

RESOLUTION

No. _____

A RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE UTC FIVE, LLC PROJECT, TO DELEGATE CERTAIN AUTHORITY TO THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD, AND TO AUTHORIZE THE MAYOR TO ENTER INTO AND EXECUTE AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

WHEREAS, pursuant to Tennessee Code Annotated, Section 7-53-305(b) the City of Chattanooga (the "City") is permitted to delegate to The Health, Educational, and Housing Facility Board of the City of Chattanooga (the "Board") the authority to negotiate and accept payments in lieu of ad valorem taxes from lessees of the Board upon a finding by the City that such payments are deemed to be in furtherance of the Board's public purposes; and

WHEREAS, UTC Five, LLC (the "Company") is contemplating the construction of two (2) four (4) story buildings at 500 Lindsay Street containing apartments with mixed sizes of sixteen (16) efficiencies, twenty-four (24) one (1) bedroom, and twenty-four (24) two (2) bedroom units (collectively, the "Project") and because of the substantial economic benefits to the City and Hamilton County resulting from the Project, has asked the Board and the City Council to approve payments in lieu of ad valorem taxes; and

WHEREAS, the Council has determined that payments in lieu of ad valorem taxes from such a project would be in furtherance of the Board's public purposes as set forth within Chapter 53 of Title 7 of the Tennessee Code Annotated;

NOW, THEREFORE, BE IT RESOLVED BY THIS COUNCIL:

That we do hereby find that the Project is in the best interest of the City, and that payments in lieu of ad valorem taxes derived therefrom would be in furtherance of the Board's public purposes; and

That, having made such a finding in this instance, we do hereby delegate to the Board the authority to negotiate and accept payments in lieu of ad valorem taxes from the Company, it being further noted that this delegation is for this purpose and this project only; and

That the Mayor is hereby authorized to enter into an Agreement for Payments In Lieu Of Ad Valorem Taxes in substantially the form attached hereto, with such changes thereto as he shall approve; and,

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

RESOLUTION

A RESOLUTION RECOMMENDING A PILOT TERM OF TEN (10) YEARS WITH A FOUR (4) YEAR PHASE IN PERIOD (TWENTY PERCENT (20%) EACH YEAR) TO UTC FIVE, LLC FOR THE CONSTRUCTION OF TWO (2) FOUR (4) STORY BUILDINGS AT 500 LINDSAY STREET CONTAINING APARTMENTS WITH MIXED SIZES OF SIXTEEN (16) EFFICIENCIES, TWENTY-FOUR (24) ONE (1) BEDROOM, AND TWENTY-FOUR (24) TWO (2) BEDROOM UNITS, BASED ON THE PILOT APPLICATION SUBMITTED TO RIVERCITY COMPANY.

NOW THEREFORE, BE IT RESOLVED BY THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, That it is hereby recommending a PILOT term of ten (10) years with a four (4) year phase in period (20% each year) to UTC Five, LLC for the construction of two (2) four (4) story buildings at 500 Lindsay Street containing apartments with mixed sizes of sixteen (16) efficiencies, twenty-four (24) one (1) bedroom, and twenty-four (24) two (2) bedroom units, based on the PILOT application submitted to RiverCity Company.

ADOPTED: December 19, 2014

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



William G. Bulls, III, *Chairman*

ATTEST:



Stefanie D. Crowe, *Secretary*



Tuesday, December 9, 2014

Mr. Phil Noblet
**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD
OF THE CITY OF CHATTANOOGA, TENNESSEE (HEB)**
100 E. 11th Street, Suite 200
Chattanooga, TN 37402

Re: Recommendation of Residential PILOT
500 Lindsay Street Apartments - UTC Five, LLC

Dear Phil,

UTC Five, LLC (Company) has presented application to River City Company, requesting an Agreement for Payments In Lieu of Ad Valorem Taxes (PILOT) for 500 Lindsay Street Apartments (Project). The Project is within the PILOT Boundary and consists of new construction of residential rental units. Information as follows:

Parcel ID:	135M G 008
Size:	58,000 SF
Unit Mix:	
Efficiency	16
1BR	24
2BR	24
Current Assessment:	\$166,320
City Taxes:	\$3,840.33
County Taxes:	\$4,599.08
Investment:	\$7,967,730
Start Construction:	March, 2015
Rent Requirements:	Exceeds the 20% Low/Moderate Income Requirements 25% of the units will rent at \$750/month

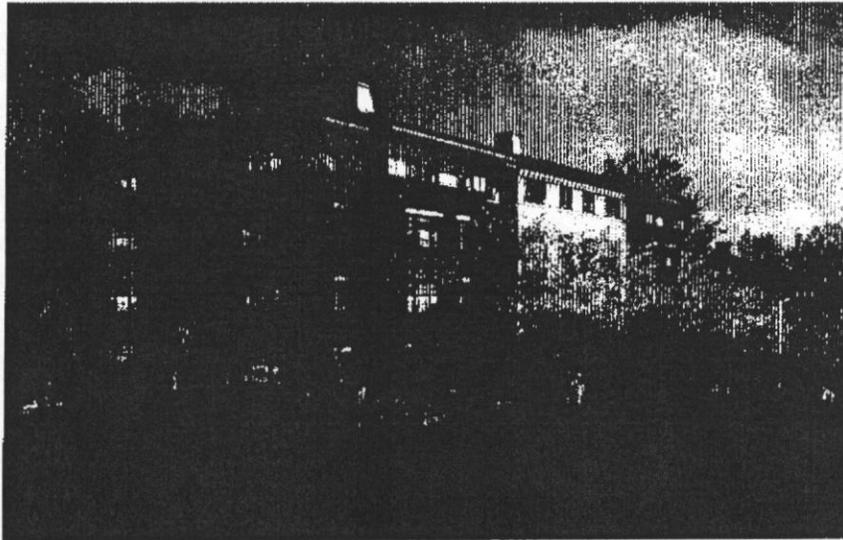
Based on our review of the application and the above information, the Project is in compliance with the PILOT Eligibility Requirements. River City Company is recommending HEB **Approval** of this Project for a PILOT Term of 10 years, with a four year phase-in period (20% each year).

Sincerely,

Jim Williamson,
Vice President, Planning & Development

cc: Kim White

P.I.L.O.T. APPLICATION FOR
500 Lindsay Street Apartments
500 Lindsay Street
Chattanooga, Tennessee
November 14, 2014



APPLICATION FOR CHATTANOOGA PILOT PROGRAM

1. *State the name, address, and telephone number of applying entity.*

UTC FIVE, LLC
926 Oakland Avenue
Rock Hill, SC
29730
(423) 201-4512

2. *Provide background information about the applicant and guarantors, including development experience, if any, and all other relevant information this organization may need to consider while reviewing the application. State the names of the applying entity's representative and any other financial guarantors of the Project and their addresses and telephone numbers if different from above. Describe the corporate or partnership structure as application.*

Applicant

Walk2Campus Holdings, LLC
605 Lindsay St
Chattanooga, TN 37403
(423) 201-4512
Attn: Roe Elam (Market Manager)

Company description

UTC FIVE, LLC is a wholly owned subsidiary of Walk2Campus Holdings, LLC. Walk2Campus Holdings, LLC (trade name is Walk2Campus Properties) owns and operates off-campus student housing in seven college communities. Founded in 2004 in Farmville, Virginia (home of Longwood University), Walk2Campus currently owns over 100 properties and has approximately 2,000 tenants. Each of these properties is less than 1/4 mile from their respective college campuses - well within the "fabric" of the school environment. Developing or acquiring property in close proximity to campus is at the core of the Walk2Campus business plan.

Since its founding, the company has restored or constructed dozens of residential buildings. These projects have been done with a mindset of respecting the particular neighborhood's architectural context and character. Walk2Campus has developed four ground up apartment buildings that range in size from 8 units to 60 units. W2C recently served as the development director and partner with Longwood University in the construction of a \$30MM residence hall and commons building.

Currently, Walk2Campus owns eight properties in Chattanooga. Each of the properties was acquired and subsequently renovated. Most recently, W2C renovated the old Women's Hospital at 863 McCallie Ave. In all, Walk2Campus has invested more than \$10MM in Chattanooga - close to 60% of which has been in the form of property reinvestment or full scale renovation. W2C has 185 tenants in Chattanooga - the majority of which are UTC students.

Walk2Campus Holdings is owned by a core of equity investors, which include members of the senior management team. Walk2Campus is governed by a Board of Directors, comprised of eight equity investors. The company is based out of Rock Hill, South Carolina and has local offices in each of its seven markets. Walk2Campus manages all of its real estate holdings with local property managers, leasing assistants, and maintenance technicians.

Debt Partner

BB&T Corporation
901 East Byrd Street
West Tower, 6th Floor
Richmond, VA

23219
(804) 787-1226
Attn: Susan Raheer

Description

BB&T is one of the largest financial services holding companies in the U.S. with \$187 billion in assets and market capitalization of \$26.8 billion, as of Sept. 30, 2014. Based in Winston-Salem, N.C., the company operates 1,842 financial centers in 12 states and Washington, D.C., and offers a full range of consumer and commercial banking, securities brokerage, asset management, mortgage and insurance products and services. A Fortune 500 company, BB&T is consistently recognized for outstanding client satisfaction by the U.S. Small Business Administration, Greenwich Associates and others.

3. *Briefly describes the proposed Project. Include in this section:*

Project Description

a. *The square footage of the building/land area to be constructed.*

500 Lindsay Street project will consist of two buildings – each of which will be four stories tall. The smaller of the two buildings will sit on the lower side of the lot and will be approximately 16,000 SF. The upper building, which will sit at the corner of 5th Street and Lindsay Street, will be approximately 42,000 SF. The property totals .70 acres.

b. *The number of residential units.*

64 apartment units

c. *Attach architectural drawings and any available history on the subject.*

See attached

d. *All other information need to fully explain the project.*

500 Lindsay Street sits at the intersection of 5th Street and Lindsay Street on Brabson Hill – the second highest point in downtown Chattanooga. Given the proximity to both downtown and UTC's campus, Walk2Campus expects the development to attract both students and young professionals. The property is also located in a historic neighborhood with a mixture of residential and commercial uses. The intention is for the building's architecture to complement the surrounding neighborhood while also adding a component to the expanding urban fabric that is growing in and around downtown Chattanooga.

The plan calls for constructing two 4-story buildings with approximately 28 surface parking spaces in between. The buildings will be clad with a combination of brick and hardie board panels and siding. The sidewalks along 5th Street and Lindsay Street that front the buildings will receive new streetscaping with street lights and street trees. As for the apartments themselves, there will be a mix of sizes with 16 efficiencies, 24-one bedroom, and 24-two bedroom units.

e. *All other non-residential uses of the property.*

None

f. *The expected rent to be charged on the apartments (i.e. size of unit/monthly rent)*

	Efficiencies	1 Bedroom	2 Bedroom	Total
Number of Units	16	24	24	64
Average Unit Size	420 SF	555 SF	788 SF	675 SF
Average Unit Rent	\$750	\$835	\$1,200	\$1,050

g. *Are there are any barriers to elderly occupancy?*

None

h. *The number, if any, of units that will meet the Handicap Building Codes and Standards ("HBCS") and the Americans with Disabilities Act ("ADA") requirements?*

There are two Type "A" Units and 58 Type "B" Units

4. *State the location of the proposed project by street address and legal description.*
Address: 500 Lindsay Street

Tax Map ID#: 135M G 008

Legal Description:

Tract One: Known as 518 Lindsay Street; Map and Parcel No. 135M-G-008

Being the north fifty (50) feet of Lot Five, Block "B", Long's Addition on Lindsay Street, more particularly described as follows: Beginning at a point in the east line of Lindsay Street, which point is located 172-1/2 feet north of the intersection of Lindsay Street and Vine Street (which point is also the northwestern corner of the tract of ground conveyed by J.A. Graham and wife, to Ida May Wills by deed dated June 24, 1910, and registered in Book "X", Volume 11, Page 401, in the Register's Office of Hamilton County, Tennessee; thence eastwardly, along the northern line of the said Wills property and said line extended, 100 feet to a point in a west line of the property conveyed by the Title Guaranty and Trust Company of Chattanooga, Trustee, to Helen Wright Gregg by Trustee's Deed dated January 20, 1940, and registered in Book 791, Page 663, in the said Register's Office; thence northwardly, along a west line of the said Helen Wright Gregg property, 50 feet to a point in the south line of the property conveyed by Thulie T. Whitaker and husband to John Thompson Whitaker by deed dated January 25, 1927, and registered in Book "L" Volume 21, Page 206, in said Register's Office; thence westwardly, along the south line of said Whitaker property, 100 feet to a point in the east line of Lindsay Street; thence southwardly, along the east line of Lindsay Street, 50 feet to the point of the beginning.

Tract Two: Known as 514 Lindsay Street; Map and Parcel No. 135M-G-009

The south sixty (60) feet of Lot Six (6) and the south sixty (60) feet of the west sixty (60) feet of Lot Eight (8), Block B, Long's Addition. Said part of lots form one tract of ground fronting 60 feet on the east line of Lindsay Street, and extending back eastwardly, between parallel lines, 160 feet.

Tract Three: Known as 500 Lindsay Street; Map and Parcel No 135M-G-010

Beginning at the intersection of the north line of east Fifth Street and the east line of Lindsay Street; thence South along the east line of Lindsay Street 162 feet; thence East 120 feet; thence North 60 feet; thence West 20 feet; thence North 102.5 feet to the south line of East Fifth Street; thence west along the line of East Fifth Street 100 feet to the beginning.

- a. *Name of the property owner at the time of application submittal.*
UTC FIVE, LLC
926 Oakland Avenue
Rock Hill, SC
29730
 - b. *If the Applicant does not presently own the Property, does the Applicant have a valid option to purchase the property?*
We currently own the building
 - c. *Describe any and all existing financing, options and liens on the Property.*
None
5. *State the estimated Project cost broken down by component (i.e. land, buildings, equipment, soft costs, etc)*
See attached Project cost estimate.
6. *State the proposed time schedule for the Project including the dates anticipated for the following:*
- a. *Closing the loan or contributing financing availability.*
The loan to be closed on or about December 15, 2014
 - b. *First expenditure of funds with regard to the project.*
During due diligence period – Jan 2014

- c. *Anticipated date of construction will begin.*
Construction Start: March 1, 2015
 - d. *Anticipated completion date.*
Completion Date: June 1, 2016
7. *Name any of the following that will be involved with the Project (with the address and phone numbers):*
- a. *Counsel for the Applicant*
Miller Martin PLLC
Attn: Mark Smith
832 Georgia Ave
Suite 1000
Chattanooga, TN
37402
(423) 756-6600
 - b. *Architects and Engineers*
Mitchell Mathews Architects and Planners
300 Twin Sycamores Lane
Charlottesville, VA
22903
(434) 979-7550

March Adams & Associates
310 Dodds Avenue
Chattanooga, TN
37404
 - c. *Contractor for project*
GenTech Construction LLC
820 Broad Street, Suite 200
Chattanooga, TN
37402
(423) 267-3373
 - d. *Other Professionals*
 - e. *Does the Applicant or any guarantor have any previous or ongoing relationship with any Board Member or legal counsel of the Board? If so, please describe in detail.*
N/A
8. *Please disclose whether any applicant, guarantor or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. Please supply detailed information.*
N/A

Additional information required for the Payment in Lieu of Taxes Program (the "PILOT")

- 1. *State law requires that title to the projects be conveyed to one of the local industrial development boards or the city health and education board (the "Board") in order for it to grant payments in lieu of taxes; the Board to which title is conveyed then leases the property to the applicant or entity designated by the applicant. Indicate who the lessee will be for the Project.*

Lessee
UTC FIVE, LLC
926 Oakland Ave
Rock Hill, SC 29730

- a. *State the tax parcel number for all property involved with the Project and the current assessed value of the Property.*
Tax parcel: 135M G 008
Assessed Value: \$415,800
 - b. *Are any assessments presently under appeal? If so, describe the status of the appeal.*
No
 - c. *Will the Project result in the subdivision of any present tax parcel?*
No. The site has been consolidated into one parcel.
2. *Provide the following information about the loan or proposed loan for the Project.*
- a. *Name, address, and phone number of lender and contact person with lender*
BB&T Corporation
901 East Byrd Street
West Tower, 6th Floor
Richmond, VA
23219
(804) 787-1226
Attn: Susan Raheer
 - b. *Amount of loan.*
\$5,250,000
 - c. *Attach proposed loan terms.*
See attached EXHIBIT 'C'

This application is made in order to induce The RiverCity Company to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to The RiverCity Company in its consideration of the applicant is included. The applicant acknowledges that it has reviewed the descriptions of The RiverCity Company financial program for which it is applying and agrees to comply with those policies. The applicants shall also be required to show a good faith effort with regard to the employment of minority contractors. The applicant acknowledges and agrees that the Lease Agreement and Agreement for Payments In Lieu of Ad Valorem Taxes shall not be executed until the Design Center approves the plans for the project.

COMPANY

By: UTC FIVE, LLC 

Name: Roe Elam

Title: Manager

Date: November 20, 2014

EXHIBIT A - ARCHITECTURAL DRAWINGS

See attached

EXHIBIT B

<u>Project Budget</u>	<u>Cost Estimate</u>	
<u>Developer Site Costs</u>		
Acquisition and Closing costs	715,850	
Phase 1 Environmental	5,000	
Lead Paint/Asbestos Inspection	3,000	
Asbestos Remediation	25,000	
Total Site Costs		\$748,850
<u>Soft Costs</u>		
Architect Fee	220,000	
Engineering (Structural, Fire, MEP, Electric)	41,500	
Engineering (Civil)	20,000	
Engineering (Geotech)	6,380	
Landscape Architect	4,000	
Furnishings	10,000	
Utilities/Permits	25,000	
Builder's Risk	30,000	
Marketing	15,000	
Legal	25,000	
Capitalized Interest	75,000	
W2CH Developer Costs (allocation)	88,000	
Total Soft Costs		\$559,880
<u>Hard Costs</u>		
Construction Costs	6,225,000	
Contingency	434,000	
Total Hard Costs		\$6,659,000
Total Project Cost		\$7,967,730

EXHIBIT C

PROPOSED LOAN TERMS

Lender:	BB&T
Permanent Loan Amount:	\$5,250,000
Interest Rate:	One Month LIBOR Rate plus 2.25%
Term:	84 Months
Other:	Principle and interest paid monthly amortized over 25 years