and economic base of the City;

G) Increase property values and tax revenues; or

H) Any or all of the above.

In no event shall the creation of Policies and Guidelines be construed to obligate the City of Athens to provide Tax Increment Financing to any individual or entity or to limit the City's discretion to decline to issue any Tax Increment Financing. These Policies and Guidelines may be amended by the City of Athens or revoked at any time.

APPLICATION PROCESS

1. To initiate consideration of a Tax Increment Financing transaction to finance qualifying costs relating to a specific project, each Tax Increment Financing applicant must submit an application for Tax Increment Financing and any other required materials in a form prescribed by the City Manager to the City of Athens Community Development Office. An Application may be obtained in the City of Athens Community Development Office. The information to be provided by the Tax Increment Financing applicant may include, but is not limited to, the following:

A) Applicant name and contact information;

B) Name and address of any of the following involved in the project:

1) Developer of Project;

2) Lender;

3) General Contractor;

4) Project Engineer;

5) Project Architect; and

6) Legal Counsel

C) A project description to include a summary of the intended use of the property after the project is completed and a conceptual site plan for the project which shall include, but is not limited to, the following:

- 1) Drawings of existing and proposed improvements;
- 2) Drawings of existing and proposed utilities;
- 3) Drawings of existing and proposed roadways, entrances and parking areas; and
- 4) General landscape plan.

D) A project pro forma to include, but not limited to:

- 1) Actual or estimated land acquisition cost;
- 2) Site preparation costs, including grading, demolition, infrastructure, construction and finished site costs;
- 3) Estimated construction costs for the development exclusive of land acquisition and site preparation costs;
- 4) Summary of financing plan, including, but not limited to, a statement of sources and uses of funds, which must equal total project costs;
- 5) Estimate of construction time line, including start date and completion date;
- 6) A summary of public benefits to include, but not limited to, the following:
 - (a) number of jobs created during construction;
 - (b) number of jobs created after completion of project;
 - (c) description of permanent jobs created;
 - (d) estimated pay scale of permanent work force;
 - (e) estimated sales after completion of project;
 - (f) a description of how this project will create potential for other development or serve as an economic stimulus;
 - (g) a description of the project's design compatibility with

the immediate area around the project; and

(h) a description of any other public benefits.

E) Information related to the request for Tax Increment Financing to include, but not limited to, the following:

- 1) A description of the financial assistance requested from the City;
- 2) The reason for the Tax Increment Financing request specifically referencing the importance of Tax Increment Financing to the project;
- 3) The time duration of the Tax Increment Financing;
- 4) The use of funds resulting from approval of Tax Increment Financing;
- 5) Current tax parcel id numbers for the real property within the project area;
- 6) Current assessments for the real property;
- 7) Current tax bill for the real property (City and County);
- 8) Estimated tax bill after project is complete (City and County);
- 9) Projected tax increment revenue;
- 10) Current sales tax generation from the project area;
- 11) Estimated sales tax generation after project is complete;
- 12) A statement of whether financial assistance will be sought from other agencies, including McMinn County, Tennessee, and if so, a description of the financial assistance to be requested;

F) Information to support the competency of the Developer to include, but not limited to, the following:

- 1) A list and thorough description of prior or other projects;
- 2) Credit references or letters of recommendation to include recommendations from financial institutions; and
- 3) A description of the bonding capacity of the Developer and/or General Contractor.

G) If the Tax Increment Financing request is approved by Athens City Council, there will be a required administrative fee to cover the processing costs of the taxing agency (City of Athens) each year the Tax Increment Financing is still active.

POLICY GUIDELINES

The City of Athens will use criteria in evaluating Tax Increment Financing Applications as follows:

1. The Tax Increment Financing applicant must demonstrate that the Tax Increment Financing component is a key element of the financing package and that the project would not otherwise be undertaken in its proposed form without Tax Increment Financing. Evidence to this effect can be satisfied with a project pro forma which demonstrates the financial need for Tax Increment Financing and/or a written statement from the lender or principal funding provider noting the importance and basis therein of Tax Increment Financing to the overall financial package assembled to finance the project.

2. Each Tax Increment Financing application must demonstrate that the applicant possesses the financial and technical ability to successfully complete and operate the project.

3. Due to transactional costs associated with creating redevelopment plans and economic impact areas using Tax Increment Financing, Tax Increment Financing funding generally will not be considered for projects with total costs less than \$5,000,000.00 except for affordable housing projects or projects located in the central business district. "Affordable housing projects" are projects in which 50% of the housing units are at or below the median average housing cost in the City. The "central business district" is the area shown on the Official Zoning Map of the City of Athens. The "central business district" is an irregular shaped

zoning district loosely bound by Cook Drive, Green Street, Glendale Avenue and Matlock Avenue.

4. The total amount of Tax Increment Financing assistance issued for any project shall not exceed a twenty (20) year amortization period except for affordable housing projects or projects in the central business district that may be granted a thirty (30) year amortization. In no event shall the total Tax Increment Financing issued for a project exceed twenty percent (20%) percent of the total project costs. Total project costs shall be that segment of the project, in whole or in part, that Tax Increment Financing is requested to assist.

5. Tax Increment Financing assistance for public infrastructure, including, but not limited to, on or off site street improvements, utility improvements, public street lighting, public spaces and traffic safety improvements and extraordinary costs associated with the demolition and/or removal of existing man-made site conditions or natural land conditions are the favored use of Tax Increment Financing.

6. Projects in which the applicant contributes equity of at least ninety percent (90%) of the total cost will be viewed more favorably than projects with an equity contribution of a lesser amount.

7. Projects that create jobs with wage scales that average eighty percent (80%) or greater of the average area wage for the applicable retail, service or manufacturing sector will be viewed more favorably.

8. If the project involves development/redevelopment of a vacant land, it should conform to the City's plans and programs and serve as a catalyst for further, high quality development or redevelopment.

9. Projects involving redevelopment of existing retail, commercial, office or industrial properties should serve to stabilize areas that are experiencing deterioration, and create development in conformity with the City's current

development standards and regulations.

10. Projects for retail and serve commercial uses should be targeted to those that encourage an inflow of customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City.

11. Projects involving redevelopment of existing residential neighborhoods should serve to stabilize areas that are experiencing deterioration and should include needed infrastructure improvements as determined by the City.

12. Projects involving new residential development should fulfill a significant housing need for the City's current and/or projected population without substantially impacting public services and facilities, including schools.

13. Projects involving residential development should encourage a diversity of household income levels, or otherwise be specifically targeted to low and moderate income families.

14. The proceeds of the Tax Increment Financing shall only be used for eligible costs under state law relating to the project or to reimburse the applicant for such costs, including costs incurred for the acquisition of land and existing improvements, site preparation costs, public improvements necessary for carrying out the project, and such other costs as are approved by the City of Athens.

15. If Tax Increment Financing is approved for a project and the owner/applicant of the real property sells or transfers the entirety of the real property, Tax Increment Financing shall terminate. In the event the owner/applicant sells or transfers a part of the real property, the Tax Increment Financing shall terminate with respect to that part of the property that is sold or transferred. The City of Athens may, within its discretion, amend the Tax Increment Financing amount for that part of the real property which is retained by the owner/applicant.

16. Debt Service amounts for the City of Athens shall be subtracted from any Tax Increment Financing revenues generated by the project before any monies are sent to pay down the Tax Increment Financing debt.

17. In addition, Maintenance of Effort amounts for the City of Athens shall be subtracted from any Tax Increment Financing revenues generated by the project before any monies are sent to pay down the Tax Increment Financing debt. Therefore the Tax Increment Financing revenue payment equation is as follows: (Tax Increment Financing revenues - City Debt Service - City Maintenance of Effort = Revenue Amount sent to pay down Tax Increment Financing debt)

18. After an application is filed with the City of Athens Community Development Office, the Community Development Office shall review the application and materials and determine whether to recommend that Tax Increment Financing be made available in connection with the project to the City Manager. The City Manager shall thereafter review the application and materials therewith and the recommendation from the Community Development Office and after the City Manager's review, the City Manager shall make a recommendation to the City Council concerning whether to grant the request for Tax Increment Financing. City Council shall review the application and materials therewith and the recommendations from the Community Development Office and the City Manager and any other materials and information the Council desires at one or more work sessions and thereafter place for consideration at a regular or called meeting of the City Council whether to further consider the request of the applicant for Tax Increment Financing. If City Council votes to further consider the request of the applicant for Tax Increment Financing, City Council shall at this same meeting request the City Manager and the City Community Development Office to prepare with the assistance of the applicant a redevelopment and urban renewal plan that includes Tax Increment Financing for final approval of the issuance of Tax Increment Financing for the submitted redevelopment and urban renewal plan as prepared by the City Community

Development Office, City Manager and the Applicant. The vote of the City Council to request the preparation of a redevelopment and urban renewal plan shall not obligate or be construed to obligate City Council to approve or authorize Tax Increment Financing for the applicant's project. The City Council shall retain its discretion to decline to issue Tax Increment Financing after the required public hearing and after review and consideration of the final redevelopment and urban renewal plan prepared by the City of Athens Community Development Office, the City Manager and the Applicant.

After the redevelopment and urban renewal plan is prepared, it shall be submitted to the organization which implements the Tax Increment Financing for the City, either the Athens Housing Authority or the Industrial Development Board of McMinn County for its review. If the assisting and implementing organization determines to recommend that Tax Increment Financing be made available for the project, the City of Athens and the assisting and implementing organization shall hold the public hearing in connection with the plan as required by law. After the public hearing, the redevelopment and urban renewal plan shall be submitted to the Athens City Council for final consideration and a vote. The redevelopment and urban renewal plan shall likewise be submitted to the McMinn County Commission for its consideration.

The applicant shall pay a plan preparation fee to the City of Athens in an amount equal to \$3,000.00 with respect to the preparation of any redevelopment and urban renewal plan that proposes Tax Increment Financing for the applicant's project and in an amount equal to \$1,500.00 with respect to the preparation of an amendment to any existing redevelopment and urban renewal plan that authorizes tax increment financing for Applicant's Project. The applicant may request that such fee be paid at the closing of the Tax Increment Financing transaction, with the City of Athens reserving the right to require payment of the plan preparation fee prior to the preparation of the plan.

The Applicant shall pay all third-party expenses, including attorney's fees, incurred by the City of Athens in connection with any proposed tax increment financing, whether or not such financing is closed. The Applicant may request that such expenses be paid at the closing of the tax increment financing transaction. The City of Athens reserves the right to require payment of such expenses as they are incurred.

To reimburse the City of Athens for its administrative expenses in connection with administering the tax increment financing, the City of Athens shall retain an annual Administrative Fee in an amount equal to five percent (5%) of the tax increment revenues allocated to the City of Athens with respect to such financing, subject to a maximum and minimum limit provided hereafter. Such annual Administrative Fee shall be not less than \$2,000 or more than \$5,000 for each year in which tax increment revenues are allocated to the City of Athens with respect to such financing. The tax increment financing documents shall provide that such fee shall be payable each year, beginning the first year in which any tax increment revenues are payable to the City of Athens, before any amounts are paid to the Lender to be applied to the tax increment financing debt.

Prior to the commencement by the City of Athens of the preparation of a redevelopment and urban renewal plan or amendment thereto with respect to a particular Project, the Applicant shall execute a letter agreement for the benefit of the City of Athens acknowledging Applicant's responsibility for the payment of the fees and expenses provided for above. The Agreement shall also advise Applicant that McMinn County and the Organization which implements the tax increment financing for the City of Athens may charge to Applicant fees and expenses.