



Hamilton County Board of Commissioners

RESOLUTION

No. 302-41A as amended

A RESOLUTION TO AMEND A PRIOR RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE GRANTING OF INCENTIVES TO DEVELOP RENTAL HOUSING IN DOWNTOWN CHATTANOOGA; TO AMEND THE PROGRAM ADOPTED IN SUCH RESOLUTION FOR DOWNTOWN RENTAL HOUSING DEVELOPMENT.

WHEREAS, on December 12, 2001, the County approved a resolution for the development of downtown housing for the purpose of encouraging the development of rental housing in the downtown Chattanooga area (the "Resolution"); and

WHEREAS, in the Resolution, the County adopted a Program for Downtown Housing Development in the City of Chattanooga and Hamilton County, Tennessee (the "Program"); and

WHEREAS, the County hereby deems it advisable to amend the Resolution and certain provisions of the Program as follows:

NOW, THEREFORE, BE IT RESOLVED BY THIS COUNTY LEGISLATIVE BODY, IN SESSION ASSEMBLED:

1. Section 4(b) of the Program shall be amended to provide as follows:

Anyone issued a building permit for a project after April 1, 2001 will be eligible to apply for a PILOT tax abatement; provided, however, that after September 1, 2002, an applicant must apply for a PILOT Freeze before commencement of construction or rehabilitation of a project.

2. Section 6 of the Program shall be deleted in its entirety and the following shall be inserted in lieu thereof:

6. Application Fee. Any developer who applies for a PILOT Freeze under the Program shall pay to the Bond Board to which such applicant submits an application a \$250.00 application fee; provided, however, that any Bond Board may establish a different application fee, subject to the approval of the Hamilton County Board of Commissioners and the Chattanooga City Council.



Resolution No. 302-41A as amended
April 3, 2002

3. Notwithstanding Section 4 of the Resolution, concerning a ten-year sunset of the Program, any applicant who files and has an approved application to participate in the Program prior to the date on which the Resolution sunsets shall be entitled to receive all of the benefits under the Program for the applicable term of that applicant's PILOT Freeze Period and PILOT Phase-In Period even after the date the Resolution terminates.

BE IT FURTHER RESOLVED THAT THIS RESOLUTION TAKE EFFECT FROM AND AFTER ITS PASSAGE, THE PUBLIC WELFARE REQUIRING IT.

LAW UNDER TEN (10) DAY PROVISION
R 934, TENNESSEE PUBLIC ACTS OF 1978

ST *D. Ferrel*
Deputy County Clerk
4-1-2002

(As Amended)

Approved:

Rejected:

Approved:

Vetoed:

CERTIFICATION OF ACTION

W. H. ...
County Clerk

County Executive

Date

MB252P132



Program for Downtown Housing Development
in the City of Chattanooga and Hamilton County, Tennessee

This Program for Downtown Housing Development (the "Program") has been approved by the Chattanooga City Council and the Hamilton County Commission in order to provide material incentives for the development of all types of housing within downtown Chattanooga. Proposed housing projects will be evaluated based upon the criteria of the Program and may qualify for a complete or partial freeze on property taxes for a number of years that will vary depending upon the factors described below.

This tax incentive is possible only if title to the housing development is transferred to one of the three bond boards that exist in Hamilton County: The Industrial Development Board of the City of Chattanooga; The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee; or The Industrial Development Board of the County of Hamilton, Tennessee (collectively the "Bond Boards"). The reason that this must be done is that under Tennessee law no reductions or freezes of property taxes may be given to private individuals or entities. If, however, title to property is transferred to a governmental entity, like one of the Bond Boards, then the governmental entity's interest in property is not subject to ad valorem property taxation. Pursuant to this Program, if the property meets the required criteria, then the tenant of the respective Bond Board must agree to make payments in lieu of tax ("PILOTS") in amounts that are less than the tax that would have been due on the property if it were privately owned. The PILOT program will have the effect of completely or partially freezing the property

taxes of the project for the prescribed number of years.

The approval process for projects will consist of the filing of an application with any one of the Bond Boards, a written notice to the Mayor of the City of Chattanooga and the City Council and the Hamilton County Executive and the Hamilton County Commission and the passage of a 14-day period during which the Mayor or a majority of the City Council or the County Executive or a majority of the Hamilton County Commission may veto the application.

The mechanics of the Program are described below. Capitalized terms are defined in a definitional section at the end of this document:

1. Basic Requirements. In order to qualify for the incentives of the Program, a housing development must be located within the Downtown and must qualify as a "project" under the state legislation under which the respective Bond Board was incorporated. Both existing housing is to be rehabilitated and new housing construction are eligible for the Program. All qualifying projects must comply with all applicable zoning, land use and building code requirements of the City of Chattanooga.

2. 60% Improvement Requirement. The value of all new construction, building renovation, and site improvements must be equal to at least 60% of the value of the property prior to the making of any improvements.

3. Terms of PILOT Freeze Period and PILOT Phase-In Period. The PILOT Freeze Period for each project shall be ten (10) years, plus two (2) additional years if the project involves the rehabilitation of an existing building and two (2) more years if the rehabilitation is a Certified Historic Rehabilitation. In addition to and after the PILOT Freeze Period, qualifying projects shall have the benefit of a PILOT Phase-In Period of four (4) years during which the

following percentages shall be applied to phase the property into full taxation:

<u>Year</u>	<u>Percentage</u>
1	20%
2	40%
3	60%
4	80%

4. Other Requirements: The following additional requirements shall apply to the Program:

- (a) Applications must be made on a written form to be promulgated by the respective Bond Board.
- (b) Any development project that is under construction after April 1, 2001, will be eligible to apply for a PILOT tax abatement. After September 1, 2001, an applicant must apply for a PILOT Freeze before commencement of construction or rehabilitation of a project.
- (c) An applicant must own the subject property or have an enforceable option to purchase the property before applying.
- (d) An applicant whose application for a PILOT Freeze is approved shall have one year from the date of approval to close a PILOT Lease. If this schedule is not met, the applicant must re-submit an application and pay an additional fee of \$1,000.
- (e) If property subject to a PILOT Lease has been unoccupied for a period of two years, the PILOT Lease will be terminated, and the property will be returned to private ownership and full property taxation.
- (f) PILOT Freezes may not be assigned without the prior written approval of the respective Bond Board.
- (g) Upon completion of any project qualifying for a PILOT Freeze, the project shall be reviewed by the respective Bond Board to determine if it was completed substantially in accordance with the representations set forth in the application. If appropriate, the term of the PILOT Freeze will be reduced by action of the Bond Board.
- (h) This program will not apply to extended stay hotels.

5. Review by Mayor and the City Council and County Executive and the Hamilton County Commission: When a PILOT Freeze has been approved by a Bond Board, a written notice shall be sent to the Mayor of the City of Chattanooga and the City Council and the Hamilton County Executive and the Hamilton County Commission, informing each of them of the precise terms of the PILOT Freeze. The Mayor and the City Council and the County Executive and the Hamilton County Commission shall each have 14 days from the date of their receipt of such notice within which to review the terms of the PILOT Freeze. If before the passage of said 14-day period either the Mayor or a majority of the City Council or the County Executive or a majority of the Hamilton County Commission feels in his or her sole discretion that the PILOT Freeze is not in the best interests of the citizens of the City or County, then he or she shall notify the Bond Board in writing of the exercise of a veto against the PILOT Freeze, in which case the Bond Board shall not proceed further to put such PILOT Freeze into effect.

6. Closing Fee: Any developer who applies for and receives a PILOT Freeze shall pay to the Bond Board a closing fee equal to 1% of the estimated new investment in the project, as set forth in good faith on the project application. Fees collected by the Bond Board shall be used to cover the costs of publicizing and administering this Program.

7. Definitions:

“*Downtown*” means that part of the City of Chattanooga more particularly described as follows:

Northern Boundary – Starting at US 27 and Manufacturers Road moving east on Manufacturers Road (taking in all property fronting on Manufacturers Road north and south) to Cherokee Boulevard going east to Frazier Avenue including properties on the south of Cherokee between Manufacturers Road and Frazier Avenue and on the north of Cherokee Boulevard that also have Market Street frontage. Moving to Frazier Avenue (taking in all property fronting on Frazier

Avenue north and south) and including property bounded by Frazier, Tremont and Tampa, then east to the Veterans Bridge.

Eastern Boundary – Moving south on Veterans Bridge to Annicola Highway going east (taking in all property to the south of Annicola Highway) to Lindsay. Turning south on Lindsay Street (taking in all property fronting on the east and west sides of Lindsay Street) to M. L. King Blvd.

Turning east on M.L. King Blvd (taking in the south side of ML King Blvd) to Houston Street. Turning south on Houston (taking in the west side of Houston) to 11th Street. Going east on 11th Street (taking in the south side of 11th Street) to King Street. Going south on King Street (taking in the west side of King Street) to Market Street including property on the east of King between the southern-most railroad right-of-way and Market St. Going south on Market Street (taking in both sides of Market Street) to Main Street.

Going east on Main Street to the railroad right-of-way immediately west of Slayton Street taking in all properties north of Main Street and south of the railroad right-of-way, turning back east on Main Street taking in properties that front on the south of Main Street to Wilhoit Road. Turning south on Wilhoit (taking in the west side of Wilhoit) to 17th Street. Turning west on 17th Street (taking in the north of 17th Street) to Baldwin Street, turning south (taking in west side of Baldwin Street) to 17th Street. Turning west on 17th Street (taking the north side of 17th Street) to Market Street. Going south on Market Street (taking in the west side of Market Street) to 20th Street. Turning east on 20th Street (taking properties on the south of 20th Street) to Read Avenue. Turning south to 22nd Street and due south to Interstate 24 and heading west on Interstate 24 to Market Street. Turning south on Market Street taking in all property on the west of Market Street to 28th Street.

Southern Boundary – Turning west on 28th Street taking in all property to the north of 28th Street to Sydney Street.

Western Boundary – Turning north on Sydney Street taking in all property to the east of Sydney to 26th Street. Turning west on 26th Street taking in all properties to the north of 26th Street to Chestnut Street. Turning north on Chestnut Street taking in all properties to the east of Chestnut to I-24 and thence to US 27. Moving north on US 27 (taking in the east side of US 27) across the bridge to Manufacturers Road.

“*PILOT Freeze*” means the benefits conferred under this Program for both the PILOT Freeze Period and the PILOT Phase-In Period.

"PILOT Freeze Period" means a period of time during which annual PILOTS are due in an amount equal to the annual tax liability for the property before any new improvements were made.

"PILOT Lease" means the lease from one of the Bond Boards to the developer of property subject to this Program.

"PILOT Phase-In Period" means a period of time during which annual PILOTS are due in an amount equal to the annual tax liability for the property before any improvements were made, plus a specified percentage of the amount by which the annual tax liability on the property would have increased if the property had been subject to taxation.









RHEUBIN MCGHEE TAYLOR
COUNTY ATTORNEY



DAVID W. NORTON
ASSISTANT COUNTY ATTORNEY

**HAMILTON COUNTY GOVERNMENT
OFFICE OF THE COUNTY ATTORNEY**

MARY NEILL SOUTHERLAND
ASSISTANT COUNTY ATTORNEY

CLAUDE T. RAMSEY
COUNTY EXECUTIVE
BOARD OF COMMISSIONERS
CURTIS D. ADAMS
RICHARD CASAVANT
LARRY L. HENRY
WILLIAM R. COTTON, JR.
JOANNE H. FAVORS
BILL HULLANDER
BEN F. MILLER
FRED R. SKILLERN
CHARLOTTE E. VANDERGRIF

MEMORANDUM

TO: Debbie Sterchi
Janet Goodner
Bill Bennett

FROM: Rheubin M. Taylor 

DATE: April 1, 2003

RE: Agreement For Payments In Lieu Of Ad Valorem Taxes

Please find enclosed an executed copy of the Agreement between The Health, Education and Housing Facility Board of the City of Chattanooga; The Bread Factory, LLC; The City of Chattanooga; and Hamilton County, which has been executed by all parties involved.

Enclosure

Memopilotagreementpg2.doc

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT is made and entered into as of April 17, 2002, by and among THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (the "Board"); THE BREAD FACTORY, LLC, a Tennessee limited liability company ("Bread Factory"); the CITY OF CHATTANOOGA (the "City"); and HAMILTON COUNTY (the "County") and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by WILLIAM R. NOBLES and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE ("Trustee"), and by WILLIAM C. BENNETT and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY ("Assessor").

W I T N E S S E T H:

WHEREAS, Bread Factory is contemplating the operation of a multi-family housing facility on property located in the downtown area of Chattanooga, Hamilton County, Tennessee (the "Project"), and has requested the Board's assistance in the financing of the Project; and

WHEREAS, substantial public welfare benefits to the City and County will be derived from the Project; and

WHEREAS, the Board has agreed to take title to certain real and personal property constituting the Project, as described in Exhibit "A" attached hereto (the "Property"), which Property is to be owned by the Board and leased to Bread Factory; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, §48-101-301, et seq., all such property

will be exempt from ad valorem property taxes ("property taxes") normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, § 48-101-312; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that Bread Factory make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, Bread Factory has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the "In Lieu Payments"), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions; and

WHEREAS, Bread Factory and the Board have agreed that all In Lieu Payments made to the Board by Bread Factory shall be paid to the Trustee, who shall disburse such amounts to the general funds of the City and the County in accordance with the requirements specified herein; and

WHEREAS, the Board wishes to designate the Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of Tennessee as though the Property were subject to property taxes. The Assessor shall give the Trustee, the City Treasurer, the Board, and Bread Factory written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and Bread Factory all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes. The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments, to receive such payments from Bread Factory and to disburse such payments to the City and the County. On or about October 1 of each year during the term of this agreement, the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Trustee shall send the Board and Bread Factory a bill for appropriate amounts of In Lieu Payments (the "Tax Bill").

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, Bread Factory shall pay to the Trustee the amounts indicated on the Tax Bill in accordance with the amount set forth below in Paragraph 4. The In Lieu Payments shall be made by Bread Factory in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by Bread Factory. For each of the years 2003 to 2014 Bread Factory shall make In Lieu Payments in an amount equal to the annual ad valorem property tax for the

Property for the year 2002 (the "Base Taxes"). For each of the years 2015 to 2018 Bread Factory shall make In Lieu Payments in an amount equal to the Base Taxes plus the following percentages of the increase in the ad valorem taxes that would have been due for the Property in excess of the Base Taxes for the respective years shown:

<u>Year</u>	<u>Percentage</u>
2015	20%
2016	40%
2017	60%
2018	80%

For any periods before or after such 16-year period that the Property is owned by the Board, Bread Factory shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

5. Penalties and Late Charges. Bread Factory shall make the In Lieu Payments for each year before March 1 of the following year. All In Lieu Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If Bread Factory fails to make any In Lieu Payment when due, and such failure to pay shall continue and not be fully paid within thirty (30) days after written notice of such non-payment has been provided, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1-1/2%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

16. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

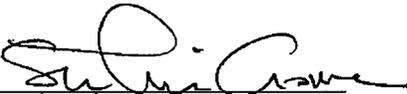
17. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

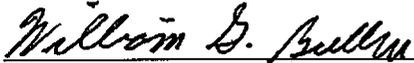
18. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

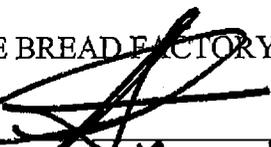
ATTEST:

THE HEALTH, EDUCATIONAL AND HOUSING
FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

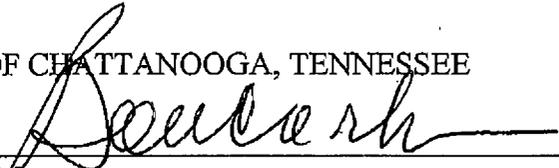
BY: 
Secretary

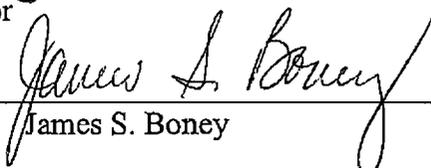
BY: 
Chairman

THE BREAD FACTORY, LLC

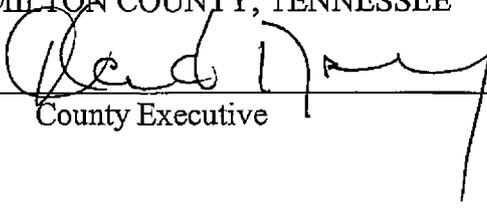
BY: 
Title: Managing Member

CITY OF CHATTANOOGA, TENNESSEE

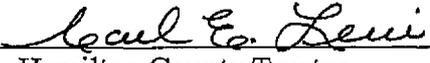
BY: 
Mayor

Approved: 
James S. Boney

HAMILTON COUNTY, TENNESSEE

BY: 
County Executive

WILLIAM R. NOBLES

BY: 
Hamilton County Trustee

WILLIAM C. BENNETT

BY: 
Hamilton County Assessor of Property

EXHIBIT "A"
TO PILOT AGREEMENT FOR
THE BREAD FACTORY, LLC

REAL PROPERTY

1615 Cowart Street, Chattanooga, Tennessee.

PERSONAL PROPERTY

All personal property used by The Bread Factory, LLC in connection with its multi-family housing facility located on the real property described above.



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new Res. will
add word
rental
March 20, 2002
DATE (Month, Day, Year)
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Whereas.
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for
new
PK

Hamilton County Board of Commissioners
RESOLUTION

No. 302-41A

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WHEREAS, in the Resolution, the County adopted a Program for Downtown Housing Development in the City of Chattanooga and Hamilton County, Tennessee (the "Program"); and

WHEREAS, the County hereby deems it advisable to amend the Resolution and certain provisions of the Program as follows:

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Resolution No. 302-41A
March 20, 2002

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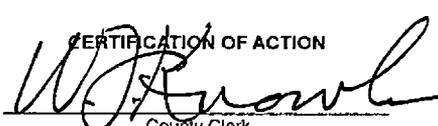
Approved:

Rejected:

Approved:

Vetoed:

CERTIFICATION OF ACTION


County Clerk

County Executive

Date

March 20, 2002

