

**DOWNTOWN KINGSPORT REDEVELOPMENT DISTRICT
DOBYNS TAYLOR WAREHOUSE 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 commercial redevelopment project known as Dobyns Taylor Warehouse (“Dobyns Taylor Warehouse”) 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 and Redevelopment Authority (“KHRA”) in 2001. 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 Downtown Kingsport Redevelopment District is shown on the map attached as Exhibit One (“Redevelopment District”). The Dobyns Taylor Warehouse Project Area of the Downtown Kingsport Redevelopment District is also shown on the map attached as Exhibit One (“Project Area”). The Dobyns Taylor Warehouse project will be located on the corner of Press Street and Clinchfield which is a primary corridor into Downtown Kingsport. The redevelopment of the Clinchfield area is critical to the transformation of the entire Redevelopment District.

The Project Area of the Redevelopment District currently consists of a historic building which was formerly a mill but is now used solely as a warehouse consisting of six buildings consisting of an approximate total of 108,301 square feet. Several of the structures are dilapidated and constitute a deleterious land use which negatively impacts the safety and welfare of the neighboring areas. Delay of the redevelopment of this site 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 underutilized for decades. The existing blight within the Project Area would be eliminated by implementation of the proposed Redevelopment Project. The presence of an approximately 60 room hotel and full service restaurant would dramatically increase economic activity in and around the Redevelopment District. Redevelopment of this area via the proposed Project would also help alleviate the shortage of hotel rooms in the Downtown Kingsport and Sullivan County markets.

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, obsolescent and underutilized property.
2. Dilapidated structures
2. Deleterious land use.
3. 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 B-2 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 Tim Butters (or an entity owned by him) (the "Developer") for Dobyys Taylor Warehouse is approximately \$9,000,000. The proposed improvements by the Developer include a new sprinkler system, new plumbing, new electrical, elevator retrofit and the complete renovation and buildout and furnishing of the interior of the buildings to construct an approximately 60 room boutique hotel and full service restaurant which combined will total approximately 60,000 square feet (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 parcel: Sullivan County Tax Map 046I, Group A, Control Map 046I, Parcel 024.00. 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 loan, equity and grant proceeds in the amount of \$ 7,700,000 from 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 \$ 1,300,000.00, but in no event in an amount to exceed the estimated amount of debt that can be amortized over the 25 year increment period 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 amortization period for both the City and the County.

The total property tax assessment for the Project Area as of 2024 is \$ 446,200. This results in annual property tax payments to the City in the amount of \$ 7,484 and annual property tax payments to the County in the amount of \$ 7,196. The Redevelopment Project would result in a total estimated assessed value for property within the Project Area of \$4,853,000 (based on a \$12,132,500 tax appraised value). Based on current tax rates, this would result in total estimated annual city taxes of \$ 81,399 and total estimated annual county taxes of \$ 78,274. Because Sullivan County has dedicated \$0.2050 of its \$ 1.6129 tax rate for repayment of indebtedness and the City of Kingsport has dedicated \$0.2496 of its \$ 1.6773 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 \$ 62,043. The estimated total available increment from City of Kingsport taxes after statutory debt service set aside but prior to any holdback is \$ 62,915. However, this amendment provides in Paragraph G that five percent (5%) 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 \$ 112,775. The combined new tax revenue above the current base as a result of this Project would be \$ 12,136 to the County and \$ 14,145 for the City. A detailed calculation of these estimated projections is attached hereto as Exhibit Two. 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 from the date of issuance of the debt. In any event, the final maturity date of all indebtedness issued pursuant to this Amendment shall be on or before May 15, 2053. 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 2023 tax year is approximately \$ 1,488,624,940 . The total assessment of Sullivan County's real property tax base for the 2023 tax year is approximately \$3,726,932,850. The current assessment of the Project Area represents 0.029% of the City of Kingsport's property tax base and 0.012% of the Sullivan County property tax base. The estimated assessment of the Proposed Improvements would represent 0.23% of the current City of Kingsport tax base and 0.091% 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 substantial economic activity within the Redevelopment District. An estimated 40 total jobs could be created during the construction phase of the Redevelopment Project and approximately 50 permanent jobs upon completion of the Project. The estimated sales tax from the project is \$64,915 and the estimated hotel and motel tax is \$160,000. In addition, the long term impact includes the addition of overnight guests to the Downtown Kingsport area which results in significant additional local sales 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 blighted property will be redeveloped and a need for hotel rooms has been met and the City and County will receive a substantial economic boost.

G. Division of Property Taxes.

Upon written notice to the City and County from KHRA of the tax year that the allocation period shall begin but in no event later than the tax year 2028, 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 prior to the year of approval of this TIF amendment as authorized under Tenn. Code Ann. 9-23-102 (2) ("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, ninety five percent (95 %) 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 five percent (5 %) 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 2052.

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 residences and townhomes 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.

EXHIBIT ONE

MAP OF DOWNTOWN KINGSFORT REDVELOPMENT DISTRICT AND DOBYNS TAYLOR WAREHOUSE PROJECT AREA

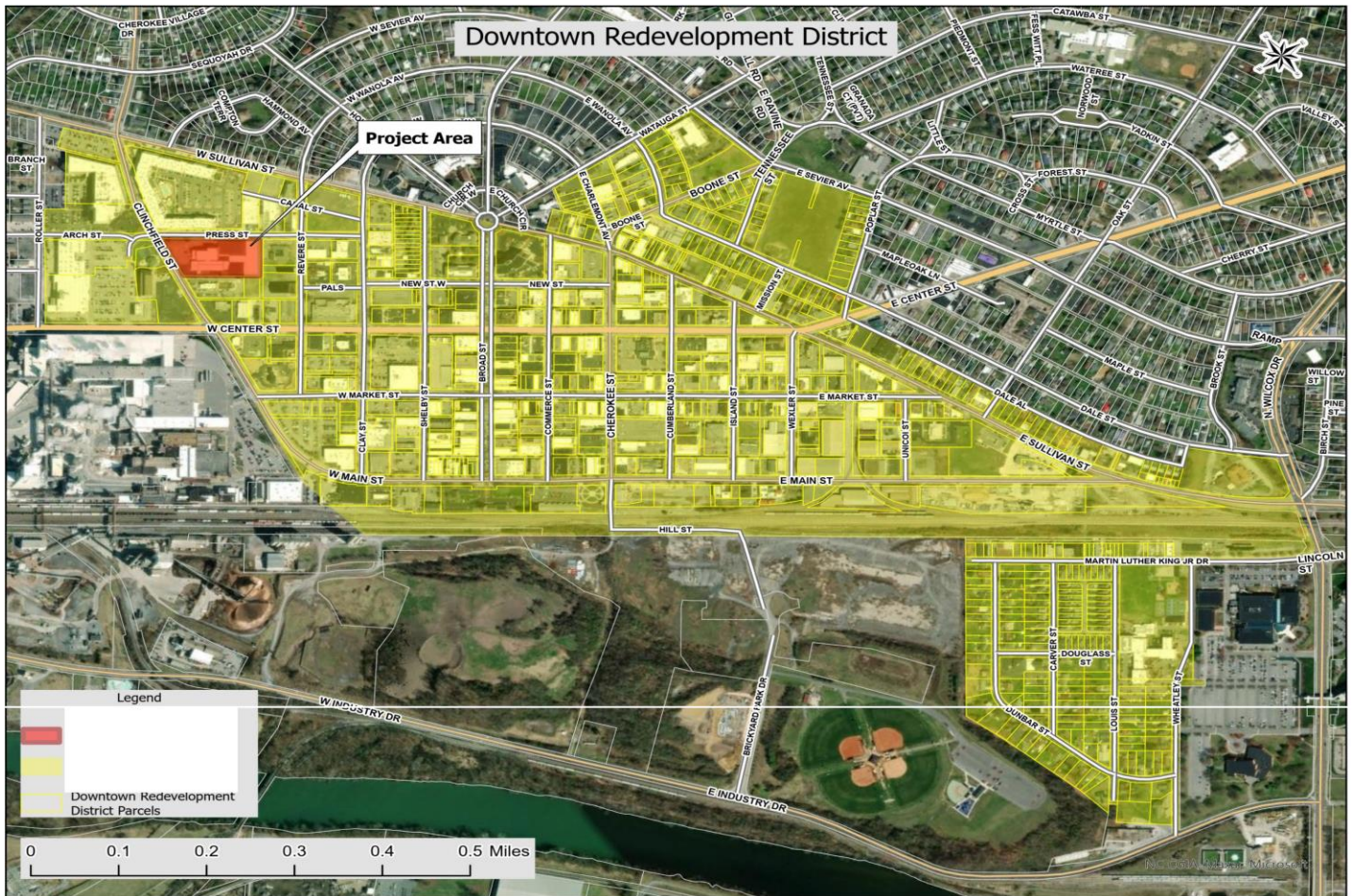


EXHIBIT TWO

TIF ESTIMATE DOBYNS TAYLOR WAREHOUSE PROJECT AREA DOWNTOWN KINGSFORT REDEVELOPMENT DISTRICT

| | |
|---|------------------|
| Total Original 2024 Assessed Base Value | \$446,200.00 |
| County Tax Rate | 1.6129 |
| City Tax Rate | 1.6773 |
| Total New Assessed Value | \$4,853,000.00 |
| County Debt Service Rate | .2050 |
| City Debt Service Rate | .2496 |
| Total County Taxes | \$78,274.04 |
| Base County Taxes | \$7,196.76 |
| Proposed County Increment | \$71,077.28 |
| County Debt Service Set Aside | \$9,033.94 |
| Available County Increment after Debt Service | \$62,043.34 |
| County Increment after 5% Holdback | \$58,941.17 |
| County Increment after Holdback and Admin Fee | \$55,994.11 |
| Total City Taxes | \$81,399.37 |
| Base City Taxes | \$7,484.11 |
| Proposed City Increment | \$73,915.26 |
| City Debt Service Set Aside | \$10,999.37 |
| Available City Increment after Debt Service | \$62,915.88 |
| City Increment after 5% holdback | \$59,770.09 |
| City Increment after Holdback and Admin Fee | \$56,781.58 |
| Total City and County Increment available for Debt Service | \$112,775.70 |
| Annual New Benefits to City (retained increment & debt service) | \$14,145.17 |
| Annual New Benefits to County (retained increment & debt service) | \$12,136.11 |