

RESOLUTION NO. _____

A RESOLUTION APPROVING A PAYMENT IN LIEU OF TAXES
PROGRAM FOR THE KINGSPORT HOUSING &
REDEVELOPMENT AUTHORITY

WHEREAS, the Kingsport Housing & Redevelopment Authority ("KHRA") is authorized by *Tennessee Code Annotated § 13-20-104* et seq.; as amended (the "ACT"), among other things, to establish a payment in lieu of ad valorem taxes program ("PILOT program") for lessees operating Low-income housing tax credit ("LIHTC") property as defined by section 42 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, KHRA, so that it may continue its public benefit purposes of providing safe, decent, and affordable housing for low and moderate income families within the City of Kingsport, wishes to provide PILOT programs restricted exclusively for projects developed through the assistance of LIHTCs; and

WHEREAS, The Grove at Poplardale, LP, intends to seek an award of LIHTCs to develop and operate qualified multi-family housing for low- and moderate-income families on property owned by KHRA; and

WHEREAS, pursuant to authorization under the Act, property owned by KHRA is exempt from all property taxation; and

WHEREAS, in order to facilitate development, redevelopment, or operation of LIHTC properties, KHRA shall enter into a lease agreement with The Grove at Poplardale, LP for property owned by KHRA, which The Grove at Poplardale, LP will develop and operate as LIHTC property or properties; and

WHEREAS, The Grove at Poplardale, LP has requested KHRA to enter into a PILOT Agreement by which it will make payments in lieu of ad valorem taxes and its leasehold on KHRA Property shall not be assessed ad valorem property taxes; and

WHEREAS, KHRA and The Grove at Poplardale, LP are willing to enter the PILOT Agreement as generally set forth herein; and

WHEREAS, the City of Kingsport finds and declares that the PILOT program and the PILOT Agreement as generally set forth herein are in furtherance of KHRA's public purposes set forth in the Act.

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF KINGSPORT as follows:

SECTION I. That, upon the finding of the City of Kingsport that accepting payments in lieu of taxes is in furtherance of Kingsport Housing & Redevelopment Authority's public purpose, the Kingsport Housing & Redevelopment Authority is hereby authorized to negotiate and enter agreements to accept payments in lieu of taxes from its lessees who develop and maintain qualified multi-family residential facilities for low and moderate income persons.

SECTION II. That as required by *Tennessee Code Annotated* § 13-20-104(F)(2) the City of Kingsport hereby approves the PILOT Agreement between Kingsport Housing & Redevelopment Authority and The Grove at Poplardale, LP said agreement being generally as follows:

PAYMENT IN LIEU OF TAX AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into as of the ___ day of ____, 2026 (the "effective date") by and between the KINGSFORT HOUSING & REDEVELOPMENT AUTHORITY, a Tennessee public non-profit corporation ("KHRA") and THE GROVE AT POPLARDALE, LP ("Lessee").

RECITALS

- A. KHRA owns certain properties located in the City of Kingsport, which is more particularly described on Exhibit A (the "Development Properties"). Under the Tennessee Constitution and statutes, the Development Properties is exempt from ad valorem property taxation.
- B. Lessee intends enter a long-term Ground Lease to lease the Development Properties.
- C. Lessee intends to redevelop and operate on the Development Properties low-income housing developments with financing, in part, through low-income housing tax credits administered by the Tennessee Housing Development Agency.
- D. Lessee will seek an award of low income housing tax credits from the Tennessee Housing Development Agency to redevelop and operate the Development Properties as LIHTC properties.
- E. KHRA is authorized by TENN. CODE ANN. § 13-20-104 to enter agreements for payments in lieu of ad valorem taxes ("PILOT") with lessees operating low-income housing tax credit ("LIHTC") property.
- F. By approving Resolution No. _____, a copy of which is Exhibit B, the City of Kingsport delegated to KHRA the authority to negotiate and accept PILOTs from its lessees, and approved the form of this Agreement upon its finding that the Agreement and payments described herein are in furtherance of KHRA's public purpose.

NOW THEREFORE, in consideration of the recited premises, the mutual covenants contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Lease Agreement. KHRA and Lessee will enter into a Ground Lease for the Development Properties.

Section 2. Appointment of Agent. KHRA hereby appoints Lessee as its agent to act for and on behalf of KHRA to exercise those powers conferred on it by Tenn. Code Ann. § 13-20-104 with respect to the redevelopment and operation of multi-family residential facilities for low and moderate-income persons on the Development Properties, except that Lessee shall not bind KHRA to any debts, liabilities or costs.

Section 3. Payments in Lieu of Taxes. Lessee shall make annual payments in lieu of taxes ("Annual Payments") to Kingsport Housing & Redevelopment Authority as follows:

a. Amount. Annual Payments shall be ten percent (10%) of the aggregate Shelter Rent collected by Lessee for the Project during the preceding year. Shelter Rent is defined as the total of all rents actually collected from all tenants of the Project for dwelling rents and non-dwelling rents (excluding all other income of Development Properties), less the cost to Lessee of all dwelling and non-dwelling utilities.

b. Time of Payment. Each Annual Payment is due and payable on the last day on which ad valorem taxes are payable to the City of Kingsport for each respective tax year. Any Annual Payments payable with respect to any partial tax year shall be pro rated based upon the number of days in which partial year to which this Agreement applies.

c. Payments Reduced by Taxes Assessed. The Annual Payments described herein are intended to be in lieu of all ad valorem taxes on all real and personal property of any nature which are or may be levied by the City of Kingsport, Sullivan County, or any other political subdivision of the State with respect to the Project, work-in-progress in regard to the construction and development of the Project during the term of this Agreement, and taxes on the leasehold estate created under the Ground Lease. Therefore the amount of the Annual Payments will be reduced by the amount of any ad valorem taxes or other taxes on real or personal property of any nature levied by the City of Kingsport, Sullivan County, or any other political subdivision, or the State with respect to the Development Properties which Lessee is or may be required to pay during the term of this Agreement.

Section 4. Annual Report to State Board of Equalization. Before October 1 of each year, Lessee shall file with the State Board of Equalization a report that complies with TENN. CODE ANN. § 13-20-104(f)(1)(3), as amended, with a copy of such report to KHRA.

Section 5. Term. The term of this Agreement shall commence on the effective date of this Agreement and shall end on the last day of the fifteenth (15th) year after any Project is placed in service, as defined by Section 42 of the Internal Revenue Code, or at such time the Lessee's interest in the Development Properties terminates, whichever is longer.

Section 6. Choice of Law. This Agreement shall be governed by the laws of the State of Tennessee.

Section 7. Amendments. This Agreement shall be amended only by a written instrument executed by the parties hereto or their successors and assigns. This Agreement may not be materially amended without prior written approval of KHRA. Notwithstanding the foregoing, KHRA and Lessee hereby consent to any amendment to this Agreement required by a change in applicable law or regulation, and no further consent shall be required for such amendment to become effective.

Section 8. Notices. All notices, certificates, demands, requests, consents, approvals and other similar instruments under this Lease shall be in writing, and shall be deemed to have been properly given and received if sent by United States certified or registered mail, postage prepaid to the business addresses of each of the respective parties, or at such other address as the parties may designate by written notice.

Section 9. Severability. If any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 10. Headings. The headings in this Agreement are for convenience of reference only and shall not define or limit the provisions thereof.,

Section 11. Binding Effect. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 12. Expenses on Default. In the event that KHRA shall be required to engage legal counsel for the enforcement of any of the terms of this Agreement, whether or not such employment involves prosecuting or defending an action in court or other legal services required to secure compliance on the part of Lessee, Lessee shall be responsible for and shall promptly pay to KHRA its reasonable attorneys' fees and any other expenses incurred by KHRA as a result of such default.

Section 13. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Acknowledgements and Exhibits are deleted for inclusion in this resolution]

SECTION III. That the board finds that the actions authorized by this resolution are for a public purpose and will promote the health, comfort and prosperity of the citizens of the city.

SECTION IV. That this resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED this the 21st day of April, 2026.

PAUL W. MONTGOMERY, MAYOR

ATTEST:

ANGELA MARSHALL, DEPUTY CITY RECORDER

APPROVED AS TO FORM:

RODNEY B. ROWLETT, III, CITY ATTORNEY