

**THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF OAK RIDGE, TENNESSEE
TAX INCREMENT FINANCING PROGRAM
POLICIES AND PROCEDURES**

Section 1. General Purpose and Objectives

The Industrial Development Board of the City of Oak Ridge (the "Board") is committed to improving the economy in the City of Oak Ridge, Tennessee (the "City"). In furtherance of this objective, the Board is establishing a program to evaluate requests from private entities to utilize tax increment financing in support of qualifying projects. This program is intended to provide an orderly process for evaluating each request for tax increment financing in the City and, if such request is determined by the Board to merit support, to outline the process for issuing the tax increment financing.

The Board is a public nonprofit corporation established pursuant to the Tennessee Industrial Development Corporation Act ("Act"), Tenn. Code Ann. §§7-53-101 *et seq.* The Board's statutory purposes include promoting industry, commerce and trade in Tennessee and in particular, the City. In 2004, and in furtherance of these purposes, the Act was amended to authorize the Board to issue tax increment debt to finance costs of qualifying projects. Such debt would be secured solely by incremental taxes generated by the qualifying project and would otherwise be non-recourse to the Board.

The Board has adopted these Policies and Procedures to provide guidance to applicants for tax increment financing as to the procedure the Board intends to use in evaluating on a case-by-case basis whether particular projects in the City will be eligible for tax increment financing. The approval of the issuance of tax increment financing is within the discretion of the Board acting within the parameters of these Policies and Procedures and is subject to the approval of the City and, if applicable, the County in which the particular project is located. In no event shall these Policies and Procedures be construed to create any contractual right in any Person or to limit the Board's discretion to decline to issue any tax increment debt.

These Policies and Procedures only apply to any tax increment financing requested by a private party. If the City or other governmental entity requests the Board to incur tax increment debt, the Board shall follow such procedures as the Board and the City deem appropriate under the circumstances, provided, however, that the Board and the City shall comply with all requirements of the Act.

These Policies and Procedures are in addition to any other rules and procedures applicable to the Board. From time to time, these Policies and Procedures may be amended by the Board, and new policies may also be adopted by the Board.

Section 2. Tax Increment Financing

Tax increment financing is a financing tool that is used in many states to provide public assistance to economic development projects. Through tax increment financing, incremental taxes from a designated area are allocated to pay debt service on debt incurred to pay for qualifying improvements that are made in connection with a particular project. In some states, the incremental tax revenues that may be utilized to pay the debt service on tax increment financing include property tax revenues, sales tax revenues and other tax sources. Under the Act in Tennessee, only incremental property tax revenues, and not sales tax or other tax revenues, may be used to pay debt service on tax increment financing.

The Act establishes certain requirements relating to the Board's use of tax increment financing. Under the Act, the Board initiates the process of issuing tax increment debt by preparing a document known as an economic impact plan. The economic impact plan must identify the area from which the incremental tax revenues will be derived, identify the qualifying project that will be located in the area, discuss the benefits of the project to the municipality in which the project will be located, including anticipated tax receipts and job creation, and specifically provide for the allocation of the incremental property taxes within the Plan Area to the Board. The incremental property taxes that may be allocated to the Board include both real and personal property taxes.

Pursuant to the Act, the Board must hold a public hearing on any economic impact plan. Notice of such public hearing must be published in the local newspaper at least two weeks before the public hearing. In addition to giving details regarding the time and location of the public hearing, the notice must inform the public where a map of the proposed Plan Area can be reviewed.

After a public hearing is held with respect to an economic impact plan, the Board may then submit the plan to the City Council of the City for approval. If the economic impact plan provides for an allocation to the Board of incremental property taxes from the County in which the Plan Area is located, the plan must also be submitted to the County Commission of that County for approval. The City Council and the County Commission may approve an economic impact plan at one reading by resolution, notwithstanding any local charter provision to the contrary.

Pursuant to the Act, incremental revenues as to any property may be allocated to the Board for a period not more than twenty (20) years, unless both the Commissioner and the Comptroller have made a written determination that a longer period is in the best interest of the State of Tennessee. The plan may provide for a shorter allocation period. During the allocation period, the City's finance department and, if applicable, the County trustee are required to pay the incremental taxes from the Plan Area to a separate fund created by the Board for that purpose. A separate fund is usually established for each tax increment financing, and that fund is usually held by or for the benefit of the holder(s) of the tax increment debt.

The Plan Area must include a "project" within the meaning of the Act. For purposes of the Act, the term "project" includes the types of facilities that are typical economic development projects, such as manufacturing and warehousing facilities. Qualifying projects under the Act also include, however, commercial facilities, such as retail shopping facilities, office buildings and multi-family housing facilities for persons of low and moderate income. Pollution control facilities, including wastewater facilities, are also eligible projects.

In addition to the area on which the qualifying project is located, the Plan Area may also include any other property that the Board determines will be directly improved or benefited due to the undertaking of the qualifying project. For example, if a retail shopping center is the qualifying project for purposes of an economic impact plan, and, as a part of the construction of the retail shopping center, a new public road provides access to other properties, those other properties would directly benefit from the project.

Once an economic impact plan is approved, the property taxes imposed on property within the Plan Area are divided between the Board, the City and, if applicable, the County. The base tax amount is allocated to the City and, if applicable, the County. The base tax amount is equal to the amount of taxes payable with respect to the property in the Plan Area for the year prior to the date the economic impact plan was approved. Therefore, if an economic impact plan was approved in 2007, the tax year for determining the base tax amount would be 2006. Any excess over the base tax amount generally is allocated to the Board. However, taxes levied by a taxing authority to pay debt service on bonds or other obligations of the City or, if applicable, the County are not subject to allocation to the Board. Also, an economic impact plan may provide for a lesser amount of the incremental property tax revenues from the Plan Area to be allocated to the Board.

Once the economic impact plan has been approved by the City Council and, if applicable, the appropriate County Commission, the Board can proceed to issue tax increment debt secured by the incremental property tax revenues from the Plan Area. In most cases, the Applicant, in consultation with the Board's representatives, will negotiate the terms of the tax increment financing with a lender or bond underwriter. However, all documents relating to the tax increment financing are subject to the Board's approval.

Section 3. Procedures for Tax Increment Financing

3.1. Application. An Applicant may request the Board to issue tax increment debt to pay eligible costs incurred in connection with a Project. To initiate such a request, the Applicant should submit a completed Application in the form attached to these Policies and Procedures as Exhibit A together with all exhibits, schedules and documents required by the Application. The Applicant shall also tender a non-refundable application fee to the Board in an amount set forth in Section 5 of these Policies and Procedures. No action will be taken with respect to an Application until the Board's staff determines that the Application is complete. **Acceptance of the Application does not imply, evidence or confirm the Board's support for, or recommendation of, the request for tax increment financing.**

3.2. Initial Review by Application Review Committee. The Board shall appoint a committee of Board members (the "Application Review Committee") to undertake the functions described in these Policies and Procedures for such committee. Before an Application is presented to the Board, the Application Review Committee will review the Application and make a recommendation to the Board whether an economic impact plan should be prepared for presentation to the Board for the area described in the Application. The Application Review Committee will not recommend that an economic impact plan be prepared unless the Committee determines that the Project described in the Application will (i) substantially benefit and enhance the economy of the City and the County in which the Project is located and (ii) the Project would not be acquired, constructed and/or installed unless tax increment financing was made available to finance a portion of the eligible Project costs.

3.3. Initial Resolution by the Board. After review of the Application by the Application Review Committee, the Board as a whole will consider such Application. After such consideration, the Board will vote on whether an economic impact plan should be prepared for the area that is the subject of the Application. The Board will not approve the preparation of a plan unless the Board makes the same findings as are required above for the Application Review Committee, and in reviewing an Application, the Board will give deference to the recommendations of the Application Review Committee. If the Board votes to cause an economic impact plan to be prepared, the Board will also decide whether the plan will be prepared by the Applicant (or a third party retained by the Applicant) or whether the plan will be prepared by the Board (or a third party retained by the Board). If the plan is to be prepared by a third-party consultant retained by the Applicant or the Board, such consultant shall be subject to the reasonable approval of both the Applicant and the Board. The expenses of the Board in connection with the preparation of the plan shall be paid by the Applicant as provided in Section 5.2 below.

3.4. Economic Impact Plan. If the Board approves the preparation of an economic impact plan, the Applicant or the Board, as the case may be, will cause a proposed economic impact plan to be prepared and submitted to the Application Review Committee. The plan shall contain the information required by Section 7-53-312(b) of the Act and such other information as the Board deems necessary, including but not limited to:

- (1) Identification of the boundaries of the area subject to the plan;
- (2) Identification of the project located within the area subject to the plan;
- (3) Discussion of the expected benefits to the City and, if applicable, the County from the development of the area subject to the plan, including anticipated tax receipts and jobs created; and

(4) A provision providing that the property taxes imposed on the property, including the personal property (if applicable), located within the area subject to the plan will be distributable among the City, the Board and the County, as applicable, in accordance with the Act.

If the Applicant is responsible for preparing the initial draft of the economic impact plan, the Applicant shall submit such draft to the Board's staff no later than sixty (60) days after the Board adopts an initial resolution requesting the plan. If the Applicant does not submit the proposed plan within that period, the Board will take no further action with respect to the Application. The Board will consider any requests of the Applicant after the 60-day period as a new request requiring a new Application, and the payment of another application fee. If the Board assumes responsibility for preparing the initial draft of a plan, such draft shall be submitted to the Application Review Committee within sixty (60) days after the Board adopts an initial resolution requesting the plan.

If the Applicant prepares the initial draft of an economic impact plan, the Board's staff will review such draft and will advise the Applicant of any recommended changes to the plan, and the Applicant may cause the draft plan to be amended accordingly. The Applicant shall then submit the plan to the Application Review Committee.

3.5. Review of Plan by Application Review Committee. The Application Review Committee will review each proposed economic impact plan. The Application Review Committee will make a determination whether the economic impact plan complies with the Act and these Policies and Procedures and should be submitted the City Council and, if applicable, the County Commission for approval. The Application Review Committee's determinations will be summarized in writing for the Board. The Application Review Committee will then establish a proposed date for the Board to hold a public hearing relating to the plan and a meeting to determine whether to submit the economic impact plan to the City Council and, if applicable, the County Commission for approval.

3.6. Public Hearing and Approval by Board. After review by the Application Review Committee, the Board will hold a public hearing relative to the proposed plan at a regular or special meeting. Notice of the public hearing shall be published in a newspaper of general circulation in the City at least two weeks prior to the date of the public hearing, as required by Section 7-53-312(g) of the Act. After such public hearing, if the Board determines that the economic impact plan substantially complies with the Act and these Policies and Procedures, it will submit the economic impact plan to the City Council and, if applicable, the County Commission for consideration and approval. The submission shall include a summary of any comments from the public hearing on the proposed plan and any additional information that the Board deems relevant.

3.7. Approval by Taxing Authorities. Upon approval of an economic impact plan by the Board, the plan will be promptly submitted to the City Council and, if applicable, the County Commission for consideration. If City Council approves the plan but County Commission is requested to approve the plan and fails to do so, the Board will not proceed with tax increment financing unless a revised plan is approved by the Board in the manner described above that only allocates the City's incremental property tax revenues and such revised plan is again approved by the City Council.

3.8. Financing Documents. If the City Council and, if applicable, the County Commission approve the economic impact plan, the Applicant and the Board will use their best efforts to consummate the tax increment financing. In connection with any tax increment financing, the Applicant and the Board will enter into a Development and Financing Agreement. The Development and Financing Agreement will provide for the expenditure of the proceeds of the tax increment financing in compliance with the plan and provide for such other covenants as the Board deems necessary to protect the interests of the Board, the City and, if applicable, the County. Any tax increment financing shall be non-recourse as to the Board and payable solely from incremental property tax revenues, and all financing documents shall be subject to the review and approval of the Board's counsel and bond counsel.

Any tax increment financing shall close within one (1) year after approval of the economic impact plan by City Council. If the closing does not occur within such period, unless extended by the Board, the Applicant will be deemed to have withdrawn its Application, and all approvals by the Board will lapse and be of no further force or effect.

3.9. Approval by Board. Notwithstanding anything to the contrary herein, the Board may elect to consider a proposed economic impact plan without appointing an Application Review Committee.

Section 4. Policies for Tax Increment Financing

The following policies shall apply with respect to the issuance of tax increment financing by the Board. The Board will not submit an economic impact plan to the City Council of the City that does not comply with these policies unless (a) the policy in question is waived by the Board at the time an initial resolution is adopted approving further action on an Application or (b) the Board is specifically directed to do so by the City Council.

4.1. Maximum Allocation Period. No allocation of tax increment revenues shall be made with respect to any property for a period of more than twenty (20) years, unless both the Commissioner and the Comptroller have made a written determination that a longer period is in the best interest of the State of Tennessee.

4.2. Eligible Costs. Under the Act, tax increment financing may be issued by the Board to finance any costs of a qualifying project. The costs of a qualifying project include any cost of any land, real property and personal property that are deemed necessary by the Board to be incurred in connection with a qualifying project. Therefore, any financed costs must have a direct relationship to a qualifying project.

The Board has also determined that the proceeds of the tax increment financing may be used to finance any costs specified in Tenn. Code Ann. § 9-23-108, provided however, other than for land, improvements, or equipment utilized for public infrastructure, the proceeds from tax increment financing may not be used for privately-owned land, improvements, or equipment, or for other purposes authorized by Tenn. Code Ann. § 7-53-101, *et seq.*, but not specified in Tenn. Code Ann. § 9-23-108, unless both the Commissioner and the Comptroller have made a written determination that the use of tax increment revenues for such purposes is in the best interest of the State of Tennessee.

4.3. Minimum Percentage of Cost and Minimum Size. The amount of the tax increment financing shall not exceed 20% of the total Project cost. The Applicant must also reasonably anticipate an investment of at least \$5,000,000 in capital expenditures with respect to the Project, without taking into account any costs financed with tax increment financing.

Section 5. Fees and Expenses of Board

5.1. Application Fee. The Applicant will submit the Application with an Application Fee in an amount equal to one half of one percent (1/2%) of the requested principal amount of the tax increment financing; provided, however, the Application Fee shall not exceed \$10,000. The Board may agree to amend or reduce any such fee or fees upon the request of an Applicant in connection with the approval of any economic impact plan.

5.2 Expenses relating to Preparation of the Plan. The Applicant shall pay all expenses, including attorney's fees, incurred by the Board in connection with the preparation of an economic impact plan, whether or not such plan is approved and whether or not the plan is prepared by or on behalf of the Board or the Applicant. The Board may require that these expenses be paid in advance.

5.3 Expenses Relating to Tax Increment Financing. The Applicant shall pay all expenses, including attorney's fees, incurred by the Board in connection with any proposed tax increment financing, whether or not such financing is closed. The Board may require that these expenses be paid in advance of any Board action with respect to a tax increment financing.

5.4 Annual Administrative Fee. To reimburse the Board for its administrative expenses in connection with administering the tax increment financing, the Board shall retain an annual Administrative Fee in an amount equal to one quarter of one percent (1/4%) of the principal amount of the tax increment financing from any tax increment revenues allocated to the Board pursuant to an economic impact plan. The Board may agree to amend or reduce any such fee or fees upon the request of an Applicant in connection with the approval of any economic impact plan. In no event shall the fee payable pursuant to this section exceed \$5,000 in any year.

5.5 Amendments. The Applicant will pay all expenses, including attorney's fees, incurred by the Board in connection with any Amendments to an economic impact plan or to any documents entered into in connection with a tax increment financing. The Board may require that these expenses be paid in advance of any Board action.

Section 6. Definitions

For purposes of this Program, including the Application, the following terms shall have the following meanings:

"Amendment" means an amendment to an existing economic impact plan.

"Applicant" means the Person submitting the Application for tax increment financing. The Applicant shall be the Person that is expected to be an initial owner of all or a portion of the Project that is within a Plan Area.

"Application" means the Application submitted hereunder in the form designated by the Board and as amended from time to time. The initial form of the Application is attached hereto as Exhibit A.

"Application Review Committee" means a committee of members of the Board formed for the purpose of reviewing Applications, economic impact plans and related documents.

"Development and Financing Agreement" means the Development and Financing Agreement between the Board and the Applicant or similar agreement or contract providing for the expenditure of the proceeds of any tax increment financing and related matters.

"Person" means any individual, sole proprietorship, corporation, limited liability company, association, partnership (general, limited, or limited liability partnership), organization, business, trust, individual and governmental entity.

"Plan Area" means the area subject to an economic impact plan.

"Project" means a project within the meaning of Section 7-53-101(11) of the Act that is within a Plan Area

"Project Area" means the parcel or parcels of real property on which the Project will be located.

EXHIBIT A TO TAX INCREMENT FINANCING PROGRAM

TAX INCREMENT FINANCING APPLICATION FORM

TIF Program Policies and Procedures- Amendment No.1
Approved by City Council Resolution 10-99-2013
Approved October 7, 2013

TAX INCREMENT FINANCING APPLICATION

Please return the completed application and supporting documentation to:

The Industrial Development Board for the City of Oak Ridge, Tennessee
1400 Oak Ridge Turnpike
Oak Ridge, Tennessee 37830

I. Applicant Information

1. Name of Applicant: _____

2. Business Name and Address: _____

State of Organization (if an entity): _____

3. Contact Person: _____

Phone Number: _____

Fax Number: _____

E-Mail Address: _____

4. Website of Applicant (if any): _____

5. Type of Business Entity: Sole Proprietorship Limited Partnership
 For-Profit Corporation General Partnership
 Limited Liability Company Nonprofit Corporation

6. Development Team

Please list the business name, contact person, address, phone number and email address for the following members of the Applicant's development team for the Project (if not known, please so indicate):

Contractor: _____

TIF Program Policies and Procedures- Amendment No.1
Approved by City Council Resolution 10-99-2013
Approved October 7, 2013

Architect/Engineers: _____

Attorney: _____

II. Project Information

7. Provide the parcel number(s) of the Project Area and attach a map showing such parcels (if the Project Area does not include specific parcels, show Project Area on an attached map):

8. Does the Applicant currently own or lease the Project Area? (Check one)

Own Lease Neither

9. Evidence of Site Control:

- A. If the Applicant owns the Project Area, attach a copy of the Applicant's deed.
- B. If the Applicant has a contract or option to purchase the Project Area, attach a copy of the agreement or option contract.
- C. If the Applicant currently leases or will lease the Project Area, attach a copy of the lease or lease option contract.

10. Project Narrative (Provide a brief description of the qualifying project that will be located within the Plan Area):

11. If the Project is to be leased to tenants, identify tenants or, if tenants are not known, describe types of tenants to which the Project will be marketed:

III. Tax Increment Financing

12. Indicate the maximum amount of tax increment financing requested. \$ _____

13. Indicate maximum maturity of requested tax increment financing: _____ years following completion of the Project

14. Has any other government assistance (tax incentives, contributions or other economic benefits) been requested by the Applicant to assist with the Project? (Check one): Yes No

If yes, describe the type, source, and amount of assistance requested:

15. Provide a list of all properties comprising the Plan Area by parcel identification number, along with the current tax assessment and taxes paid or payable for the prior tax year for each parcel (attach additional sheets if necessary).

Parcel Identification Number	Assessed Value	Taxes
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

16. For each parcel in the proposed Plan Area that is not within the Project Area, if any, explain how the Project will benefit such parcel:

17. Attach a detailed budget for the Project showing anticipated sources of funds to pay Project costs and anticipated uses of those funds.
18. Attach a detail list of the anticipated uses of proceeds of the tax increment financing.

IV. Supplemental Information

Please attach to this Application the following:

- Brief business history of the Applicant
- Resumes of all owners and officers of Applicant
- Project timetable for the Project
- Site Plan of Project Area (if available)
- Rendering of Project (if available)
- Survey of Project Area (if available)
- Map of the Plan Area showing parcels included

V. Representations of Applicant

1. By executing this Application, Applicant hereby represents, certifies and agrees as follows:

(a) The Project, including the Public Improvements, would not result in a reasonable rate of return on investment to the Applicant without the use of tax increment financing, and the Applicant would not undertake the Project as described in this Application unless tax increment financing is available to finance eligible costs of Public Improvements.

(b) The undersigned Applicant hereby agrees that the Applicant shall meet with a designated member of the Board or the Board's designee, upon request, to answer any questions that may arise in connection with the Board's review of this Application and that Applicant shall provide to the Board or the Board's designee, upon request, any supplemental information requested in connection with the Board's review of the Application, including, without limitation, such financial information as the Board may request in order to determine that the Project would not be undertaken without tax increment financing.

(c) The Applicant shall pay all fees and expenses required by Section 5 of the Policies and Procedures of the Board relating to the tax increment financing.

(d) The Applicant shall indemnify and hold harmless the Board, its employees, officers, directors, attorneys and consultants against all losses, costs, damages, expenses (including reasonable attorney's fees), and liabilities of any nature directly or indirectly resulting from, arising out of or relating to the acceptance, consideration, approval or disapproval of this Application for tax increment financing.

VI. Signature

The undersigned Applicant affirms that the information provided in this Application is true and complete. The Applicant hereby confirms that the Applicant has read and understood the requirements in the Policies and Procedures of the Board relative to tax increment financing.

Applicant: _____

Signed: _____ Date: _____, 20_____

Title (if Applicant is an entity): _____