

**WEST STATE STREET/STAFFORD STREET REDEVELOPMENT DISTRICT
KMART BUILDING 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 redevelopment project known as the KMART Building (“KMART Building”) to be located within the existing WEST STATE STREET/STAFFORD STREET Redevelopment District subject to the provisions of this Amendment. The TIF shall be administered as follows:

A. District History.

The West State Street/Stafford Street Redevelopment District was designated as a Redevelopment District by Bristol Housing (“Bristol Housing”) in 2017. Due to its size and key location, redevelopment of this area is a critical component to complete the transformation of the West State Street corridor. The KMART Building Project Area of the West State Street/Stafford Street Redevelopment District is shown on the map attached as Exhibit One (“Project Area”).

The Project Area is recognized as having a potential economic return to the City and County primarily due to its desirable location in the West State Street corridor. Delay of the redevelopment of this site will continue to have a deteriorative impact on the adjacent commercial areas. The use of TIF will allow the redevelopment of a well-located site which has remained underutilized since vacated by Kmart in 2016. The existing blighting influence and underutilization would be remediated or eliminated by implementation of the proposed Redevelopment Project. Redevelopment of this area will generate substantial sales tax based on annual estimated retail sales of \$23,000,000.00. The Redevelopment Project will also create approximately 125-200 permanent new jobs and approximately 250 temporary construction jobs. The construction contemplated by the Project will all also generate sales tax revenue through the purchase of materials.

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

1. Long-term vacant and underutilized property.
2. Deleterious land use.
3. Blighting effect of the continued vacancy and deterioration of the property and impact to the surrounding properties.

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. Bristol Housing 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 should continue to be zoned B3 by the City of Bristol.

The City and Bristol Housing 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 Johnson Commercial Development, LLC (the "Developer") for the KMART Building is \$ 8,916,135.00. The proposed improvements include rehabilitation of the approximately 116,000 square foot building into three proposed retail spaces of approximately 85,000 square foot retail space, 16,000 square foot retail space and 15,000 square foot service space which will include landscape, lighting and parking lot improvements as well as improved to the intersection of Skateway Drive and West State Street (the "Redevelopment Project"). In addition, Bristol Housing will be paid an annual administration fee equal to five percent of the total annual tax increment revenue received by Bristol Housing. The Project will be located upon Sullivan County Tax Map 020B, Control Map 020B, Group F, Parcel 001.00 which is the sole tax parcel within the Project Area. 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 is an investment in the approximate amount of \$7,750,000.00 from the Developer and tax increment based debt (to be issued by the Bristol Housing in the form of bonds, notes, or other indebtedness) in an amount not to exceed \$ 1,250,000.00, but in no event in an amount to exceed the estimated amount of debt that can be amortized over the 15 year increment periods which are hereby authorized by City of Bristol (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 fifteen year amortization period for both the City and the County.

The total current property tax assessment for the Project Area is \$762,320.00. This results in annual property tax payments to the City in the amount of \$16,475 and annual property tax payments to the County in the amount of \$ 19,439. The Redevelopment Project would result in a total estimated assessed value for property within the Project Area of \$ 3,384,924. Based on current tax rates, this would result in total estimated annual city taxes of \$73,154 and total estimated annual county taxes of \$ 86,315. Because Sullivan County has dedicated \$0.2719 of its \$2.55 tax rate for repayment of indebtedness and the City of Bristol has dedicated \$0.13 of its \$2.1612 tax rate for repayment of indebtedness, that portion of the increment (as may be modified by the City and County from time to time), 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 administration fee and statutory debt service set aside is \$ 56,758. The estimated total available increment from City of Bristol taxes after the administration fee and statutory debt service set aside is \$ 50,606 resulting in an estimated total annual available tax increment from City and County of \$107,365. 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 amortization period for any indebtedness backed by the tax-increment revenue generated within the Project Area shall be no more than fifteen 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, 2035. 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 Bristol's real property tax base for the 2016 tax year is approximately \$ 608,567,930. The total assessment of Sullivan County's real property tax base for the 2016 tax year is approximately \$3,099,352,235. The current assessment of the Project Area represents 0.0012 % of the City of Bristol's property tax base and 0.00024% of the Sullivan County property tax base. The estimated assessment of the Proposed Improvements would represent 0.0055 % of the current City of Bristol tax base and 0.0011 % 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 workers and economic activity within the Redevelopment District. It is estimated approximately 250 total

jobs could be created during the construction phase of the Redevelopment Project which results in significant local taxes and other revenue for local governments. In addition, the long term impact includes the addition of workers to the Downtown area and creates a total of approximately 125-200 jobs resulting in significant 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 an underutilized building will be redeveloped, jobs will be created 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 2019 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, 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 Bristol Housing 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 Bristol Housing 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.

3. Upon retirement of all bonds, loans or other indebtedness incurred by Bristol Housing 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 Bristol Housing 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 2034.

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 Bristol Housing 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 Bristol Housing, 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, Bristol Housing 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.

Bristol Housing 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 Bristol Housing. The redevelopment agreement to be entered into between Bristol Housing and Developer shall contain such terms as Bristol Housing believes reasonably necessary to accomplish this purpose.

DRAFT

EXHIBIT ONE

MAP OF K MART BUILDING PROJECT AREA LOCATED IN WEST STATE STREET/STAFFORD STREET REDVELOPMENT DISTRICT

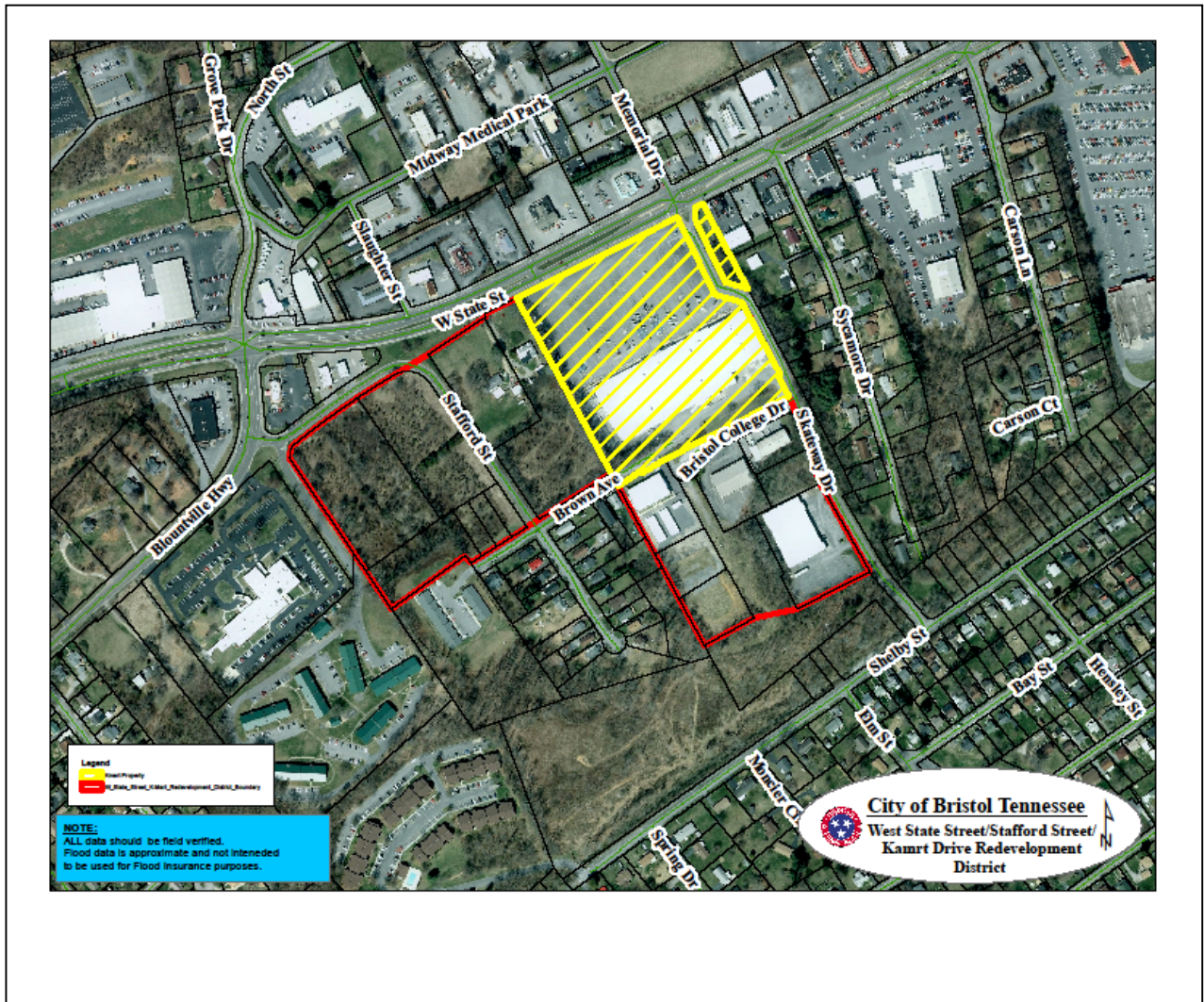


EXHIBIT TWO

TIF ESTIMATE
KMART BUILDING PROJECT AREA
WEST STATE STREET/STAFFORD STREET
REDEVELOPMENT DISTRICT

Total Original Base Value	\$762,320.00
County Tax Rate	2.55
City Tax Rate	2.1612
Total New Assessed Value	\$3,384,924.00
County Debt Service Rate	.2719
City Debt Service Rate	0.13
Total County Taxes	\$86,315.56
Base County Taxes	\$19,439.16
County Increment	\$66,876.40
County Debt Service Set Aside	\$7,130.86
Available County Increment after Debt Service	\$59,745.54
County Increment after 0% Holdback	\$59,745.54
County Increment after Admin Fee	\$56,758.26
Total City Taxes	\$73,154.98
Base City Taxes	\$16,475.26
Proposed City Increment	\$56,679.72
City Debt Service Set Aside	\$3,409.39
Available City Increment after Debt Service	\$53,270.33
City Increment after Admin Fee	\$50,606.82
Total City and County Increment available for Debt Service	\$107,365.08

#

#

#

#

#

#