

RESOLUTION NO. 27143

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHATTANOOGA, TENNESSEE APPROVING AN
ECONOMIC IMPACT PLAN FOR BLACK CREEK
MOUNTAIN AREA.

WHEREAS, MSBC Black Creek, LLC (the “Developer”) has prepared and submitted to The Industrial Development Board of the City of Chattanooga (the “Board”) an economic impact plan (the “Economic Impact Plan”) regarding the development of an area within the City of Chattanooga, Tennessee (the “City”) and Hamilton County, Tennessee (the “County”), consisting of approximately 190 acres of undeveloped land on the southern side of the existing Black Creek community, approximately 2,000 acres beside and on Aetna Mountain, southwest of the existing Black Creek community, and road easements through property owned by Tennessee River Gorge Trust connecting the aforementioned tracts of land (the “Plan Area”);

WHEREAS, the development of the Plan Area is expected to include a restaurant, a banquet facility, an ice cream parlor, a corporate retreat and training center, a resort lodge, an office park, an assisted living facility, and potentially other commercial and retail facilities and related utilities and improvements (collectively, the “Project”);

WHEREAS, the Economic Impact Plan would permit certain tax increment financing (“Tax Increment Financing”) to be provided through the issuance of the Board's bonds, notes or other obligations in the total amount not to exceed \$9 million pursuant to Chapter 53, Title 7 of the Tennessee Code Annotated; and

WHEREAS, the Board has approved the Economic Impact Plan at a meeting on May 1, 2012 and caused a public hearing with respect to the Plan to be held on such date, as required by Tenn. Code Ann. § 7-53-312(g); and

WHEREAS, the proceeds of the Tax Increment Financing would be used to pay the costs of public improvements relating to the development of the Project and costs relating to the Tax Increment Financing (the "TIF Eligible Costs"); and

WHEREAS, the incremental property tax revenues over (i) property taxes collected in 2011, and (ii) property taxes dedicated to the payment of debt service on obligations of the City (the "TIF Revenues"), which are expected to result from the development of the Plan Area under the Economic Impact Plan, will be allocated to the Board to be used to pay debt service of the Tax Increment Financing; and

WHEREAS, in accordance with the Economic Impact Plan, the Board would issue the Tax Increment Financing to a lender or lenders to finance the TIF Eligible Costs and would pledge the TIF Revenues to such lender or lenders to apply to the debt service on the Tax Increment Financing; and

WHEREAS, the Tax Increment Financing shall not represent or constitute a debt or pledge of the faith and credit or the taxing power of the Board, the City of Chattanooga, or Hamilton County, Tennessee and will be payable solely from the TIF Revenues; and

WHEREAS, the Board of Directors of the Board has submitted the Economic Impact Plan to the City of Chattanooga, Tennessee for approval in accordance with Tenn. Code Ann. § 7-53-312; and

WHEREAS, the development of the Plan Area is anticipated to create a financially positive impact on residential, retail, and commercial development in the Plan Area and create a large number of construction and retail jobs; and

WHEREAS, the City Council deems the approval of the Economic Impact Plan to be in the best interest of the citizens of the City of Chattanooga, Tennessee;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chattanooga, Tennessee that the Economic Impact Plan, in the form attached hereto as Exhibit A, being in the interests of the citizens of the City of Chattanooga, Tennessee, is hereby approved by the City Council and the officers of the City are authorized to take all appropriate action to carry out the terms of the Economic Impact Plan.

ADOPTED: June 19 , 2012

/mms

EXHIBIT A

THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA

ECONOMIC IMPACT PLAN

FOR

BLACK CREEK MOUNTAIN ECONOMIC DEVELOPMENT AREA

I. Authority for Economic Impact Plan

Industrial development corporations (“IDBs”) are authorized under Tenn. Code Ann. § 7-53-312 to prepare and submit to cities and counties an economic impact plan with respect to an area that includes a project within the meaning of Tenn. Code Ann. § 7-53-101 and such other properties that the IDB determines will be directly improved or benefited due to the undertaking of such project. Tennessee Code Annotated § 7-53-312 also authorizes cities and counties to apply and pledge new incremental property tax revenue, which arise from the area subject to the economic impact plan, to the IDB to promote economic development, to pay the cost of projects or to pay debt service on bonds or other obligations issued by the IDB to pay the costs of projects.

II. The Project

MBSC Black Creek, LLC (“Developer”) expects to develop a large undeveloped area immediately adjacent to the existing Black Creek development in Chattanooga, Hamilton County, Tennessee. The Developer expects to develop a range of retail and commercial projects in this area, including:

- an approximately 10,000 square foot village center within the existing Black Creek development that will include retail and commercial space, a restaurant and an ice cream parlor;
- a restaurant and banquet facility;
- an approximately 30,000 square foot town center, with retail and commercial space;
- an approximately 20,000 square foot corporate retreat and training center;
- a resort lodge facility;
- an area for an approximately 150,000 square foot office park; and
- an assisted living facility.

For purposes of this Economic Impact Plan, the foregoing developments are collectively referred to herein as the “Project.”

The Project, in turn, is expected to stimulate an overall development that, at completion, will also include over 1,500 new residential units and over \$500 million of new investment in retail and commercial space, homes, infrastructure and amenities.

In order to make the Project financially feasible, Developer has requested that the City of Chattanooga, Tennessee (the “City”) and the County of Hamilton, Tennessee (the “County”) approve, as part of this Economic Impact Plan, a plan for tax increment financing through The Industrial Development Board of the City of Chattanooga (the “Board”) pursuant to Title 7, Chapter 53 of Tennessee Code Annotated to provide funds to pay a portion of the costs of public road and utility improvements that are needed to permit the construction and operation of the Project and the development of adjacent areas. The proceeds of the tax increment financing

would be used exclusively to pay public improvements that will permit the development of the Project area and adjacent areas, including road and traffic improvements and utility improvements. The Project is an eligible project within the meaning of Tenn. Code Ann. § 7-53-101(13).

III. Boundaries of Plan Area

The Project is located less than 10 minutes from downtown Chattanooga, Tennessee. The Project includes portions of the existing Black Creek development and significant undeveloped property immediately adjacent to that development. The Project is located within the City and the County. The area that would be subject to this Economic Impact Plan, and to the tax increment financing provisions described below, includes the property on which the Project will be located and property that will directly benefit from the construction of the public improvements a portion of the cost of which will be financed with the tax increment financing that is authorized by this Economic Impact Plan. The area that will be subject to this plan (the “Plan Area”) is located entirely in Hamilton County, Tennessee, and is shown on Exhibit A attached hereto. The Plan Area is hereby declared to be subject to this Economic Impact Plan, and the Project is hereby identified as the project that will be located within the Plan Area.

IV. Financial Assistance to Project

The Board will provide financial assistance to the Project by applying the proceeds of the tax increment financing described herein to pay a portion of certain costs that will be incurred in connection with the development of the Project. These costs relate to the construction and installation of public improvements, streets and utilities to be made upon and/or adjacent to the Project Area or to provide utility service to the Project Area. Those public improvements

include road improvements, sewer infrastructure and water infrastructure to serve the Project Area and related development.

The Board anticipates that the costs described above will be financed through indebtedness to be incurred by the Board which are payable solely from the TIF Revenues described in Section V herein. The Board will pay from debt proceeds a portion of the cost of such public improvements by paying such costs directly to the contractors that will install or construct such improvements or by reimbursing the Developer for such costs. The maximum principal amount of any indebtedness that will be incurred by the Board for such financial assistance shall be \$9 million.

V. Expected Benefits to City and County

Numerous benefits will accrue to the City and the County as a result of the development of the Plan Area, and the development of the Plan Area is expected to further advance the economic development progress of the greater Chattanooga/Hamilton County area. The Project and related development is expected to serve as a positive economic driver of investment and job growth for the community. The expected benefits are far reaching, including:

- creating a strong presence on the southwest side of Hamilton County and thereby encouraging the creation of additional retail and commercial developments in this portion of Hamilton County as well as the Southside of downtown Chattanooga;
- promoting economic development by providing diverse, well planned, attractive housing for representatives companies locating to or electing to remain in or around Hamilton County;

- Promoting economic development by attracting retirees who might otherwise retire in communities like Asheville and Boone, North Carolina, or Tellico, Tennessee;
- Promoting economic development by attracting entrepreneurs, professionals and executives to Chattanooga and its quality of life; and
- Generating new taxes and jobs as discussed in greater detail below.

The public improvements to be financed with the tax increment financing described in this Economic Impact Plan will also promote economic development in the area surrounding the Project.

Both the City and the County are also expected to receive substantial additional taxes as a result of the development of the Plan Area. The ad valorem property taxes for the Plan Area for the year 2011 were approximately \$32,000.00 for the City and the County combined. Development of the Plan Area will increase the value of the real property within the Plan Area, leading to a significant increase in ad valorem property taxes. Following the development of the Project, the combined annual property taxes payable to the City and the County using 2011 tax rates and assessed values are expected to be over \$700,000.00 by the fifth year of the project, \$2.3 million by the tenth year, \$4.7 million by the fifteenth year and nearly \$8.4 million by the twentieth year. During the same twenty year period, the total new property taxes generated within the Plan Area would exceed \$60 million if the Plan Area is developed as currently projected.

The “Base Tax Amount,” the “Dedicated Tax Amount” and the “School Tax Amount” (as each is defined in Section VI herein) will be paid to the City and the County, as applicable.

The remaining tax increment revenues resulting from the development of the Project (the “TIF Revenues”) will be applied during a maximum period of twenty (20) years to the debt service on debt incurred by the Board to pay the costs described herein. However, following the payment of such indebtedness, the City and County will both benefit from the increase in the real property taxes. The City and the County will also benefit from new sales tax revenues generated from development and business activity within the Plan Area.

Development of the Project will also create a significant number of construction and permanent jobs within the City and the County. During the twenty year development of the Plan Area, the Project and the associated development will generate a number of construction jobs. During the construction period, using National Association of Home Builder estimates, the number of construction and permanent jobs range from 114 in year 1, to 265 in year 5, to 323 in year 10, peaking at 454 in year 20 of the development. After completion of the Project, long-term employment opportunities will exist at the Project. The estimated number of these jobs to be available is expected to be not less than 100.

VI. Distribution of Property Taxes and Tax Increment Financing

a. Distribution of Taxes. Property taxes, including personal property taxes, imposed on the property located within the Plan Area shall be allocated and distributed as provided in this subsection. The taxes assessed by the City and the County on the real and personal property within the Plan Area will be divided and distributed as follows in accordance with Tenn. Code Ann. § 7-53-312(c) and §§ 9-23-102:

(i) The portion of the real and personal property taxes payable with respect to the Plan Area equal to the year prior to the date of approval of this Economic Impact Plan (the “Base Tax Amount”) shall be allocated to and, as collected, paid to the City and the

County as all other taxes levied by the City and the County on all other properties; provided, however, that in any year in which the taxes on the property within the Plan Area are less than the Existing Tax Amount, there shall be allocated and paid to the City and the County only the taxes actually imposed.

(ii) The portion of real and personal property taxes payable with respect to the Plan Area that constitute “dedicated taxes” within the meaning of Tenn. Code Ann. § 9-23-101(8) (the “Dedicated Tax Amount”) shall be allocated and paid to the City or County, as applicable.

(iii) The portion of real and personal property taxes payable with respect to the Plan Area that are not included as part of the Dedicated Tax Amount but are attributable to the County school system, as determined by the Hamilton County Assessor of Property and the Hamilton County Trustee (the “School Tax Amount”), shall be allocated and paid to the County and thereafter deposited into an account for the educational use and benefit of the County schools.

(iv) The excess of real and personal property taxes over the sum of the Base Tax Amount, the Dedicated Tax Amount and the School Tax Amount (the “TIF Revenues”) shall be allocated and, as collected, paid into a separate fund of the Board, created to hold such payments until the tax proceeds in the fund are to be applied to pay debt service on the obligations expected to be issued by the Board that are described to pay the costs of the public improvements described above.

b. TIF Obligations. In order to pay for the costs of the public improvements needed for the Project, the Board intends to use the incremental tax revenues that it would receive as a

result of the adoption of the Economic Impact Plan to pay debt service on obligations incurred to finance such costs. This tax increment financing will be structured as follows:

(i) The Board will borrow not to exceed \$9 million through the issuance and sale of notes, bonds or other obligations of the Board. The Board shall pledge any and all TIF Revenues allocated to the Board pursuant to this Economic Impact Plan to the payment of such notes, bonds or other obligations, and such notes, bonds or other obligations will be payable solely from the TIF Revenues.

(ii) The proceeds of the notes, bonds or obligations shall be used to pay the costs of the public improvements described above together with expenses of the Board in connection with the Project and the tax increment financing and capitalized interest on the notes, bonds or other obligations for a maximum period of two (2) years from the date of completion of the Project.

c. Time Period. Taxes on the real and personal property within the Project Area will be divided and distributed as provided in this Section of the Economic Impact Plan for a period equal to the lesser of (i) the period that the tax increment financing described below is outstanding or (ii) twenty (20) years.

d. Qualified Use. The Board, the City and County, by the adoption of this Plan, agree that the use of the TIF Revenues as described herein is in furtherance of promoting economic development in the City and the County and that costs to be financed as described herein are costs of the Project.

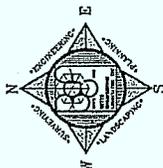
VII. Approval Process

Pursuant to Tenn. Code Ann. § 7-53-312, the process for the approval of this Economic Impact Plan is as follows:

a. The Board holds a public hearing relating to the proposed Economic Impact Plan after publishing notice of such hearing in a newspaper of general circulation in the City and the County at least two (2) weeks prior to the date of the public hearing. The notice must include the time, place and purpose of the hearing as well as notice of how a map of the subject area may be viewed by the public. Following such public hearing, the Board may submit the Economic Impact Plan to the City and the County for their approval.

b. The governing bodies of the City and the County must approve the Economic Impact Plan. The Economic Impact Plan may be approved by resolution of the governing bodies, whether or not the local charter provisions of the governing bodies provide otherwise.

c. Once the Economic Impact Plan has been approved by the governing bodies of the City and the County, the clerk or other recording official of each of the City and the County shall transmit the following to the appropriate tax assessors and taxing agency affected: (i) a copy of the description of the property within the Plan Area, and (ii) a copy of the resolution approving the Economic Impact Plan.



BLACK CREEK MOUNTAIN
 CHATTANOOGA, TENNESSEE
 ACREAGE EXHIBIT



THE VILLAGE, CARRIAGE
 POINT, CARRIAGE HILL, DRY
 BRANCH, THE KNOLL
 (FUTURE), THE RIDGES
 (FUTURE) & OTHER FUTURE
 PHASE

190 ACRES +/-

MOUNTAIN TOP HAMILTON
 COUNTY

1,967 ACRES +/-

2,157 ACRES +/-

TOTAL AREA

CONVEYANCE PREPARED BY:
 BPP BLACK CREEK, LLC
 2000 W. HAMILTON, P.O. BOX 100
 CHATTANOOGA, TN 37405

