

RESOLUTION NO. 2023-038

A RESOLUTION APPROVING A TAX INCREMENT FINANCING AMENDMENT FOR THE DOWNTOWN KINGSPORT REDEVELOPMENT DISTRICT – BRICKYARD VILLAGE PROJECT

WHEREAS, the Board of Mayor and Alderman has previously approved the *Redevelopment Plan for Core Urban Areas*, as prepared by the Kingsport Housing & Redevelopment Authority ("KHRA"), which redevelopment plan included an area in the city designated as the "Downtown Kingsport Redevelopment District;" and,

WHEREAS, KHRA held a public hearing on August 17, 2022, and thereafter approved the *Downtown Kingsport Redevelopment District – Brickyard Village Project Tax Increment Financing Amendment*, a copy of which is attached to this Resolution as Exhibit A (the "Brickyard Village TIF Amendment"); and,

WHEREAS, KHRA has recommended that the Board of Mayor and Alderman approve the Brickyard Village TIF Amendment; and

WHEREAS, the Board of Mayor and Alderman has reviewed the record of said public hearing and the Brickyard Village TIF Amendment, including the provisions therein for tax increment financing, and desires to approve the same.

Now therefore,

BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

SECTION I. That the *Downtown Kingsport Redevelopment District – Brickyard Village Project Tax Increment Financing Amendment* and the factual findings therein are hereby affirmed and adopted and the city recorder is directed to file a copy thereof as an official record of the city.

SECTION II. That the use of tax increment financing in support of a residential redevelopment project known as Brickyard Village as described in the Brickyard Village TIF Amendment is hereby approved.

SECTION III. That KHRA is hereby authorized and empowered to implement the *Downtown Kingsport Redevelopment Plan* and *Brickyard Village TIF Amendment* on behalf of the City of Kingsport, Tennessee.

SECTION IV. 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.

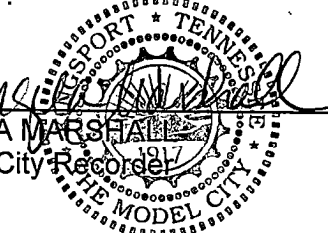
SECTION V. That this resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED this the 23rd day of August, 2022.

Patrick W. Shull
PATRICK W. SHULL, Mayor

ATTEST:

Angela Marshall
ANGELA MARSHALL
Deputy City Recorder



APPROVED AS TO FORM:

Rodney B. Rowlett, III
RODNEY B. ROWLETT, III, City Attorney

EXHIBIT A

DOWNTOWN KINGSPORT REDEVELOPMENT DISTRICT BRICKYARD VILLAGE PROJECT TAX INCREMENT FINANCING AMENDMENT

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 single family residential redevelopment project known as Brickyard Village ("Brickyard Village") to be located within the existing Downtown Kingsport Redevelopment District subject to the provisions of this Amendment. The TIF shall be administered as follows:

A. District History.

The Downtown Kingsport Redevelopment District was designated as a Redevelopment District by Kingsport Housing & Redevelopment Authority ("KHRA") in 2001 and later revised to include a TIF Amendment for the District in 2008. The Redevelopment District was expanded in 2021 to include the areas commonly known as Brickyard Park and Cement Hill. The Downtown Kingsport Redevelopment District includes over 300 acres of real property and hundreds of tax parcels which contains a wide variety of commercial and residential uses.

The Cement Hill section of the Expansion Area consists of approximately 38 acres of vacant land which was previously industrially developed land used for the Penn-Dixie Cement Plant. This property currently is subject to restrictions on disturbing portions of the land due to its industrial nature with cement kiln dust being buried. As a result, this property has been vacant for decades and is in need of redevelopment.

The Brickyard Park section of the Expansion Area consists of approximately 109 acres which was previously used for various industrial purposes including the production of bricks. However, this property has remained vacant and underutilized since the plant closed in 2008. Approximately 57 acres of this property is currently subject to a Brownfield Voluntary Agreement with the Tennessee Department of Environment and Conservation and is further subject to Land Use Restrictions of record in Deed Book 3465 Page 493 of the Register of Deeds of Sullivan County, Tennessee which place limits on the types of and manner of development of the property. This property also contains significant sections of deteriorated concrete and asphalt which will need to be removed prior to any redevelopment. A portion of this property has been redeveloped by the City of Kingsport as a park but the remaining portion remains vacant and in need of redevelopment.

The Downtown Kingsport Redevelopment District is shown on the map attached as Exhibit One ("Redevelopment District"). The Brickyard Village Project Area of the Downtown Kingsport Redevelopment District is shown on the map attached as Exhibit Two ("Project Area"). The Brickyard Village project is adjacent to the City's central business district of Downtown Kingsport and its redevelopment will serve as a catalyst for improvements in the entire Redevelopment District.

The Project Area of the Redevelopment District is currently vacant and consists of large concrete and asphalt areas which are dilapidated and constitutes a deleterious land use which negatively impacts the welfare of the neighboring areas. As noted above, approximately 57 acres of this property is currently subject to a Brownfield Voluntary Agreement with the Tennessee Department of Environment and Conservation and is further subject to Land Use Restrictions which place limits on the types of and manner of development of the property. Delay of the redevelopment of the Project Area will continue to have a blighting influence on the adjacent areas. The use of TIF will allow the redevelopment of a site which has remained undeveloped for many years. The existing blight within the Project Area would be eliminated by implementation of the proposed Redevelopment Project. The presence of approximately 377 new housing units will substantially increase economic activity in and around the Redevelopment District.

Redevelopment of this area via the proposed Project would also help alleviate the shortage of housing options in the Kingsport and Sullivan County markets which are critical to assist area businesses in recruiting new employees to the area.

Based on the foregoing circumstances and conditions, the Board of Commissioners of KHRA has determined that the District is blighted as defined by TCA 13-20-201 et seq. The District and the Project Area experiences the following conditions:

1. Long-term vacant and underutilized property.
2. Deleterious land use.
3. Dilapidated improvements
4. Blighting effect of the continued vacancy and deterioration of the property and impact to the surrounding properties including increased crime in the Redevelopment District

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

B. District Zoning and Land Use.

The redevelopment of the 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 is currently zoned Planned Development (PD) by the City of Kingsport with no plans to revise that designation.

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 Edens Investments, Inc. (the "Developer") for Brickyard Village is \$101,481,398. Substantial investment will also be made through the construction of single family homes by third party contractors on lots set aside for resale. The proposed improvements to be performed by the Developer include removal of the existing asphalt, grading, storm water and utilities, public and private roads, sidewalks, landscaping, lighting, an event space to be donated to the City and other related amenities. The housing units to be constructed are as follows:

	Approx. # of Units	Square Footage
Townhomes	70	1200-1500
Apartments	204	750 - 1300
Duplexes	52	1200-1500
Single Family rental	30	1500-2000
Single Family lots for resale	21	1500-2000

(hereafter the "Redevelopment Project").

In addition, KHRA will be paid an annual administration fee equal to five percent of the total annual tax increment revenue received by KHRA. The Project will be located upon the following tax parcels: Sullivan County Tax Map 046P, Group F, Control Map 046P, Parcels 009.00 and 010.50. 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 developer equity and loan proceeds in the approximate amount of \$ 91,679,398.00 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 a total amount not to exceed \$ 9,500,000.00, but in no event in an amount to exceed the estimated amount of debt that can be amortized within the time periods provided herein, all of which is 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 25 year principal amortization period.

The total current property tax assessment for the Project Area is \$ 0. This results in annual property tax payments to the City in the amount of \$ 0 and annual property tax payments to the County in the amount of \$ 0. The Redevelopment Project would result in a total estimated assessed value for property within the Project Area of \$ 23,306,823 (based on a \$ 61,023,308 tax appraised value). Based on current tax rates, this would result in total estimated annual city taxes of \$463,805 and total estimated annual county taxes of \$560,808. Because Sullivan County has dedicated \$0.3369 of its \$ 2.4062 tax rate for repayment of indebtedness and the City of Kingsport has dedicated \$0.33 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 \$482,288. The estimated total available increment from City of Kingsport taxes after statutory debt service set aside but prior to any holdback is \$ 386,893. However, this amendment provides in Paragraph G that 10% 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 \$ 743,150. The combined new tax revenue above the current base as a result of this Project would be \$126,749 to the County and \$115,601 for the City. A detailed calculation of these estimated projections is attached hereto as Exhibit Three. 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 principal amortization period for any indebtedness backed by the tax-increment revenue generated within the Project Area shall be no more than 25 years. In any event, the final maturity date of all indebtedness issued pursuant to this Amendment shall be on or before May 15, 2055. 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 \$ 1,878,156,270. The total assessment of Sullivan County's real property tax base for the 2019 tax year is approximately \$3,847,748,820. The current assessment of the Project Area represents 0.0000% of the City of Kingsport's property tax base and 0.0% of the Sullivan County property tax base. The estimated assessment of the Proposed Improvements would represent 1.24 % of the current City of Kingsport tax base and 0.6% 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 additional residents and economic activity within the Redevelopment District. It is estimated approximately 782 total jobs could be created during the construction phase of the Redevelopment Project with a total annual economic impact of \$5,790,000 to this area. In addition, the long term impact includes the addition of residents to the Downtown Kingsport area which results in significant additional local taxes and other revenue for local governments. While all these numbers rely on certain assumptions and projections, the end result of the Redevelopment Project is that a need for housing has been met and the City and County will receive a substantial economic boost.

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 2022 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, ten percent (10%) of all the 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 ninety percent (90%) of all the 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 respective taxing agencies in the same manner as taxes on all other property are paid.

3. 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 2054.

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 including provisions that obligate the Developer to construct or cause the construction of the housing units and other improvements as set forth in this plan. The redevelopment agreement to be entered into between KHRA and Developer shall contain such terms as KHRA believes reasonably necessary to accomplish this purpose. The tax increment financing authorized pursuant to this Amendment may be divided into multiple separate TIF loans which may be phased in such manner, in such amounts and on such terms as KHRA deems advisable. KHRA shall also have the authority to group the various tax parcels to be created within Project Area into separate TIF zones as it deems advisable and pledge the TIF revenue from each separate TIF zone for the repayment of separate TIF loans as it deems advisable to achieve the purposes of this Amendment. However in no event shall the combined loan amounts for the Project Area as a whole exceed \$9,500,000.00, nor shall the principal amortization period for any TIF Indebtedness exceed 25 years and in no event shall the TIF Revenue from any portion of the Project Area be allocated beyond the tax year 2054. Pursuant to *Tenn. Code Ann. 9-23-103*, KHRA may separately group one (1) or more parcels within the Project Area for purposes of calculating and allocating the tax increment revenues hereunder, and in such cases, the allocation of tax increment revenues shall be calculated and made based upon each such parcel or group of parcels, and not the entire area subject to the plan. KHRA may also allocate the tax increment revenues with respect to any parcel or group of parcels within the Project Area to begin in different years in order to match tax increment revenues with the purposes for which such revenues will be applied as determined in KHRA's discretion but in no event shall

the TIF Revenue for any portion of the Project Area be allocated for more than 25 years in total.

EXHIBIT ONE

MAP OF DOWNTOWN KINGSFORT REDEVELOPMENT DISTRICT

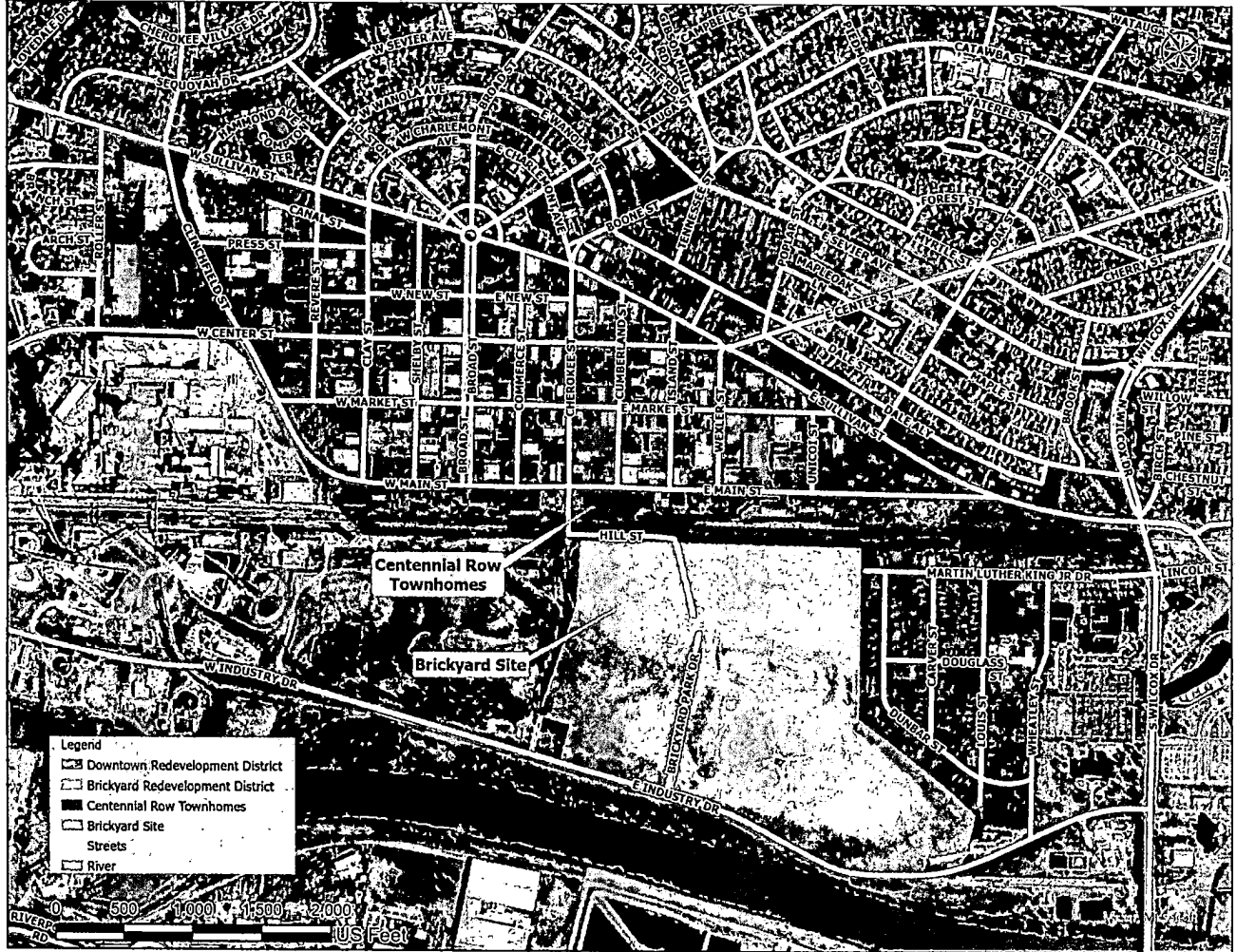


EXHIBIT TWO

MAP OF DOWNTOWN KINGSFORT REDEVELOPMENT DISTRICT
BRICKYARD VILLAGE PROJECT AREA

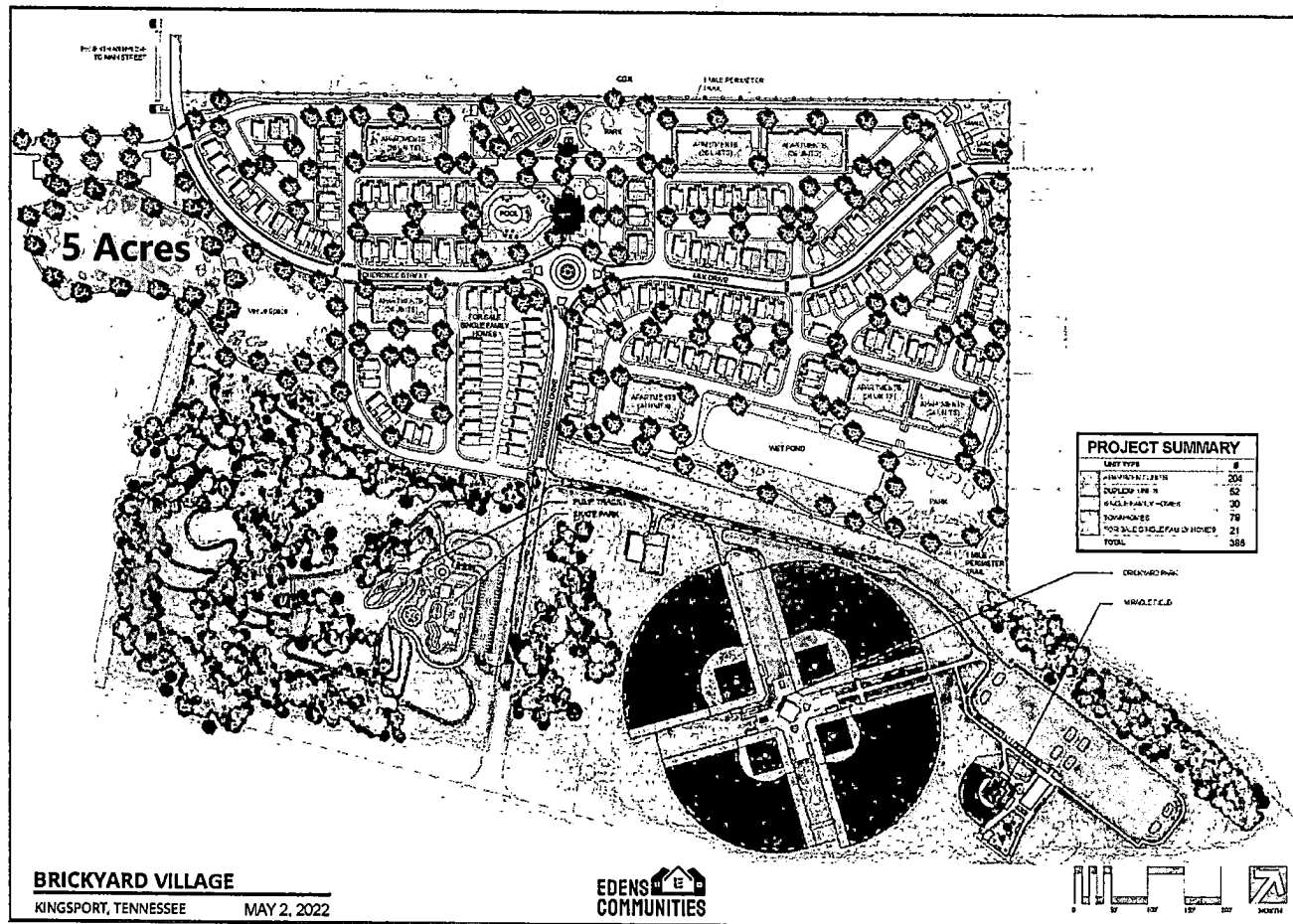


EXHIBIT THREE

TIF ESTIMATE
BRICKYARD VILLAGE PROJECT AREA
DOWNTOWN KINGSPORT
REDEVELOPMENT DISTRICT

Total Original Assessed Base Value	\$0.00
County Tax Rate	2.4062
City Tax Rate	1.99
Total New Assessed Value	\$23,306,823.00
County Debt Service Rate	.3369
City Debt Service Rate	.33
Total County Taxes	\$560,808.78
Base County Taxes	\$0.00
County Increment	\$560,808.78
County Debt Service Set Aside	\$78,520.69
Available County Increment after Debt Service	\$482,288.09
County Increment after 10% Holdback	\$434,059.28
County Increment after Admin Fee	\$412,356.32
Total City Taxes	\$463,805.78
Base City Taxes	\$0.00
Proposed City Increment	\$463,805.78
City Debt Service Set Aside	\$76,912.52
Available City Increment after Debt Service	\$386,893.26
City Increment after 10% Holdback	\$348,203.94
City Increment after Admin Fee	\$330,793.74
Total City and County Increment available for Debt Service	\$743,150.05
Annual New Benefits to City (retained increment & debt service)	\$115,601.84
Annual New Benefits to County (retained increment & debt service)	\$126,749.50