

**RIVERBEND REDEVELOPMENT DISTRICT  
TAX INCREMENT FINANCING AMENDMENT  
THE ARBOR PROJECT AREA**

Tax-increment financing (“TIF”) is a redevelopment tool to be administered by housing and redevelopment authorities codified at Tenn. Code Ann. §§13-20-204 and 205, et. seq. The purpose of TIF is to provide an economic stimulus for blighted property in need of redevelopment. Upon adoption of this Amendment, TIF may be utilized to finance eligible redevelopment costs for a redevelopment project known as The Arbor (“The Arbor”) to be located within the expanded Riverbend Redevelopment District subject to the provisions of this Amendment. The TIF shall be administered as follows:

A. District History.

The property on which The Arbor will be located is property near Wal-Mart on Fort Henry Drive which has remained undeveloped in spite of commercial activity around it. The current Riverbend Redevelopment District is shown on the map attached as Exhibit One. This Amendment would expand the Riverbend Redevelopment District to incorporate approximately 9.25 additional acres which consists of Sullivan County Tax Map 077H Parcels 002.00 and 001.10 as shown on Exhibit Two (“Expansion Area”). The Arbor will occupy a total of approximately 16.20 acres within the Expansion Area as shown on Exhibit Three (“Project Area”). Much of the property within the Expansion Area was graded with little to no control of erosion from the site. The property was cited for violations on several occasions. No progress has been made on the abandoned development for several years. This Project Area also requires significant stormwater improvements to be constructed. This condition has negatively affected development in the nearby areas. In order to combat these issues for the site it is proposed that the Expansion Area (which includes the Project Area) be designated as part of the Riverbend Redevelopment District and be afforded all tax incentives as appropriate to encourage new land uses in the area.

The Expansion Area and Project Area is recognized as having a potential economic return to the City and County primarily due to its desirable location near Fort Henry Drive. Delay of the redevelopment of this site will continue to have a negative impact on the adjacent commercial areas. The use of TIF will allow the redevelopment of a well-located site which has previously been underutilized. The existing blight and negative impact on surrounding areas would all be remediated or eliminated by implementation of the proposed Redevelopment Project. The presence of approximately 92 new townhomes will increase economic activity in and around the Redevelopment District. Redevelopment of this area via the proposed Project would also help alleviate the shortage of market rate family homes in the Kingsport and Sullivan County markets which is critical to assist area businesses in recruiting new employees to the area who will both work and live in Kingsport and Sullivan County.

Based on the foregoing circumstances and conditions, the Board of Commissioners of KHRA has determined that the Expansion Area of the District which includes the Project Area

is blighted as defined by TCA 13-20-201 et seq. The District experiences the following conditions:

1. Long-term vacant and underutilized property.
2. The continued deterioration of the property due to unfinished grading and erosion control and negative impact to the surrounding properties.

It is recommended that the project be redeveloped, rehabilitated and/or renovated in order to correct such blighted, deteriorated and dilapidated conditions.

B. District Zoning and Land Use.

The redevelopment of the Riverbend Redevelopment District shall comply with the Zoning Ordinances and building codes as well as other applicable rules, laws, ordinances, codes and regulations of the City. KHRA shall also review the Plan and any redevelopment projects within the District with appropriate City agencies and officials to ensure that the Plan and the proposed redevelopment activities conform with local objectives relating to appropriate land uses, improved traffic flow, public transportation, public utilities, recreation and community facilities and other public improvements and needs. For a more complete description of the requirements and restrictions of the Zoning Ordinances of the City, reference should be made to the Ordinances themselves. This property should continue to be zoned Planned Development (PD) by the City of Kingsport.

The City and KHRA will cooperate in the planning and construction of improvements to the streets, roadways, sidewalks, curbs and gutters, parking systems, lighting, landscaping and traffic signalization and control.

C. Estimated Cost of the Project.

The total estimated costs of all the proposed improvements to be made by Land Star Development, LLC (the "Developer") for The Arbor, is \$ 4,197,832.00. The proposed improvements by the Developer include removal of the existing improvements, grading, installations of storm water and utilities, construction of roads, installation of landscaping, lighting and other related amenities. The Developer will also be required to grade and construct an approximately 27 space automobile asphalt parking area on adjoining City property to service Riverbend Park (collectively these improvements are referred to as the "Redevelopment Project"). Developer will then sell the residential lots to a home builder who will construct approximately 92 townhomes. The townhomes will be approximately 1600 square feet. The total project investment by the developer and home builder is estimated to be approximately \$ 25,000,000.00. In order to give KHRA and the Developer flexibility in the event of future unforeseen market or site conditions, KHRA may deem Developer to be in compliance with the above units count requirements provided the final unit count is at least ninety percent (90%) of the units counts listed above.

KHRA will be paid an annual administration fee equal to five percent of the total and annual tax increment revenue received by KHRA. The Project will be located in the Project Area on current Sullivan County Tax Map 077H, Group C, Parcels 002.30, 002.00 and 001.10 which are the sole three tax parcels within the Project Area. The TIF shall be limited to eligible expenditures for the Redevelopment Project within the Project Area.

D. Sources of Revenue to Finance the Cost of the Project.

The primary sources of revenue to pay for the Redevelopment Project are proceeds in the amount of \$3,097,832.00 from a permanent loan to the Developer and tax-increment based debt (to be issued by the KHRA in the form of bonds, notes, or other indebtedness) in an amount not to exceed \$1,100,000.00, but in no event in an amount to exceed the estimated amount of debt that can be amortized over a 15 year increment period which are hereby authorized by City of Kingsport (the "City") and Sullivan County, Tennessee (the "County"). Current projections suggest that the tax increment from the proposed improvements within the Project Area will be sufficient to retire this amount of indebtedness within a fifteen (15) year amortization period for both the City and the County.

The total current property tax assessment for the Project Area is \$ 336,665 . This results in annual property tax payments to the City in the amount of \$ 6,727.58 and annual property tax payments to the County in the amount of \$ 8,100.83. The Redevelopment Project would result in a total estimated assessed value for property within the Project Area of \$ 6,009,628. Based on current tax rates, this would result in total estimated annual city taxes of \$ 120,090.40 and total estimated annual county taxes of \$ 144,603.67. Because Sullivan County has as of tax year 2023 dedicated \$0.3369 of its \$ 2.4062 tax rate for repayment of indebtedness and the City of Kingsport as of tax year 2023 has dedicated \$0.2789 of its \$1.99 tax rate for repayment of indebtedness, that portion of the increment, pursuant to Tenn. Code Ann. §§13-20-205 and 9-23-103, shall not be allocated as provided in Paragraph G below but shall be collected and paid to the respective taxing agency as all other property taxes are collected and paid. Thus, the estimated total available increment from Sullivan County taxes after the statutory debt service set aside but prior to any county holdback is \$ 117,390.62. The estimated total available increment from City of Kingsport taxes after statutory debt service set aside but prior to any holdback is \$97,540.93. However, this amendment provides in Paragraph G that forty percent (40%) of the tax increment shall be retained by the City and County resulting in an estimated total annual available tax increment after holdbacks and KHRA administrative fees of \$ 122,510.98. The combined new tax revenue above the current base as a result of this Project would be \$66,068.46 to the County and \$54,838.26 for the City. A detailed calculation of these estimated projections is attached hereto as Exhibit Four. The redevelopment of the Project Area will not occur to the degree proposed without the use of tax-increment financing.

E. Amount and the Final Maturity of Bonded or other Indebtedness to be Incurred.

The amortization period for any indebtedness backed by the tax-increment revenue generated within the Project Area shall be no more than 15 years. In any event, the final maturity date of all indebtedness issued pursuant to this Amendment shall be on or before May

15, 2043. Upon retirement of all bonds, loans, or other indebtedness incurred and payable from tax-increment funds, or at such time as monies on deposit in the tax-increment fund or funds are sufficient for such purpose, all property taxes resulting from the incremental development of the project shall be retained by the appropriate taxing agency for disbursement according to law.

F. Impact of the Tax-Increment Financing Provisions Upon Taxing Agencies.

The total assessment of the City of Kingsport's real property tax base for the 2019 tax year is approximately \$ 1,878,156,279. The total assessment of Sullivan County's property tax base for the 2023 tax year is approximately \$4,331,190,786. The current assessment of the Project Area represents 0.01% of the City of Kingsport's property tax base and 0.007% of the Sullivan County property tax base. The estimated assessment of the Proposed Improvements would represent 0.3% of the current City of Kingsport tax base and 0.1% of the current Sullivan County tax base. Based on these small percentages, the City and the County (the two taxing agencies affected by this Redevelopment Project) will not be substantially impacted financially by this tax-increment financing provision.

The development of the Redevelopment Project will result in approximately 200 additional residents and increased economic activity and tax revenue within the Redevelopment District and the region as whole.

G. Division of Property Taxes.

Upon approval of this Amendment, the taxes levied and collected over the Project Area shall be collected by the appropriate taxing authorities in the same manner as provided by law, except that said taxes shall be divided as follows:

1. The portion of the taxes which would be produced by the rate at which the tax is levied each year by each taxing agency, upon the assessed value of such property within the Project Area as of the 2024 tax year (which is the year of approval of this TIF amendment) ("Base Assessment"), shall be allocated to, and when collected, shall be paid to, the respective taxing agencies as taxes levied by such taxing agencies on all other property are paid; provided, that in any year in which taxes of the Project Area are less than the Base Assessment and the Dedicated Taxes, there shall be allocated and paid to those respective taxing agencies only those taxes actually imposed and collected; and provided further, that, in any year or years in which the Base Assessment would be diminished solely due to a rate reduction under Title 67, Chapter 5, Part 17, of the Tennessee Code, the Base Assessment shall nevertheless be established at the amount originally determined.

2. Subject to the restraints herein and applicable law, sixty percent (60%) of the City of Kingsport taxes levied in each year in excess of the Base Assessment and Dedicated Taxes shall be allocated to and, when collected, shall be paid into a special fund or funds of KHRA to pay the administration fee and to pay the principal of and interest on any bonds, loans or other indebtedness incurred or to be incurred by KHRA to finance or refinance, in whole or in part, eligible redevelopment expenses of the Redevelopment Project

contemplated by the Redevelopment Plan, and such other expenses as may be allowed by law. The remaining forty percent (40%) of the City of Kingsport taxes levied in each year in excess of the Base Assessment and Dedicated Taxes shall be allocated to and, when collected, shall be paid to the City in the same manner as taxes on all other property are paid.

3. Subject to the restraints herein and applicable law, sixty percent (60%) of the Sullivan County taxes levied in each year in excess of the Base Assessment and Dedicated Taxes shall be allocated to and, when collected, shall be paid into a special fund or funds of KHRA to pay the administration fee and to pay the principal of and interest on any bonds, loans or other indebtedness incurred or to be incurred by KHRA to finance or refinance, in whole or in part, eligible redevelopment expenses of the Redevelopment Project contemplated by the Redevelopment Plan, and such other expenses as may be allowed by law. The remaining forty percent (40%) of the Sullivan County taxes levied in each year in excess of the Base Assessment and Dedicated Taxes shall be allocated to and, when collected, shall be paid to Sullivan County in the same manner as taxes on all other property are paid.

4. Upon retirement of all bonds, loans or other indebtedness incurred by KHRA and payable from such special fund or funds, or at such time as monies on deposit in such special fund or funds are sufficient for such purpose, all taxes levied each year in excess of the Base Assessment and Dedicated Taxes shall, when collected, be paid to the respective taxing agency as taxes levied by such taxing agencies on all other property are paid, and KHRA shall give notice to all affected taxing agencies of such retirement. Excess taxes beyond amounts necessary to fund or reserve for eligible expenditures may be applied to principal and interest of debt incurred to finance such eligible expenditures or shall revert to the taxing agency general fund. In any event, the division of property taxes required by this document shall not continue for any tax year beyond 2042.

H. Property Tax Assessments and Collection.

1. The appropriate assessor shall, in each year during the period in which taxes are to be allocated to KHRA pursuant to Paragraph G, compute and certify the net amount, if any, by which the current assessed value of all taxable property located within the Project Area which is subject to taxation by the particular taxing agency exceeds the base assessment. The net amount of any such increase is referred to in this subdivision as the incremental value for that particular year.

2. In any year in which there exists a tax increment to be allocated to KHRA, the appropriate assessor shall exclude it from the assessed value upon which the appropriate assessor computes the tax rates for taxes levied that year by the taxing agency. However, the assessor shall extend the aggregate tax rate of such taxes against the Base Assessment and the incremental value and shall apply the taxes collected there from as provided herein.

3. If in any year property comprising a portion of the Project Area shall be removed from the tax rolls of a taxing agency, the Base Assessment for the Project Area shall

be reduced by the amount of the Base Assessment allocable to the property so removed for each subsequent year in which taxes are to be allocated to a particular authority pursuant to the above provisions.

I. Documentation for Assessor's Office.

Upon approval of this Amendment, KHRA shall transmit to the assessor of property and the chief financial officer for each taxing agency affected, a copy of the description of all land within the Project Area (including tax parcel numbers), the date or dates of the approval of the redevelopment plan or amendment thereto, a copy of the resolution approving the redevelopment plan or approving an Amendment thereto, a map or plat indicating the boundaries of such property and the Base Assessment with respect to the Project Area, and taxes shall thereafter, when collected, be allocated and paid in the manner provided herein.

J. Excluded Taxes.

Notwithstanding anything to the contrary in this section, taxes levied upon property subject to tax-increment financing provisions by any taxing agency for the payment of principal of and interest on all bonds, loans or other indebtedness of such taxing agency, and taxes levied by or for the benefit of the State of Tennessee (herein "Dedicated Taxes"), shall not be subject to allocation as provided in Paragraph G but shall be levied against the property and, when collected, paid to such taxing agency as taxes levied by such taxing agency on all other property are paid and collected.

K. Interpretation.

This tax-increment financing amendment is being proposed pursuant to *Tenn. Code Ann. § 13-20-201, et. seq.* and *Tenn. Code Ann. § 9-23-101, et. seq.* and all relevant provisions are hereby incorporated herein by reference. All provisions of this Amendment shall be construed in a manner consistent with said Code sections.

L. Conditions of Tax-Increment.

KHRA shall enter into a redevelopment agreement with Developer which requires Developer to pursue and complete the Redevelopment Project in a diligent manner, and in accordance with plans and specifications approved by KHRA. The redevelopment agreement to be entered into between KHRA and Developer shall contain such terms as KHRA believes reasonably necessary to accomplish this purpose.

M. Limitation of Approval.

The approval of this TIF Amendment by Sullivan County, Tennessee is limited solely to Redevelopment Project and the Project Area described herein and shall not be interpreted as an approval of any other tax increment financing project, or Redevelopment District.



EXHIBIT ONE

MAP OF CURRENT RIVERBEND REDEVELOPMENT DISTRICT





EXHIBIT TWO

MAP OF EXPANDED RIVERBEND REDEVELOPMENT DISTRICT





EXHIBIT THREE

MAP OF THE ARBOR PROJECT AREA

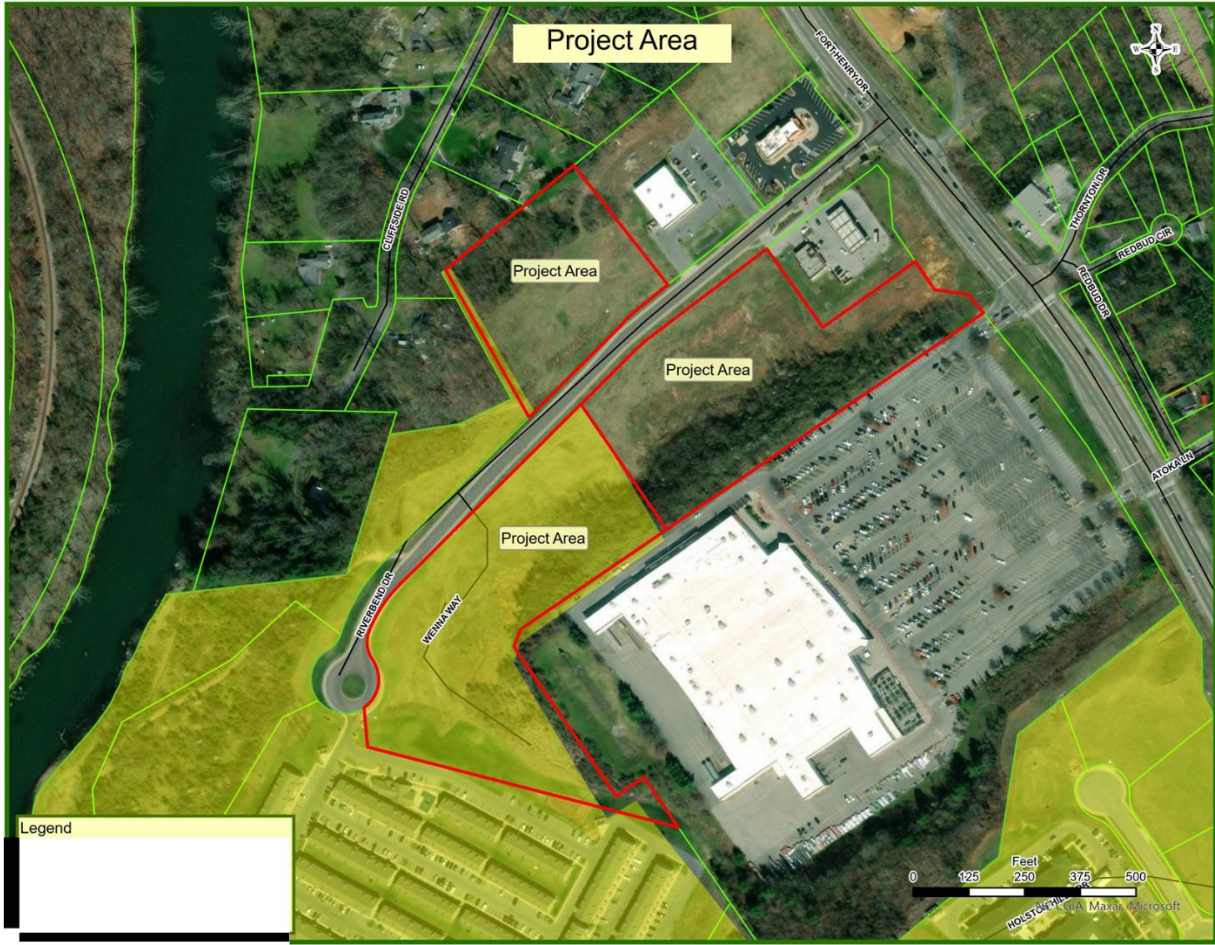


EXHIBIT FOUR

TIF ESTIMATE  
RIVERBEND REDEVELOPMENT DISTRICT  
THE ARBOR PROJECT AREA

|   |                |
|---|----------------|
| Total Original Base Value   | \$336,665.00   |
| County Tax Rate   | 2.4062         |
| City Tax Rate   | 1.9983         |
| Total New Assessed Value  | \$6,009,628.00 |
| County Debt Service Rate  | .3369          |
| City Debt Service Rate  | 0.2789         |
| Total County Taxes  | \$144,603.67   |
| Base County Taxes   | \$8,100.83     |
| County Increment  | \$136,502.84   |
| County Debt Service Set Aside                                     | \$19,112.21    |
| Available County Increment after Debt Service                     | \$117,390.62   |
| County Increment after 40% Holdback                               | \$70,434.37    |
| County Increment after 40% Holdback and Admin Fee                 | \$66,912.66    |
| Total City Taxes  | \$120,090.40   |
| Base City Taxes   | \$6,727.58     |
| Proposed City Increment   | \$113,362.82   |
| City Debt Service Set Aside                                       | \$15,821.89    |
| Available City Increment after Debt Service                       | \$97,540.93    |
| City Increment after 40% holdback                                 | \$58,524.56    |
| City Increment after 40% holdback and admin fee                   | \$55,598.33    |
| <br>  |                |
| Total City and County Increment available for debt service        | \$122,510.98   |
| <br>  |                |
| Annual New Benefits to City ( debt service)                       | \$54,838.26    |
| Annual New Benefits to County (retained increment & debt service) | \$66,068.46    |