

**Board Members:**

Greg McWhorter  
Paul Fortunato  
Terry Henley  
Julie Wheeler  
Tiffany Gardner  
Anthony Wise  
Rick Gentry  
Alvin Nance  
Shannon Coleman Egle  
Mike George



**The Industrial Development Board of the County of Knox**

Regular Meeting  
Tuesday, May 10, 2022, 4:00 p.m.  
17 Market Square, #201  
Knoxville, Tennessee 37902

**AGENDA**

- I. Call to Order
- II. Approval of Minutes from Previous Meeting
  - A) Regular Meeting – April 12, 2022
- III. Consideration of Nominating Committee for Board Member Nominations, Election of Officers, Committee Appointments, and Appointment to Greater Knoxville Foreign Trade Zone Advisory Council
- IV. Review and Consideration of a Resolution approving an Economic Impact Plan and Application for Tax Increment Financing of CHM Farragut, LLC concerning the financing of public infrastructure for the proposed “Farragut Town Center” project to be located at 11230 Kingston Pike, Knoxville, Tennessee 37934.
- V. Old Business
- VI. New Business
- VII. Adjourn

**MINUTES OF THE REGULAR MEETING OF  
THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**

April 12, 2022, 4:00 p.m.

The regular meeting of the Board of Directors of The Industrial Development Board of the County of Knox (the “Industrial Development Board” or “Board”) was held on Tuesday, February 22, 2022, at 4:00 p.m., pursuant to notice duly provided to the Directors and the public. The meeting was held at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

The following Directors were present at the meeting, Greg McWhorter (Chair), Paul Fortunato (Vice Chair), Tiffany Gardner, Anthony Wise, Mike George, Terry Henley, Julie Wheeler, and Alvin Nance.

Also, in attendance were Mike Odom (The Development Corporation), Brenda Wilson Spence (The Development Corporation), Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Sam Louderback (Legal Counsel - Egerton, McAfee, Armistead & Davis, P.C.).

I. Greg McWhorter, the Board’s Chair, called the Industrial Development Board meeting to order. The Agenda of the Industrial Development Board meeting is attached hereto as Exhibit A.

The Industrial Development Board then discussed the following matters and took the following actions as noted:

II. Review/Approve Minutes from Previous Meeting. The Chair of the meeting asked if there were any changes to the minutes of the regular meeting held on February 22, 2022. There were none.

Upon a motion by Paul Fortunato, and a second by Anthony Wise, the minutes of the February 22, 2022 meeting were unanimously approved.

III. Review and Approval of Finance Report as of March 31, 2022. The Vice Chair recognized Karen Kakanis who addressed the Board and presented the financial report as of March 31, 2022 (“Financial Report”), reviewing with the Board the Balance Sheet with Prior Year Comparison, Budget Variance Report, and Income Statement with Prior Year Comparison. Discussion was had.

Upon a motion by Julie Wheeler and a second by Terry Henley, the Financial Report as of March 31, 2022, was unanimously accepted. A copy of the financial statements so presented during the report are attached hereto collectively as Exhibit B.

IV. Consideration of Proposed Budget for FY 2022-2023. Karen Kakanis presented the budget for FY 2022-2023. Discussion was had.

Upon a motion by Paul Fortunato, and a second by Anthony Wise, the budget for FY 2022-2023 was unanimously approved. A copy of the budget so presented during the report are attached hereto collectively as Exhibit C.

V. Review and Consideration of an Assignment and Assumption of the Payment-In-Lieu-of-Taxes (“PILOT”) Lease Agreement with the Marble Alley Lofts, LLC to SCG Global Holdings, L.L.C. The Chair recognized Chris Trump who gave a brief overview of the proposed assignment to SCG Global Holdings, L.L.C., or an affiliate thereof, and explained that the Application Review Committee voted unanimously to recommend to the Board the approval of the assignment of the PILOT Lease Agreement to SCG Global Holdings, L.L.C., or an affiliate thereof.

Discussion was had by the Board.

Upon a motion by Julie Wheeler and a second by Paul Fortunato, the Committee voted unanimously to approve the assignment of the PILOT Lease Agreement to SCG Global Holdings, L.L.C., or an affiliate thereof. A copy of the resolution as approved is attached hereto as Exhibit D.

VI. Old Business. Mike Odom and Mr. Trump provided a report on the transition plan with The Development Corporation of Knox County (“TDC”), stating that the plan was approved by the TDC at its last board meeting.

VII. New Business. None.

VIII. Next Meeting. The next regular meeting of The Industrial Board of the County of Knox is scheduled for May 10, 2022, at 4:00 p.m. at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

IX. Adjournment. No further business having come before the Board and upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 4:27 p.m.

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Tiffany E. Gardner, Secretary

**EXHIBITS**

- Exhibit A      Agenda – April 12, 2022
- Exhibit B      March 31, 2022 Financial Statements
- Exhibit C      FY 2022-2023 Budget
- Exhibit D      Resolution Approving Assignment and Assumption of the Payment-In-Lieu-of-Taxes (“PILOT”) Lease Agreement with the Marble Alley Lofts, LLC to SCG Global Holdings, L.L.C.

DRAFT

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX APPROVING AN APPLICATION AND AN ECONOMIC IMPACT PLAN RELATING TO TAX INCREMENT FINANCING OF DEVELOPMENT COSTS OF THE BIDDLE FARMS FARRAGUT PROJECT**

**WHEREAS**, The Industrial Development Board of the County of Knox, Tennessee (the “Board”) is the industrial development authority of Knox County, Tennessee (the “County”) and is duly incorporated pursuant to Sections 7-53-301 et seq., Tennessee Code Annotated; and

**WHEREAS**, the Board received an Application (“Application”) for tax increment financing (“Tax Increment Financing”) from CHM Farragut, LLC (together with Biddle Farms Commercial, LLC, Biddle Farms Residential, LLC any and all affiliates thereof, “Applicant”) in connection with Applicant’s infrastructure improvements and construction of an apartment complex, townhouses, restaurants and retail space located adjacent to Kingston Pike and Concord Rd. in Knox County, Tennessee, being generally referred to as the Biddle Farms Farragut Project (the “Project”); and

**WHEREAS**, Applicant has requested that the Board grant and enter into a Tax Increment Financing with Applicant with respect to the Project having a term of twenty (20) years; and

**WHEREAS**, the Application Review Committee (the “Committee”) of the Board of Directors of the Board has considered the Application under the Tax Increment Financing Program and recommended its approval; and

**WHEREAS**, the Applicant has also submitted to the Application Review Committee and the Board an Economic Impact Plan (the “Economic Impact Plan”) for the development of the Project, such being more particularly described in the Economic Impact Plan (the “Plan Area”); and

**WHEREAS**, the Economic Impact Plan proposes certain tax increment financing for eligible costs of the development of the Project in the Plan Area, which will consist of a maximum contribution of \$7,100,000, plus interest thereon, in incremental taxes, all in the form of payments or reimbursements to the Board over a maximum term of twenty (20) years per tract; and

**WHEREAS**, the Board desires to approve the Application and adopt the Economic Impact Plan currently before it as its Economic Impact Plan for the Plan Area and submit the same to the Commission of Knox County for its approval; and

**WHEREAS**, the Board has provided timely public notice of this regular meeting on May 10, 2022 and the public hearing on the Economic Impact Plan to be conducted in connection herewith; and

**WHEREAS**, such Tax Increment Financing will further the public purposes of the Board by promoting development in the Plan Area.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of The Industrial Development Board of the County of Knox, as follows:

1. The Board finds and determines that the Project will promote the economy and development in the State of Tennessee and Knox County, Tennessee and the welfare of the citizens thereof.

2. The Board hereby approves the Application of the Applicant and adopts the Economic Impact Plan as presented to this regular meeting of the Board. The Application and the Economic Impact Plan shall be in substantially the forms now before this meeting of the Board, or with such changes therein as shall be approved by legal counsel to the Board.

3. Each of the officers of the Board and members of the Board's staff, or either one of them, is hereby directed to submit the Commission (a) the Application and Economic Impact Plan for its approval in accordance with Tenn. Code Ann. §7-53-312, together with a summary of all comments made, if any, at the public hearing conducted in connection herewith.

4. Each of the officers of the Board and the members of the Board's staff is, furthermore, hereby authorized to do all acts and things and execute all documents, from time to time, as may be necessary or convenient to carry out and comply with the provisions of this Resolution.

Presented at this meeting of the Board, held on May 10, 2022, and passed and approved on the same date.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX**

By \_\_\_\_\_

Title: \_\_\_\_\_

**CERTIFICATE**

As \_\_\_\_\_ of The Industrial Development Board of the County of Knox, I hereby certify that the above Resolution was presented at the meeting of the Board of Directors of said corporation on the 10<sup>th</sup> day of May, 2022; that a quorum was present; that the vote on the adoption of the Resolution was taken openly and the Board of Directors duly approved the resolution; that said meeting was held at a specified time and place; that notice was duly given, and that the meeting was called and held in strict accordance with the provisions of the charter and bylaws of said corporation and in accordance with applicable law.

**IN WITNESS WHEREOF**, I have executed this Certificate, this \_\_\_\_ day of May, 2022.

\_\_\_\_\_  
Tiffany E. Gardner, Secretary



**INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTY OF KNOX, TENNESSEE**

**ECONOMIC IMPACT PLAN  
FOR  
BIDDLE FARMS FARRAGUT PROJECT**

**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 a project. Tenn. Code Ann. § 7-53-312 also authorizes cities and counties to allocate new incremental tax revenues, which arise from the area subject to this 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. Overview and Project Identity**

CHM Farragut, LLC, a Tennessee limited liability company, or an affiliate or an assignee thereof (including, without limitation, Biddle Farms Commercial, LLC, a Tennessee limited liability company, and Biddle Farms Residential, LLC, a Tennessee limited liability company, and together with CHM Farragut, LLC, shall collectively be referred to herein as the “Developer”), owns or has an option to lease, pursuant to a long term ground lease, approximately 64-acres of partially developed and partially undeveloped real property consisting of multiple parcels, generally located adjacent to Kingston Pike and Concord Rd. in Knox County, Tennessee.

This property is bounded to the north by Kingston Pike, to the east by Concord Rd. and by mostly undeveloped property to the south. A portion of the property contained a blighted, empty former shopping center. This property has been identified for property tax purposes as tax parcels 143 00302, 143 00303, 143 00310, 143 00318, 143 00321, and 143 00322, and are referenced in this Plan collectively as the “Developer Parcel.”

The Developer desires to undertake a significant multi-use development on the Developer Parcel. This development will be undertaken in phases and is expected to include an apartment complex, townhouses, restaurants and retail space. The Developer has designated the overall development as Biddle Farms Farragut. The current projected site development plan for the Biddle Farms Farragut development is attached hereto as Exhibit A, which exhibit also shows the boundaries of the Developer Parcel.

Each component of the development described above is expected to be an eligible project within the meaning of Tenn. Code Ann. § 7-53-101(13). The overall development is therefore referenced in this Plan as the “Project”, and such Project shall constitute the Project within the Plan Area described below.

In order to make the undertaking of the Project financially feasible, the Developer has requested Knox County, Tennessee (the “County”) to approve, as part of this Plan, a plan for a tax increment incentive through The Industrial Development Board of the County of Knox, Tennessee (the “Board”) pursuant to Title 7, Chapter 53 of Tennessee Code Annotated to provide funds to pay a portion of the

costs of the Project. The tax increment incentive would be used to pay all or a portion of the cost of the public improvements required to serve the Project, including, but not limited to, road and traffic improvements (including related signage, signalization, fencing and public parking), wastewater collection systems, storm water and drainage improvements and other utility improvements that are necessary for the development of the Project.

### **III. Boundaries of Plan Area**

The area that will be subject to this Plan (the “Plan Area”) is the Developer Parcel, and the boundaries of the Developer Parcel shall be the boundaries of the Plan Area, as further depicted in the map attached hereto as Exhibit B. 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 tax increment incentive in the manner described below to pay or reimburse the Developer for the payment of all or a portion of certain costs that will be incurred in connection with the development of the Project. These costs relate to the cost of property for and the construction and installation of public infrastructure to be made in or adjacent to the Plan Area that is necessary to serve the Project. For these purposes, public infrastructure shall have the meaning given to such term in Tenn. Code Ann. § 9-23-102(16), which includes roads, streets, publicly-owned or privately-owned parking lots, facilities or garages, traffic signals, sidewalks or other public improvements that are available for public use, utility improvements and storm water and drainage improvements, whether or not located on public property or a publicly-dedicated easement.

The Board, subject to the terms of one or more development agreements to be negotiated with the Developer, will pay and/or reimburse the Developer for all or a portion of the cost of such public infrastructure upon receipt of adequate documentation of such costs. The Board and the Developer will enter into a development agreement with respect to each component of the Project specifying the scope of the public improvements and the cost of the public improvements to be paid or reimbursed in connection with that component.

Tenn. Code Ann. § 9-23-108 does not permit the application of incremental tax revenues to pay costs other than the costs of public infrastructure without first receiving a written determination from the Comptroller of the State of Tennessee (the “State”) and the Commissioner of Economic and Community Development of the State that the use of tax increment revenues for such purposes is in the best interest of the State. It is not expected that the tax increment incentive authorized by this Plan would be used to pay for any costs other than public infrastructure, but the Board is authorized to pay for costs that do not constitute public infrastructure if the Board determines that the payment of such costs is necessary for the Project to be financially feasible. In such case, the Board will cooperate with the Developer to seek a written determination from the State as to the eligibility of costs other than the costs of public infrastructure.

### **V. Expected Benefits to County**

The Project will be a transformational development for a currently blighted, underutilized area in the western part of the County. The former shopping center located in the Plan Area has been substantially vacant for over a decade. Additionally, the Plan Area has had perennial issues with drainage, which will be fixed in connection with the development of the Project. The Project will provide new shopping alternatives, restaurant alternatives and residential alternatives to the area that will draw residents and tourists to the County. These activities will be a major catalyst in making the Plan Area a

prominent feature of the civic, economic, and cultural life of the County, providing a gathering place for people to park, work, live, shop and dine. The Project will include significant capital investment in the Plan Area and will create a significant number of construction jobs during construction of the Project. Since the Project will consist primarily of residential, retail, and restaurant uses, this will also result in significant long-term job creation. Once completed, the Project will also provide a much needed “town square” feel to the town of Farragut, further benefiting the County by affording residents and tourists alike the opportunity to visit and spend extended time in the County.

By providing these amenities, the Project will provide a significant stimulus to the development of the area. The development of commercial and residential establishments, such as the Project, will assist the County and the Board in promoting economic development. When companies select locations for manufacturing, distribution and office facilities, a significant factor that is considered by site selection firms is the quality of life for the companies’ employees in each community being considered as a possible location. By providing a wider array of residential and retail alternatives in the western portion of County, the Project will assist the Board with economic development recruiting and help expand the economic base of the County.

The land within the Plan Area is presently underutilized and is thus providing significantly less property tax revenue than is possible due to the Plan Area currently being underdeveloped. The ad valorem real property taxes for the Plan Area for the year 2020 were only \$34,254 for the County, which are the base taxes relating to the Plan Area. The County is expected to receive substantial additional taxes as a result of the development of the Plan Area, and those properties surrounding the Plan Area should further see an increase in property values, resulting in additional taxes to the County as well.

## **VI. Distribution of Property Taxes and Tax Increment Financing**

a. Distribution of Taxes. 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 County on the real property within the Plan Area will be divided and distributed as follows in accordance with Tenn. Code Ann. § 7-53-312(c) and Title 9, Chapter 23 of the Tennessee Code Annotated, being the Uniformity in Tax Increment Financing Act of 2012 (the “Tax Increment Act”):

i. The portion of the real property taxes payable with respect to the Plan Area equal to the year prior to the date of approval of this Economic Impact Plan (being the base taxes referred to above and referenced herein as the “Base Tax Amount”) shall be allocated to and, as collected, paid to the County as all other taxes levied by 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 Base Tax Amount, there shall be allocated and paid to the County only the taxes actually imposed.

ii. Subject to the limitations contained in the immediately following paragraph, One Hundred Percent (100%) of the excess of real property taxes over the Base Tax Amount (the “TIF Revenues”) shall be allocated and, as collected, paid into a separate fund of the Board, created to hold TIF Revenues until such TIF Revenues are applied to pay debt service on the obligations expected to be issued by the Board to finance the costs of the public improvements described above or otherwise applied to pay eligible costs relating to the Plan Area.

This allocation is subject to the provisions of Tenn. Code Ann. §7-53-312(j) and Tax Increment Act, which requires that taxes levied upon property within the Plan Area for the payment of debt service of the County shall not be allocated to the Board, and is further subject to the retention or payment of any

applicable administrative expenses and fees of the Board or the County consistent with the current policies of any of such entities and/or to be paid under the development agreement to be entered into between the Developer and the Board.

The Developer expects to re-subdivide the Developer Parcel into different parcels in order to facilitate the phased development of the Plan Area. The base taxes with respect to the Developer Parcel shall be allocated to each parcel created by the Developer on a pro-rated basis using the acreage of each subdivided parcel as a percentage of the total acreage of the original Developer Parcel.

The Board is authorized to make all calculations of TIF Revenues on the basis of each parcel within the Plan Area instead of on an aggregate basis as permitted by the Tax Increment Act. If the Board opts to have such calculations made based upon each parcel, the Board shall give notice to the County that such methodology will be used prior to the first allocation date of any TIF Revenues.

As permitted by the Tax Increment Act, the Board is hereby authorized to separately group one or more parcels with the Plan Area for purposes of calculating and allocating the TIF Revenues, and in such case, the allocation of TIF Revenues shall be calculated and made based upon each such parcel or group of parcels, and not the entire Plan Area. The Board is specifically authorized to undertake such grouping of parcels at any time that this Plan is effective as of the beginning of any year (but not later than the eighth full year commencing after the execution of the initial development agreement with the Developer), and the Board may reserve the right in any development agreement with the Developer to regroup one or more parcels for purposes of making the calculations of TIF Revenues hereunder. The Board shall give notice of any such grouping of parcels to the County.

The Board is also authorized to designate, at the direction of the Developer, by notice to the County, that the allocation of TIF Revenues from any parcel or group of parcels shall begin in different years in order to match TIF Revenues with the application of TIF Revenues for the purposes provided herein, subject to the maximum allocation period as to any parcel provided below, provided that allocation of TIF Revenues as to any parcel in the Plan Area must commence no later than the eighth full year after the execution of the initial development agreement with the Developer.

Allocations of TIF Revenues collected by the County that are not delinquent shall be made as to each tax year no later than sixty (60) days after the date such taxes would be delinquent in payment, allocations of TIF Revenues relating to delinquent taxes shall be made not later than sixty (60) days from when such TIF Revenues are collected by the County.

b. **Tax Increment Incentive.** In order to pay for the costs of the Project described above, the Board expects to use the incremental tax revenues that it would receive as a result of the adoption of this Plan to pay debt service on obligations incurred to finance such costs. This tax increment financing would be structured as follows:

i. The Board will borrow not to exceed \$7,100,000 (not including refinancings) through the issuance and sale of notes, bonds or other obligations of the Board in one or more series to be issued from time to time as each component of the Project is undertaken. 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. In no event will the obligations issued by the Board be considered a debt or obligation of the County in any manner whatsoever, and the source of the funds to satisfy the Board's payment obligations thereunder shall be limited solely to the TIF Revenues allocable to the Board hereunder. As each series of the notes, bonds or other obligations are issued, the Developer shall apply to the Board, under the applicable policies of the Board, for the issuance of the applicable series of notes, bonds or other obligations and

demonstrate, at such time, that the TIF Revenues to be realized from such component of the Project will be sufficient to pay debt service on the notes, bonds or other obligations requested to be issued by the Developer.

ii. The proceeds of the notes, bonds or obligations shall be used to pay the costs of the Project 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.

Any tax increment financing referenced in this Plan shall include any refinancing of a tax increment financing undertaken pursuant to the Act and approved by the Board.

Any development agreement with the Developer shall provide for such portion of the tax increment revenues as the Board and/or the County require under any applicable policies to be withheld for administrative expenses to be so withheld, which amount shall not exceed the amount permitted by the Tax Increment Act, and for such withheld amounts to be applied as required by such policies.

c. Time Period. Taxes on the real property within the Plan Area will be divided and distributed as provided in this Plan for a period, as to each parcel of property in the Plan Area, not in excess of twenty (20) years as to any parcel but, in any event, such allocations shall cease when there are not eligible costs, including debt service, to be paid from TIF Revenues.

d. Finding of Economic Benefit. The Board and the County, by the adoption of this Plan, find that the use of the TIF Revenues as described herein, is in furtherance of promoting economic development in 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 this Plan after publishing notice of such hearing in a newspaper of general circulation in 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 this Plan to the County for its approval.

b. The governing bodies of the County must approve this Plan for this Plan to be effective. This Plan may be approved by resolution of the County Commission, whether or not the local charter provisions of the governing bodies provide otherwise. If the County makes any changes to this Economic Impact Plan in connection with their approval hereof, such changes must be approved by the Board for this Plan to be effective.

c. Once this Plan has been approved by the governing body of the County, the Plan and related documentation shall be filed with the local taxing officials and the Comptroller of the State as required by the Tax Increment Act and annual statements of incremental tax revenues allocated to the Board shall be filed with the State Board of Equalization as required by the Tax Increment Act. The Board will also comply with all other procedural requirements of the Tax Increment Act and other applicable laws.

**Exhibit A**  
(to Economic Impact Plan)

Site Development Plan



**Exhibit B**  
(to Economic Impact Plan)

**Plan Area**

Tax parcels 143 00302, 143 00303, 143 00310, 143 00318, 143 00321, and 143 00322, as outlined and highlighted in green below.





# KNOX COUNTY, TENNESSE

## TAX INCREMENT FINANCING

Policies, Procedures and Application



The Industrial Development Board of the County of Knox



**THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX (TENNESSEE)  
TAX INCREMENT FINANCING PROGRAM  
POLICIES AND PROCEDURES**

**Introduction**

The Industrial Development Board of the County of Knox (“Board” or IDB”) adopted this Tax Increment Financing (“TIF”) Program and the following Policies and Procedures on June 12, 2007, and amended them on September 9, 2008. It sets forth the terms of the Program, the policies and procedures associated with TIF proposals and approvals, is intended to implement and facilitate the consideration of requests for tax increment financing by applicable legislative bodies of Knox County and the City of Knoxville, Tennessee, and provides for the implementation and administration of the TIF. The TIF Program is a discretionary program, and the adoption of this Program and the related Policies and Procedures do not create or vest any rights in any person or entity.

**Section 1. General Policy**

Tax increment financing is an economic development tool used by municipalities to allocate all or a portion of the new, additional taxes generated by a development over a limited period of time to pay for public infrastructure and other improvements related to that development. Tax increment is the difference in tax revenues generated by the property in the development area after a project has been completed compared with the tax revenues generated by a property before the development plan was adopted. The difference in these tax revenues pays the costs of improvements to the public infrastructure serving the development area.

The benefits of TIF transactions include the following:

- (i) TIF transactions can be effective as “off balance sheet” financing of components of public infrastructure such as utilities and road and traffic improvements. TIF bonds and notes are not included in the municipality’s general debt obligations. The structure of these transactions allows the municipality to utilize the new incremental revenue streams to accelerate funding of municipal improvements. This enables a municipality to complete public infrastructure that it otherwise could not afford at the time.
- (ii) TIFs provide financing for projects that are not otherwise economically feasible. For instance, TIF transactions may contribute to the redevelopment of blighted and under-utilized property selected by the municipality.
- (iii) Because of the accelerated development of public infrastructure improvements, the ad valorem property tax base from associated properties often increases, which produces even greater benefits for the municipality.
- (iv) TIF projects are financed from increases in tax revenues that the development itself generates and not from tax subsidies from other areas of the municipality.
- (v) TIF projects may attract significant new jobs, businesses, and investment to the community, or may retain jobs and businesses, that otherwise would be missed or lost without the investment made possible through tax increment financing.

The TIF Program is primarily for economic development projects that provide improvements to public infrastructure in blighted and under-utilized areas of Knox County and in other properties designated by Knox County Commission and City Council. Members of Knox County Commission and City Council, as qualified elected representatives, are the ones not only vested with the final authority to approve TIF transactions and districts, but also are in the best position to determine the relative priorities of the proposed infrastructure improvements and the related community benefits from a public policy standpoint. The Board will administer and implement the TIF Program and its policies and procedures.

Housing authorities are also permitted by state law to undertake tax increment financing. State law permits tax increment financing by housing authorities only in designated redevelopment areas approved by the municipality. Applicants for tax increment financing for projects located in redevelopment areas in the City of Knoxville will be referred to Knoxville's Community Development Corporation, as the City's housing authority, for consideration.

## **Section 2. Statutory Background**

Enabling Legislation and Statutory Authority of the Board. The IDB is a nonprofit public corporation that was established in 1966 pursuant to the Tennessee Industrial Development Corporation Act ("Act"), Tenn. Code Ann. §§7-53-101 et seq. The Board's statutory purpose includes financing, owning, and leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade in Tennessee and Knox County, in particular.

On May 14, 2004, the Tennessee General Assembly amended the Act to vest industrial development corporations like the Board with the authority to initiate and administer tax increment financing for certain qualified projects approved by Knox County Commission and/or Knoxville City Council. The Board's responsibilities under the amendment include the following:

- (i) Preparation and submission of an economic impact plan for the project that complies with the statutory criteria;
- (ii) Holding a public hearing relating to the economic impact plan after proper, published notice; and
- (iii) Administering the incremental tax payments under the TIF.

The purpose of these Policies and Procedures is to identify the procedures for applying for tax increment financing, specify the information that will be required of an Applicant, confirm that Knox County Commission and City Council will actually decide whether to grant the tax increment financing (as the Act provides) affecting their respective property taxes, and prescribe the roles the Board will play in the process.

The amendment, which is codified as Tenn. Code Ann. §7-53-312, provides that County Commission must approve TIFs affecting property taxes owed to Knox County and City Council must approve TIFs affecting property taxes due to the City of Knoxville. Neither has the authority to authorize a TIF transaction affecting the property taxes of the other. TIFs may be granted for projects generating both real and personal property taxes.

The Board has always viewed its core mission as the promotion of economic development and growth in Knox County, and in particular commercial and industrial projects that involve a significant capital investment and the generation of new jobs with wages in excess of the annual average wage in

Knox County. A project fitting within this core mission will encounter greater flexibility and receptivity by both the Board and the Governmental Authorities, as opposed to projects that do not involve these factors.

### Section 3. Process

3.1. Application. The process for requesting tax increment financing will commence with an Applicant filing a completed Application in the form attached to this Program as Exhibit A and incorporated herein by reference together with all exhibits, supplements, schedules, and financial information required in the Application. The Applicant shall tender an application fee to the Board in an amount set forth in Section 6 of this Program. No action will be taken with respect to the Application until the Board (or its Administrative Agent) determines that it has received all information which may be relevant or necessary in determining the qualifications of the Applicant and the Project. **Acceptance of the Application does not imply, evidence or confirm the IDB's support for, or recommendation of, the Project and the TIF request.**

3.2. Submission to Governmental Authorities. Once the Board determines that it has received a properly completed Application and any other information that it considers relevant or necessary for County Commission to determine the qualifications of the Applicant and the Project, the Board will submit the Application and the information with a proposed Resolution of Intent to the County Mayor, Knox County Commission (or a designed Committee of the Commission), Knox County Department of Engineering and Public Works, and other governmental departments specified by either the Mayor or the Commission.

If the TIF request will affect City property taxes, the Board will take comparable actions and timely provide the same information to the City Mayor, City Council and other governmental departments specified by either the Mayor or City Council.

After a full review by these Governmental Authorities, the Commission may take one of three actions: (i) reject the Application and return it to the Board, (ii) return it to the Board for more information, or (iii) approve a Resolution of Intent described below. To authorize further action and direct the Board to prepare and submit an economic impact plan, the Commission will adopt a Resolution of Intent stating that (i) the proposed Project will provide necessary improvements to public infrastructure that the County wants to occur within the proposed time for the Project, but does not currently plan to effect in the short term under its existing capital improvement plans, and (ii) the Commission will consider an economic impact plan prepared and submitted by the Board with respect to the Project in accordance with the Policies and Procedures set forth herein.

If the TIF request will affect City property taxes, City Council may engage in the same deliberations and may take similar action with respect to the Application.

3.3. Economic Impact Plan. If the Board receives a Resolution of Intent from the Commission or City Council that makes the above findings and directs the Board to proceed with the preparation and submission of an economic impact plan, the Applicant will submit a proposed economic impact plan to the Board, generally in the form designed by the Board and containing the information required by Section 7-53-312(b) of the Act and the following information and documents:

- (i) a list of tax parcels composing the Plan Area, including owners and parcel numbers, from which the incremental tax revenues will be generated;

- (ii) a map or drawing clearly identifying the boundaries of the Project Area, including the proposed public improvements, and the boundaries of the Plan Area;
- (iii) confirmation of the current zoning of the Project Area and the Plan Area subject to the economic impact plan;
- (iv) the proposed period of time for which taxes will be allocated from the Plan Area in accordance with the economic impact plan;
- (v) a description of any proposed borrowing related to the tax increment financing;
- (vi) the number of jobs which the Applicant estimates will be created by the Project and the wages, salaries and other compensation that will be paid to those holding the jobs;
- (vii) the estimated development and construction costs of the Project; and
- (viii) the projected total cost of the TIF, including interest paid during the term of the TIF.

The Applicant shall submit the proposed economic impact plan to the Board no later than 60 days after approval of the Resolution of Intent referred to in Section 3.2 by County Commission. If the Applicant does not submit the proposed plan within that period, the Board will take no further action with respect to the Application and the Project. The Board will consider any requests of the Applicant after the 60-day period as a new request requiring a new Application, the re-commencement of the procedures described above, and the payment of another application fee.

The Board's staff and counsel will review the proposed plan and will advise the Applicant if any additional information or changes are necessary for the plan. If necessary, the Applicant shall then revise the plan and submit the revised plan to the IDB Application Review Committee.

3.4. Application Review Committee. The Application Review Committee will review the economic impact plan, the application process to date, and the Resolution of Intent. The Committee will also review a proposed Development and Financing Agreement and will evaluate the terms in light of the Board's Policies and determine whether to recommend the Agreement and any variations from such Policies to the Board. The Committee will advise the Board whether the economic impact plan complies with the Act and this Program, and is, therefore, qualified to be considered for submission to County Commission and/or City Council for approval. The Committee will also determine whether to recommend the Development and Financing Agreement to the Board for its approval. The Committee will then establish a proposed date for the Board to hold a public hearing and determine whether to submit the economic impact plan to the County Commission and/or City Council for approval.

3.5. Notice and Hearing of IDB. After the Application Review Committee and the Board's staff and counsel determine the economic impact plan to be complete, the Board will hold a public hearing related to the proposed plan at a regular or special meeting. Notice of the public hearing shall be published in a newspaper of general circulation in Knox County at least two weeks prior to the date of the public hearing, as required by Section 7-53-312(g) of the Act. If the IDB determines that the economic impact plan substantially complies with the Act, and the Board's policies and core mission, it will submit the economic impact plan to Knox County Commission and/or Knoxville City Council for consideration and approval. The submission shall include a summary of any comments from the public hearing on the proposed plan and other information deemed pertinent by the Board.

3.6. Approval of Municipality/Transaction Documents. If Knox County Commission approves the economic impact plan, the Applicant and the Board will enter into a Development and Financing Agreement with the project developer, which will incorporate the specific terms of the tax increment financing approved by the municipality.

The Applicant shall be responsible for preparation of any documents related to third party financing authorized as part of the economic impact plan. All third party financing shall be non-recourse as to the Board, and all financing documents shall be subject to the review and approval of the Board's counsel.

The Applicant will close the TIF transaction within 30 days after the Board sends the Development and Financing Agreement and the related closing documents to the Applicant. If the closing does not occur within that 30-day period, the Applicant will be deemed to have withdrawn its Application and the TIF transaction and all approvals by the Board and other Governmental Authorities will lapse and be of no further force or effect.

A diagram summarizing the above procedures is attached hereto as Exhibit B.

#### **Section 4. Board Policies for TIF Projects**

The Board has adopted the following policies with respect to TIF Projects and will not prepare and submit economic impact plans failing to comply with the following criteria, unless specifically directed to do so by the Commission or City Council:

4.1. Maximum Term. The maximum period for any TIF will be 15 years.

4.2. Incremental Tax Revenues. The Board will allocate a maximum of 75% of the incremental tax revenues for TIF transactions having a term of 10 years or less and 60% of such incremental revenues for TIF transactions having terms in excess of 10 years.

4.3. Plan Area. The Plan Area, from which the TIF Revenues will be generated, will consist of no more than (i) the parcels included in the Project Area, and (ii) those parcels, determined by the Board, to be directly affected and substantially benefited by the Public Infrastructure, whose owners have received the notice referred to in Section 4.5 and have consented in writing to be included in the Plan Area. The Board may rely upon the opinions of the Knox County Department of Engineering and Public Works or other engineering consultants in determining whether a parcel would be directly affected and substantially benefited by the Public Infrastructure.

4.4. TIF Eligible Costs. Incremental tax revenues may be used to finance only the following Project costs:

- (i) capital costs, including costs incurred for construction and reconstruction of Public Infrastructure, clearing, grading and excavating, site work, and other hard construction expenses;
- (ii) costs of obtaining permits for the Project from Governmental Authorities;
- (iii) capitalized interest;
- (iv) premiums for payment and performance bonds issued in favor of Governmental Authorities or the Board;

- (v) professional fees for architectural and engineering services and legal expenses capitalized as Project costs under generally accepted accounting principles;
- (vi) acquisition costs for equipment; and
- (vii) fees and expenses of the Board and other fees and expenses related to the TIF.

Public Infrastructure will include the following public facilities and public improvements:

- (A) Streets roads, highways, curbs, gutters, water lines, sanitary sewer lines, storm drainage facilities, ramps, roads, bridges, traffic signals, paving, driveways, sidewalks, walking and running trails, mass transit and other public transportation facilities, culverts, manholes, retaining walls, tunnels, approaches, underpasses, artificial lighting, off-street parking improvements and structures, fencing, landscaping, public parks, site work and grading for such public infrastructure, walkways, signage, flood control improvements, and improvements for the supply, storage and distribution of water; and
- (B) Electricity and telecommunications services, utility, and other similar site development infrastructure costs, qualified public improvements that may include on-site, off-site, utility relocation and under-grounding, according to the municipality's plans.

Under certain limited circumstances, the Board will include the costs of acquiring public rights of way as TIF Eligible Costs, but this determination will be made on a case by case basis after due consideration of the circumstances.

4.5. Notice to Property Owners. (i) The Board through its administrative staff will notify the owners of parcels included in the proposed Plan Area that the Board will consider the Application for tax increment financing on a certain date and at a prescribed time and place. The Applicant will provide a list of all parcels contained in the Plan Area, the names of the record owners and the address of each owner. The Board's notice will invite public comment and will give the property owners at least 14 days' notice of the Board meeting. In addition, the form of notice will advise property owners how they may comment on the Project such as by email or by letter, as well as attending the meeting. This notice is in addition to the notice required by Tenn. Code Ann. 7-53-312(g).

(ii) In addition, the Board will record an instrument in the Register of Deeds Office providing public notice of the tax increment financing and the properties contained in the Plan Area.

4.6. Minimum TIF Project. The Board will consider TIF Projects for submission to County Commission or City Council but such Projects must include (i) at least \$5,000,000 in capital improvements to the Project Area, without taking into account the costs of the Public Infrastructure to be financed by the TIF, and (ii) at least \$1,000,000 of Public Infrastructure that will be financed by tax increment revenues from the Plan Area.

4.7. Residential Projects. In the absence of unusual or extenuating circumstances acceptable to the Board, Projects that are substantially residential will not qualify for tax increment financing under the Board's TIF Program. Such proposals should be submitted to Knoxville's Community Development Corporation, if located in a redevelopment area in the City.

4.8. Applicant Affidavit. The Applicant must submit a signed affidavit certifying that the Project cannot proceed without the availability of TIF and must provide supporting documentation justifying the need for and the amount of the TIF, all in accordance with the Application form.

4.9. Disbursement of Incremental Tax Revenues upon Project Completion. The Board will normally require completion of the Public Infrastructure component of the TIF Project before disbursing any incremental tax revenues to the Applicant, the Applicant's lender or any bond trustee.

4.10. Certification by Consultant or Governmental Authority. The Board will require the certification of the completion of the Project before the disbursement of incremental tax revenues. The certification must be from a consultant retained by the Board or a Governmental Authority vested with the authority to approve the completion of the Project or specific components thereof. The form and content of the certification must be acceptable to the Board.

4.11. Guaranties of Completion. The Board will require guaranties of completion of the Project from principals of the Applicant, payment and performance bonds from sureties acceptable to the Board, or letters of credit from financial institutions acceptable to the Board that assure the timely completion of the Project.

4.12. Transfer of TIF. No rights to a TIF may be sold, assigned, or leased unless otherwise specified in the Development and Financing Agreement, provided however that the Board will consent to the collateral assignment of TIF Revenues to secure financing for the TIF Eligible Costs. Any sale, assignment or lease of the property, which is not permitted in the Development and Financing Agreement, will terminate the TIF.

These Policies are in addition to the normal rules and procedures of the Board. From time to time and without notice, the Policies may be amended, waived in whole or part, or deleted by the Board, and new policies may also be adopted by the Board. The Board may consider other special circumstances or conditions in determining whether to submit an Application for consideration by the legislative body of the municipality and whether to prepare and submit an economic impact plan for approval.

## **Section 5. Post-Closing Evaluation**

The Board intends to produce substantial and measurable changes and improvements to and for the economic and commercial environment of Knox County. Accordingly, it has established a follow-up system of accountability to insure that the benefits represented by the Applicant to the Board actually come to fruition. The Applicant will be obligated to develop the Project substantially in accordance with the economic impact plan. Material departures from the development described in the economic impact plan will require the consent of the Board and may result in reductions or even elimination of the TIF, depending on the effect of the proposed changes. These commitments will be provided in the Development and Financing Agreement with the Applicant.

In addition, the Board requires the Applicant to annually certify compliance with the Development and Financing Agreement in a writing signed by the Applicant's chief executive officer or other executive acceptable to the Board. The Board will annually (or at such other times as it deems appropriate) evaluate each Project receiving a TIF to ensure compliance with the Development and Financing Agreement.

## **Section 6. Fees**

6.1. Application Fee. The Applicant will submit the Application with an Application Fee in an amount equal to \$10,000.

6.2. Annual Administrative Fee. The Applicant will pay to the Board an annual administrative fee equal to 25 basis points (0.25%) of the maximum tax increment benefit, which will be deducted from the amount disbursed to the Applicant, lender or bond trustee.

In addition, the Board will charge reasonable fees for any amendments to the TIF and the Development and Financing Agreement that will be based upon the facts and circumstances requiring the amendment, the actions required by the Board to effect the amendment, and the involvement of any Governmental Authorities. The Board may require that these fees be paid in advance of Board action and at the time the Applicant requests the amendment.

The above quoted fees are for reimbursement of the expenses of the Board, and other economic development programs as approved by the administration of Knox County. In addition to the fees described above, the Applicant is responsible for payment of the Board's counsel fees and other expenses incurred by the Board with respect to the Application, the economic impact plan, the Development and Financing Agreement and all other aspects of the TIF Program, as applied to the Applicant.

### **Section 7. Environmental Report and Title Insurance**

The Board may require the Applicant to provide at its expense a Phase I Environmental Site Assessment Report for the Project and/or Plan Areas that (i) shall be prepared by a recognized Person in the health, safety and environmental field that is acceptable to the Board; (ii) shall bear a date acceptable to the Board; and (iii) shall disclose no unacceptable conditions to the Board. All environmental reports requested by the Board must grant to the Board the right to rely on such reports.

The Board may also require that the Applicant obtain at its expense, and deliver to the Board, a title insurance commitment for the Project and/or Plan Areas described in the economic impact plan.

### **Section 8. Conflicts of Interest**

Each Board member shall be responsible for disclosing any material interest which he or she may have in or with an Applicant or financing source. Any Board member having any material interest in a Project or a financial or family relationship with an Applicant or financing source shall submit to the Board Counsel a representation of that interest, and Board Counsel shall advise both the Board and Board member whether the member needs to recuse himself or herself from consideration of the Application. Such recommendation of Board Counsel shall be conclusive. If recusal is recommended, the Board will then consider the Application without participation from the member or members who recuse themselves.

To avoid conflicts of interests, no TIF will be approved if Board Counsel has a professional legal relationship with the Applicant or source of the financing other than incidental representations in connection with proposed financings of other projects, but the Board may waive this condition in appropriate circumstances. In the event of a conflict involving Board Counsel, the Board will retain special counsel to represent it in connection with the particular Project being considered.

### **Section 9. Definitions**

For purposes of this Program, the following terms shall have the following meanings:

**“Administrative Agent”** means the Person providing administrative services to the Board from time to time. The Board's current administrative agent is The Development Corporation of Knox County.



**“Application”** means the Application for TIF submitted hereunder in the form designated by the Board and as amended from time to time. The initial form of the Application is attached hereto as Exhibit A.

**“Development and Financing Agreement”** means the Development and Financing Agreement between the Board and the Applicant (and any guarantor thereof) or similar agreement or contract providing for the terms and implementation of the TIF.

**“Governmental Authority”** means Knox County, Tennessee, the City of Knoxville, Tennessee, the State of Tennessee, any political subdivision of any of them, and any agency, department, commission, board, bureau or instrumentality of any of them.

**“Person”** means any individual, sole proprietorship, corporation, limited liability company, association, partnership (general, limited, or limited liability partnership), organization, business, trust, individual and Governmental Authority.

**“Plan Area”** means the real property included in the Project Area and any additional parcels meeting the criteria provided in Section 4.3, from which the TIF Revenues will be generated in order to finance the Public Infrastructure constituting a part of the Project.

**“Project”** means a project under Section 7-53-101(11) of the Act and includes the infrastructure, utilities, road and traffic improvements, traffic signage and signals, utilities, buildings, structures, machinery, equipment, and land defined in the Application as part of the Project.

**“Project Area”** means the real property designated in the Application constituting the Project, including property for the Public Infrastructure.

**“Public Infrastructure”** has the meaning assigned to it in Section 4.3.

**“TIF Revenues”** means the property tax revenues generated from the Plan Area after consideration of the Base Tax Amount and the allocation of tax revenues to municipal debt service.

**EXHIBIT A TO TIF PROGRAM**

**TIF APPLICATION FORM**

# TAX INCREMENT FINANCING APPLICATION

Please return the completed application and supporting documentation to:

The Industrial Development Board for the County of Knox  
17 Market Street #201  
Knoxville, Tennessee 37902  
(865) 546-5887

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## TIF Application Lead-In Statement and Justification

The Industrial Development Board of the County of Knox views its core mission as the promotion of economic development and growth in Knox County, and in particular commercial and industrial projects that involve a significant capital investment and the generation of new jobs with wages in excess of the annual average wage in Knox County. The TIF Program is designed for economic development projects that provide improvements to public infrastructure in blighted and under-utilized areas of Knox County and in other properties designated by Knox County Commission and City Council.

Please address the following factors as they related to your Project:

### Economic Development

Will the proposed Project involve significant capital investment and the generation of new jobs with wages in excess of the Knox County annual average wage?

Yes  No  (If yes, please specify in detail, using additional sheets if necessary)  
This project will put in \$119.5 million worth of capital investments. Along with that it will create 1000 plus construction jobs and nearly 300 steady flowing jobs once completed with half of the jobs paying over the Knox County annual average wage.

### Blight Removal

Will the proposed Project remove blight?

Yes  No  (If yes, please specify in detail, using additional sheets if necessary)  
The front of the property consists of a blighted, vacant, former shopping center that has been substantially vacant for over a decade.

### Pursuit of Community Plan or Policy

Will the proposed Project further the pursuit of an existing community plan or policy?

Yes  No  (If yes, please specify in detail, using additional sheets if necessary)  
Yes, we are complying and informing the Town of Farragut with all of our plans/policies. The Town of Farragut has long desired a town center that will replace a blighted vacant shopping center, and also will correct all existing drainage and/or flooding issues.

**Environmental Remediation**

Will the proposed Project address environmental remediation?

Yes  No \_\_\_\_\_ (If yes, please specify in detail, using additional sheets if necessary)

Yes, we have a brownfield agreement with TDEC that will address existing issues with a small portion due to an old dry cleaner/laundry mat.

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**Public Infrastructure Need**

Will the proposed Project address current public infrastructure needs?

Yes  No \_\_\_\_\_

If yes:

Are the proposed public infrastructure improvements identified in the County's or City's current Capital Improvements Plan?

Yes \_\_\_\_\_ No  (If yes, please specify in detail, using additional sheets if necessary)

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Are the proposed public infrastructure improvements identified in any County or City plans?

Yes \_\_\_\_\_ No  (If yes, please specify in detail, using additional sheets if necessary)

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If the proposed public infrastructure improvements are not in the County or City Capital Improvements Plan or any other existing City or County plan, please describe in detail the public's need for the public infrastructure and the basis for the priority or urgency for the public infrastructure, as requested by the Application.

The proposed project will provide all new water utilities, new sanitary sewer systems, all new roads/streets along with a new bridge on Concord Rd, new sidewalks throughout the development, new storm sewer system, and adding new landscaping, parking curbs, and lighting. All of the above will be in the public right of way. Also, we will be correcting long standing drainage/flooding issues along with re-contouring the existing site.

\_\_\_\_ Other (please specify)

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***I. Applicant Information***

1. Name of Applicant: CHM Farragut, LLC  
Co-Applicants: Biddle Farms Residential, LLC & Biddle Farms Commercial, LLC
2. Business Name and Address: CHM Farragut, LLC , Biddle Farms Residential, LLC, Biddle Farms Commercial, LLC.  
6312 Kingston Pike, Knoxville, TN 37919

State of Organization: Tennessee

3. Contact Person: Budd Cullom  
Phone Number: 865-588-5171  
Fax Number: 865-588-6051  
E-Mail Address: budd@chmlc.com

4. Website: chmlc.com

5. Type of Business Entity:      Sole Proprietorship      Limited Partnership  
   For-Profit Corporation      General Partnership  
   **Limited Liability Company**      Nonprofit Corporation

6. Provide the street addresses of the project site:  
11230 Kingston Pike Knoxville, TN 37934  
\_\_\_\_\_  
\_\_\_\_\_

7. Provide a legal description of the project site and a description of the leased premises, if applicable.

8. Currently, does the Applicant own or lease the property? (Check one)  
 Own       Lease       Neither

### Legal Description of Property

AREA TO BE RE-ZONED -- KNOX COUNTY, TENNESSEE TAX MAP 143, PARCELS 003.02; 003.03; 003.10; AND PART OF 003.19

SITUATED in Civil District No. 6 of Knox County, Tennessee within the limits of the Town of Farragut and being more particularly described as follows:

BEGINNING at an existing iron pin in the southern right-of-way of Kingston Pike; said pin being a common corner to Lot 8 of Campbell Station Exchange (Plat: 200809110017704); said pin also being located North 60 deg. 02 min. 22 sec. East 163.52 feet from the point of intersection of said right-of-way and the eastern right-of-way of Brooklawn Street; thence with the southern right-of-way of Kingston Pike North 30 deg. 02 min. 48 sec. West 9.62 feet to a point; thence North 60 deg. 01 min. 57 sec. East 155.00 feet to a point; thence North 60 deg. 01 min. 57 sec. East 122.67 feet to a point; thence South 82 deg. 42 min. 04 sec. East 28.90 feet to a point; thence North 60 deg. 01 min. 57 sec. East 50.00 feet to a point; thence North 22 deg. 45 min. 58 sec. East 28.90 feet to a point; thence North 60 deg. 01 min. 57 sec. East 76.59 feet to a point at a common corner to property of James A. Biddle, etal (Deed Bk. 2124, page 1136, etc.); thence with Biddle South 30 deg. 02 min. 27 sec. East 206.05 feet to a point; thence North 60 deg. 02 min. 09 sec. East 144.09 feet to a point in the line of Lot 1 of C. Biddle Property (Plat: 199311030000603); thence with said Lot 1 South 28 deg. 56 min. 04 sec. East 26.10 feet to a point at a common corner to Lots 1 and 2 of C. Biddle Property; thence with said Lot 2 South 28 deg. 26 min. 16 sec. East 351.87 feet to an existing iron pin; thence with a passing said Lot 2 and then with property of James M. Biddle (Deed Bk. 2127, page 310) North 59 deg. 57 min. 02 sec. East 570.16 feet to a point in the western right-of-way of Concord Road; thence with said right-of-way South 32 deg. 23 min. 28 sec. East 60.14 feet to a point; thence with the proposed remaining portion of Lot 9 of Campbell Station Exchange (Plat: 200809110017704) South 59 deg. 59 min. 40 sec. West 468.66 feet to a point; thence South 19 deg. 55 min. 45 sec. West 113.27 feet to a point; thence South 21 deg. 22 min. 14 sec. East 62.46 feet to a point; thence South 06 deg. 50 min. 25 sec. West 100.00 feet to a point; thence South 57 deg. 53 min. 18 sec. West 40.58 feet to a point; thence South 40 deg. 08 min. 50 sec. East 85.66 feet to a point; thence South 52 deg. 16 min. 47 sec. East 74.07 feet to a point; thence South 36 deg. 22 min. 32 sec. East 90.62 feet to a point; thence North 53 deg. 05 min. 10 sec. East 189.16 feet to a point in the centerline of Turkey Creek; thence continuing with said proposed remaining portion of Lot 9 and the centerline of Turkey Creek South 50 deg. 47 min. 02 sec. East 140.48 feet to a point; thence South 38 deg. 45 min. 02 sec. East 89.43 feet to a point; thence South 26 deg. 11 min. 05 sec. East 91.99 feet to a point; thence South 20 deg. 53 min. 46 sec. East 91.42 feet to a point; thence South 28 deg. 38 min. 28 sec. East 71.78 feet to a point; thence South 22 deg. 56 min. 03 sec. East 117.71 feet to a point; thence South 28 deg. 02 min. 41 sec. East 111.14 feet to a point; thence South 22 deg. 10 min. 54 sec. East 103.85 feet to a point; thence South 32 deg. 51 min. 28 sec. East 74.54 feet to a point; thence South 23 deg. 06 min. 59 sec. East 93.95 feet to a point; thence South 38 deg. 10 min. 47 sec. East 101.65 feet to a point; thence South 38 deg. 59 min. 46 sec. East 94.03 feet to a point; thence South 50 deg. 10 min. 02 sec. East 67.50 feet to a point; thence South 31 deg. 49 min. 06 sec. East 30.94 feet to a point; thence South 11 deg. 26 min. 17 sec. West 25.80 feet to a point; thence South 64 deg. 25 min. 52 sec. West 74.18 feet to a point; thence South 44 deg. 06 min. 17 sec. West 77.28 feet to a point; thence South 30 deg. 06 min. 56 sec. West 71.21 feet to a point; thence South 19 deg. 36 min. 55 sec. West 92.80 feet to a point in the line of property of Pleasant Forrest Cemetery (Deed Bk. 642, page 93, etc.); thence with Pleasant Forrest Cemetery North 52 deg. 55 min. 58 sec. West 25.48 feet to a point; thence South 01 deg. 15 min. 58 sec. East 59.00 feet to a point; thence South 66 deg. 15 min. 58 sec. East 124.50 feet to a point; thence South 42 deg. 15 min. 58 sec. East 107.00 feet to an existing iron pin; thence South 52 deg. 28 min. 39 sec. West 51.88 feet to a point; in the northeastern right-of-way of Campbell Station Road; thence with said right-of-way with a curve to the right having a radius of 5679.58 feet, an arc length of 21.88 feet, and a chord bearing and distance of North 78 deg. 21 min. 40

sec. West 21.88 feet to an existing iron pin; thence North 11 deg. 35 min. 47 sec. East 21.97 feet to an existing iron pin; thence North 77 deg. 46 min. 10 sec. West 98.74 feet to a point; thence South 12 deg. 43 min. 50 sec. West 21.97 feet to a point; thence with a curve to the right having a radius of 5679.58 feet, an arc length of 517.07 feet, and a chord bearing and distance of North 74 deg. 39 min. 24 sec. West 516.89 feet to an existing iron pin; thence North 70 deg. 27 min. 51 sec. West 159.05 feet to an existing iron pin; thence North 71 deg. 50 min. 38 sec. West 56.49 feet to an existing iron pin; thence North 18 deg. 07 min. 00 sec. East 35.00 feet to a point; thence North 71 deg. 49 min. 40 sec. West 92.98 feet to a point; thence South 18 deg. 07 min. 00 sec. West 35.00 feet to an existing iron pin; thence North 73 deg. 22 min. 23 sec. West 160.62 feet to an existing iron pin; thence North 71 deg. 54 min. 56 sec. West 41.79 feet to an existing iron pin; thence North 68 deg. 59 min. 01 sec. West 143.16 feet to an existing iron pin; thence North 73 deg. 19 min. 02 sec. West 107.85 feet to a point; thence North 27 deg. 37 min. 08 sec. West 42.94 feet to an existing iron pin in the eastern right-of-way of Brooklawn Street; thence with said right-of-way North 18 deg. 04 min. 55 sec. East 218.01 feet to an existing iron pin; thence North 18 deg. 03 min. 08 sec. East 162.32 feet to an existing iron pin; thence with a curve to the left having a radius of 530.00 feet, an arc length of 192.24 feet, and a chord bearing and distance of North 07 deg. 43 min. 45 sec. East 191.19 feet to an existing iron pin; thence with a curve to the left having a radius of 530.00 feet, an arc length of 134.39 feet, and a chord bearing and distance of North 09 deg. 59 min. 46 sec. West 134.03 feet to an existing iron pin; thence with a curve to the right having a radius of 78.50 feet, an arc length of 52.90 feet, and a chord bearing and distance of North 01 deg. 59 min. 11 sec. East 51.90 feet to an existing iron pin; thence with a curve to the left having a radius of 71.50 feet, an arc length of 118.96 feet, and a chord bearing and distance of North 26 deg. 22 min. 14 sec. West 105.70 feet to an existing iron pin; thence with a curve to the right having a radius of 78.50 feet, an arc length of 59.42 feet, and a chord bearing and distance of North 52 deg. 20 min. 47 sec. West 58.01 feet to a point; thence North 30 deg. 38 min. 55 sec. West 228.38 feet to an existing iron pin; thence with a curve to the left having a radius of 330.00 feet, an arc length of 42.11 feet, and a chord bearing and distance of North 34 deg. 21 min. 28 sec. West 42.08 feet to an existing iron pin at a common corner to said Lot 8 of Campbell Station Exchange; thence with said Lot 8 North 60 deg. 31 min. 12 sec. East 8.45 feet to an existing iron pin; thence North 30 deg. 01 min. 44 sec. West 402.17 feet to an existing iron pin; thence North 29 deg. 56 min. 19 sec. West 195.24 feet to an existing iron pin; thence North 30 deg. 45 min. 23 sec. West 36.92 feet to the point of beginning; containing 43.63 acres, more or less.

9. At project completion, who will occupy (operate business on) the site? The site will have a 286 unit apartment complex, 48 townhouses, and retail side will have shops, restaurants, and stores.

10. Evidence of Site Control:

A. If the Applicant owns the project site, attach a copy of the Applicant's deed. Also indicate:

Mortgage Holder(s):

**Biddle Farms Commercial, LLC (Bank of Tennessee)      Biddle Farms Residential, LLC**  
**Parcels: 14300302, 14300303, 14300310                      Parcel: 14300322**

Total annual mortgage payment (principal & interest) \$ N/A

Total outstanding balance of existing mortgage(s): \$ N/A

Name, address, and phone numbers of other persons or entities having an ownership interest in the property to be developed, if applicable:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

B. If the Applicant has a contract or option to purchase the project site, attach a copy of the agreement or option contract. Also indicate:

Date contract was signed

Closing/expiration date:

C. If the Applicant currently leases or will lease the project site, attach a copy of the lease or lease option contract. Also indicate: **Parcels: 14300318 & 14300321**

Legal name of Owner as noted on the deed(s): Moserbiddle Corp % James M Biddle

Name of person who signed lease for Tenant(lessee): Budd Cullom

Landlord/Owner's name, address and phone no.: Moserbiddle Corp % James M Biddle

PO BOX 22102 Knoxville, TN 37933



**II. Project Description**

11. Indicate the total amount of TIF assistance requested (in current dollars), to be paid from TIF

Revenues: \$7,100,000 \_\_\_\_\_

Also provide a breakdown of the capital costs and the financing costs to be paid by TIF Revenues.

12. Number of years TIF assistance is requested: 20

(existing policy is that TIF transaction will have a maximum term of 15 years).

13. Has any other government assistance (funds, tax incentives, or other economic benefits) been provided to the Applicant or the property? (Check one):  Yes  No

If yes, describe the type, source, and amount of assistance provided:

Yes, the Town of Farragut has expressed willingness, if TIF is approved, to financially co-invest in the project.

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14. Provide a list of all properties comprising the plan area by (CLT), along with the most recent tax bill for each parcel. Copies of tax bills can be obtained from the City of Knoxville, Senior Director of Finance and Accountability, 400 Main Street, Suite 6 , phone (865) 215-2084, Knox County Trustee’s Office, 400 Main Street, Suite 418, phone (865) 215-2305.

CLT # (Parcel Identification Number)	Assessed Value	Taxes
<u>14300322</u>	<u>Not assessed yet</u>	<u>Not assessed yet</u>
<u>14300303</u>	<u>\$428,075</u>	<u>\$9,075</u>
<u>14300302</u>	<u>\$812,400</u>	<u>\$17,739</u>
<u>14300310</u>	<u>\$4,800</u>	<u>\$105.06</u>
<u>14300318</u>	<u>\$219,530</u>	<u>\$4,654</u>
<u>14300321</u>	<u>\$0</u>	<u>\$0</u>

15. Project Narrative: Write a brief description of the project. Be as specific as possible about timing, scope of work, type of construction and financing. Attach additional sheets if necessary. Provide interior and exterior photographs.

The Town of Farragut desires a mixed-used town center, and this development, with the help from the TIF will be correcting existing drainage/flooding issue, adding substantial new public infrastructure(new roads, new bridge, public park/meeting space, new utilities, and new multifamily living), adding new construction/permanent jobs that are expected to be completed by 2023. It will consists of 60,000 sq ft of retail/commercial space along with 286 apartment units and 40-50 high-end townhomes.

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16. Land Area of Project Area (in square feet or acres): 38 acres

Zoning Classification of Project Area (by parcel): C-3, PCD, Other

Land Area of Plan Area (in square feet or acres): ~30 acres

Zoning Classification of Plan Area (by parcel): C-3, PCD, Other

17. Use of Funds (Entire Project):

	<u>Amount</u>	<u>Percent</u>
Land Acquisition	\$ 11,130,000	12.7 %
Site Development	\$ 10,500,000	5.1 %
Public Improvements	\$ 8,125,000	5.1 %
Building Costs (Hard)	\$ 83,525,000	75.7 %
Soft Costs	\$ 6,245,000	7.1 %
<b>TOTAL:</b>	<u>\$ 119,525,000</u>	<u>100%</u>

Sources of Funds:

	<u>Amount</u>	<u>Percent</u>
Owner's Equity	\$ 33,420,000	27.9 %
Construction Loan	\$ 77,980,000	65.2 %
Mezzanine	\$ _____	%
Seller Financing	\$ _____	%
Tax Increment	\$ 8,125,000	6.8 %
Other	\$ _____	%
<b>TOTAL:</b>	<u>\$ 119,525,000</u>	<u>100%</u>

Total Estimated Project Cost: \$ 119,525,000

18. When will construction start (Month/Year)? July / 2021

19. When will construction be completed (Month/Year)? May / 2024

20. Please list what public improvement(s) are eligible for tax increment financing and estimated cost:

<u>Category A</u>	<u>Quantity</u>	<u>Estimated Cost</u>
Site Work / Grading:	_____	\$ 2,075,000
Storm Sewers:	_____	\$ 600,000
Pipes:	_____	\$ _____
Structures:	_____	\$ _____
Stormwater Facilities:	_____	\$ 400,000
Flood Control:	_____	\$ 175,000
Retaining Walls/Tunnels:	_____	\$ _____
Sanitary Sewer Lines:	_____	\$ 375,000
Pipes:	_____	\$ _____
Structures:	_____	\$ _____
Water Lines:	_____	\$ 300,000
Paving / Driveways:	_____	\$ 2,400,000
Street, Curbs, Gutters:	_____	\$ in # above
Ramps/Roads/Bridges:	_____	\$ 750,000
Off-Street Parking Structures:	_____	\$ _____
Sidewalks:	_____	\$ _____
Landscaping / Fencing:	_____	\$ 550,000
Artificial Lighting:	_____	\$ 350,00
Greenways/Walking Trails:	_____	\$ in "street,curb,gutters" #
Mass /Public Transit Facilities:	_____	\$ _____
Traffic Signals:	_____	\$ _____
Signage:	_____	\$ _____
<b>TOTAL CATEGORY A</b>		<b>\$ 7,975,000</b>

<u>Category B</u>	<u>Quantity</u>	<u>Estimated Cost</u>
Electrical Services:	_____	\$ 150,000
Utility Infrastructure:	_____	\$ _____
Utility Under-grounding:	_____	\$ _____
Telecom Services:	_____	\$ _____
Utility Relocation:	_____	\$ _____
Other Items:	_____	\$ _____
<b>TOTAL CATEGORY B</b>		<b>\$ 150,000</b>

Other public improvements (provide a description and breakdown of costs in sufficient detail for an engineering review of cost estimates): See attachment for breakdown

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10215 Technology Drive, Suite 304, Knoxville, TN (865) 777-4160

## OPINION OF PROBABLE CONSTRUCTION COSTS

PROJECT: **Farragut Town Center @ Biddle Farms**  
 LOCATION: **Farragut, Tennessee**  
 FILENAME: **Public Improvements OPC**  
 OPC DATE: **11/17/2020**

ITEMS	UNIT COST	QUANTITY	UNIT	EXTENSION
BUILDING & INFRASTRUCTURE DEMO	\$450,000.00	1	LS	\$450,000.00
EARTHWORK REUSE ONSITE	\$125,000.00	1	LS	\$125,000.00
EARTHWORK IMPORT TO SITE	\$1,500,000.00	1	LS	\$1,500,000.00
EROSION CONTROL	\$175,000.00	1	LS	\$175,000.00
REPLACE CULVERT WITH BRIDGE	\$750,000.00	1	LS	\$750,000.00
STORMWATER INFRASTRUCTURE	\$600,000.00	1	LS	\$600,000.00
WATER INFRASTRUCTURE	\$300,000.00	1	LS	\$300,000.00
SANITARY SEWER INFRASTRUCTURE	\$375,000.00	1	LS	\$375,000.00
ELECTRICAL INFRASTRUCTURE	\$150,000.00	1	LS	\$150,000.00
NEW INTERNAL PUBLIC ROADS/TRAILS	\$2,400,000.00	1	LS	\$2,400,000.00
LANDSCAPING & STABILIZATION	\$550,000.00	1	LS	\$550,000.00
STORMWATER PONDS & WATER QUALITY	\$400,000.00	1	LS	\$400,000.00
SITE LIGHTING	\$350,000.00	1	LS	\$350,000.00
<b>TOTAL</b>				<b>\$8,125,000.00</b>

### NOTES

- 1 - COSTS ARE ESTIMATES ONLY AND ARE NOT GUARANTEED
- 2 - QUANTITIES BASED ON LATEST AVAILABLE INFORMATION
- 3 - TOPO INFO OBTAINED FROM SURVEY
- 4 - EXISTING UTILITY INFO OBTAINED FROM SURVEY
- 5 - CONTRACTOR OH&P IS INCLUDED
- 6 - NO IMPACT OR PERMIT FEES INCLUDED

21. Development Team

Please list the business name, contact person, address, work and fax phone numbers, and email address for the following members of the Development Team:

Contractor: J.A Fielden Company -- Joe Fielden

814 E Woodland Ave Knoxville, TN 37916 -- 865-253-0508

Architect/Engineers: Fugleberg Koch -- Bob Koch -- 2555 Temple Trail Winter Park, FL -- 407-629-0595

Site Incorporated -- John Anderson -- 10215 Technology Dr #304 Knoxville, TN -- 865-777-4160

Accountant: \_\_\_\_\_

Project Manager: CHM Farragut, LLC -- Budd Cullom

6312 Kingston Pike Knoxville, TN 37919 -- 865-588-6051

Construction Manager: J.A Fielden Company -- Joe Fielden

814 E Woodland Ave Knoxville, TN 37916 -- 865-253-0508

Development Consultant: Neyland Apartment Associates LLC -- 814 E Woodland Ave Knoxville, TN

CHM, LLC 6312 Kingston Pike Knoxville, TN 37919

**III. Supplemental Information**

Note to Applicant – All Exhibits from the checklist must be complete before IDB staff will submit your request for tax increment financing for initial consideration by the Knox County Commission and/or City Council.

22. Submit the following as Exhibits to the Application that will include the information set forth in the following checklist:

Exhibit A – Tax Increment Application Affidavit

Exhibit B – History of the Development Entity

Exhibit C – Site Plan and Rendering (identify public improvements eligible for TIF)

Exhibit D – List and Breakdown of Sources and Uses of Funds to undertake project

**Checklist**

Exhibit A – Tax Increment Application Affidavit (*submitted for preliminary qualification*):

Applicant will pay IDB Application Fee of \$\_\_\_\_\_.

Applicant will list and specify all Eligible TIF Costs in detail  
Applicant will acknowledge the maximum tax incentive available for the Project (See Sections 4.1 through 4.3 for guidance)

Applicant and/or the lead financing entity will sign an affidavit that the project would not be financially feasible, if it were not for the Tax Increment Financing.

Exhibit B – Declaration of Development Team and Disclosure of Principals and Entity, including:

History of the Development Entity  
Resumes of all principals and key individuals  
Organizational structure of the development entity

Exhibit C – Description and Narrative of the Development Project, including:

Copies of Project Contracts and/or Memoranda of Understanding  
Detailed Performance/Construction Schedule  
Site Plan and Rendering w/qualifying public improvements identified  
Copies of Deeds, Leases, and Option Contracts  
FIRMette from FEMA issued Flood Insurance Rate Maps (FIRMs) [www.msc.fema.gov](http://www.msc.fema.gov)  
Photographs of Property  
Tax Bills  
Survey  
Maps of the Plan Area and the Project Area

Exhibit D – Project Funding and Financial Information, including:

List and breakdown of Sources and Uses of Funds to undertake Project  
Detailed projections of TIF Revenues by parcel for the term of the requested TIF and narrative describing the basis and assumptions for the projections  
Pro-forma financial statement for five (5) years (if multiple entities are involved, the pro forma statements should be prepared on an entity basis and on a consolidated basis)  
Current financial statements (2 yrs.); P & L (2 yrs.); and Balance Sheet (2 yrs.)  
(if newly formed, a copy of a balance sheet as of the most recent month-end)  
Current banking relationships  
Evidence of bonding capacity or letter of credit

## ***VII. Signature***

I, the undersigned, affirm that the project descriptions, numerical and financial estimates, and all other information I have provided in this Application are true and complete to the best of my knowledge. I have read and understood the requirements described in this Application, including the Tax Incentive Financing Program of The Industrial Development Board of the County of Knox. Furthermore, I certify that I am authorized to initiate the TIF application process on behalf of the Applicant and the Project described.

The undersigned, furthermore, agrees to provide such additional information and documentation, from time to time, as the Board may consider necessary or convenient to determine the advisability of providing tax increment financing to the Applicant.

The undersigned agrees to pay or reimburse the Board for all costs, fees and expenses, including

attorneys' fees, incurred by the Board in considering, evaluating, and enforcing the provisions of the Application and the Policies and Procedures of the Tax Increment Financing Program. In certain instances the Board may require that principals of the Applicant guarantee the payment of the above costs and supply the Board with financial statements of such principals.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_, 20\_\_\_\_\_

Title: \_\_\_\_\_

Legal Disclaimer

COMPLETION OF THIS APPLICATION DOES NOT ENTITLE THE APPLICANT TO FINANCIAL ASSISTANCE. ANY SUCH ASSISTANCE MUST BE APPROVED BY THE KNOX COUNTY COMMISSION OR CITY COUNCIL FOR THE CITY OF KNOXVILLE, TENNESSEE.

**AFFIDAVIT**  
**TO**  
**TIF APPLICATION**

I, \_\_\_\_\_, being first duly sworn, depose and state under penalty of perjury as follows:

1. I am a corporate officer, managing member, general partner or sole proprietor of \_\_\_\_\_ (“Applicant”), a company duly organized in the State of \_\_\_\_\_ as a \_\_\_\_\_ (Corporation/LLC/Sole Proprietorship/General Partnership/Limited Partnership). Applicant submits this Application requesting tax increment financing for the project located at \_\_\_\_\_ (“Site”). The Applicant represents that this Application and all information furnished in support of the Application for the purpose of obtaining financial assistance under The Industrial Development Board of the County of Knox Tax Increment Financing Program (“TIF Program”) are true and complete to the best of Applicant’s knowledge and belief.

2. Applicant hereby acknowledges and declares that it will comply with the following submittal requirements for tax increment financing assistance from The Industrial Development Board of the County of Knox (the “IDB”):

- (i) Applicant will list and specify all costs of qualified improvements to Public Infrastructure for tax increment financing;
- (ii) Applicant will acknowledge the maximum tax increment reimbursement available for the Project;
- (iii) Applicant will pay a tax increment financing application fee of \$\_\_\_\_\_ to the IDB at the time of application;
- (iv) Applicant will be required to pay the IDB an administration fee equal to \_\_\_\_\_, which will be deducted annually out of the TIF Revenues.

5. Applicant acknowledges and declares that no other reasonable means of financing the public improvements proposed to be financed with tax increment financing are available, because of one or more of the following reason(s) as checked by Applicant:

- \_\_\_\_\_ (i) The Project, including the public improvements, if financed by Applicant through cash on hand or through debt financing from a private lender, would not result in a reasonable rate of return to the Applicant; or
- \_\_\_\_\_ (ii) Applicant would not undertake the full set of improvements contemplated in the Application through resources reasonably available to the Applicant.

6. Applicant hereby agrees that Applicant shall at all times indemnify and hold harmless the IDB, its employees, officers, directors, counsel, and consultants against all losses, costs, damages, expenses (including reasonable attorney fees), and liabilities of any nature directly or indirectly resulting



from, arising out of or relating to the acceptance, consideration, approval, or disapproval of this Application for tax increment financing assistance.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

Signed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

\_\_\_\_\_  
Notary Public

My commission Expires: \_\_\_\_\_

**TIF Farragut**

4/4/2022

**Apartments**

Parcel 14300319

Apartment Value		\$	52,000,000.00
Assessed 40%		\$	20,800,000.00
/100		\$	208,000.00
County Rate 2.12		\$	440,960.00
<b>Less: County Debt Service Reserve \$0.43</b>		<b>\$</b>	<b>89,440.00</b>
Equal:		\$	351,520.00
Less: Base Year		\$	(730.00)
Increment		\$	350,790.00
Allowable Increment	100%	\$	350,790.00
<b>Less: Lender Debt Service Coverage Ratio</b>	1.2	\$	58,465.00
Equal: Annual Debt Service		\$ (24,360.42)	\$ (292,325.00)
Term	20	\$ 240.00	\$ 20.00
Interest Rate	4.00%	0.3333%	4.0%
Maximum TIF Loan			\$4,020,001.23

**Commerical**

Parcels: 14300302/14300303/14300310

Commercial Value		\$	25,000,000.00
Assessed 40%		\$	10,000,000.00
/100		\$	100,000.00
County Rate		\$	212,000.00
<b>Less: County Debt Service Reserve \$0.43</b>		<b>\$</b>	<b>(43,000.00)</b>
Equal:		\$	169,000.00
Less: Base Year		\$	(26,400.00)
Increment		\$	142,600.00
Allowable Increment	100%	\$	142,600.00
<b>Less: Lender Debt Service Coverage Ratio</b>	1.2	\$	23,766.67
Equal: Annual Debt Service		\$ (9,902.78)	\$ (118,833.33)
Term	20	240	20
Interest Rate	4.00%	0.3333%	4.0%
Maximum TIF Loan			\$1,634,174.79

**Townhomes**

Parcel 14300319

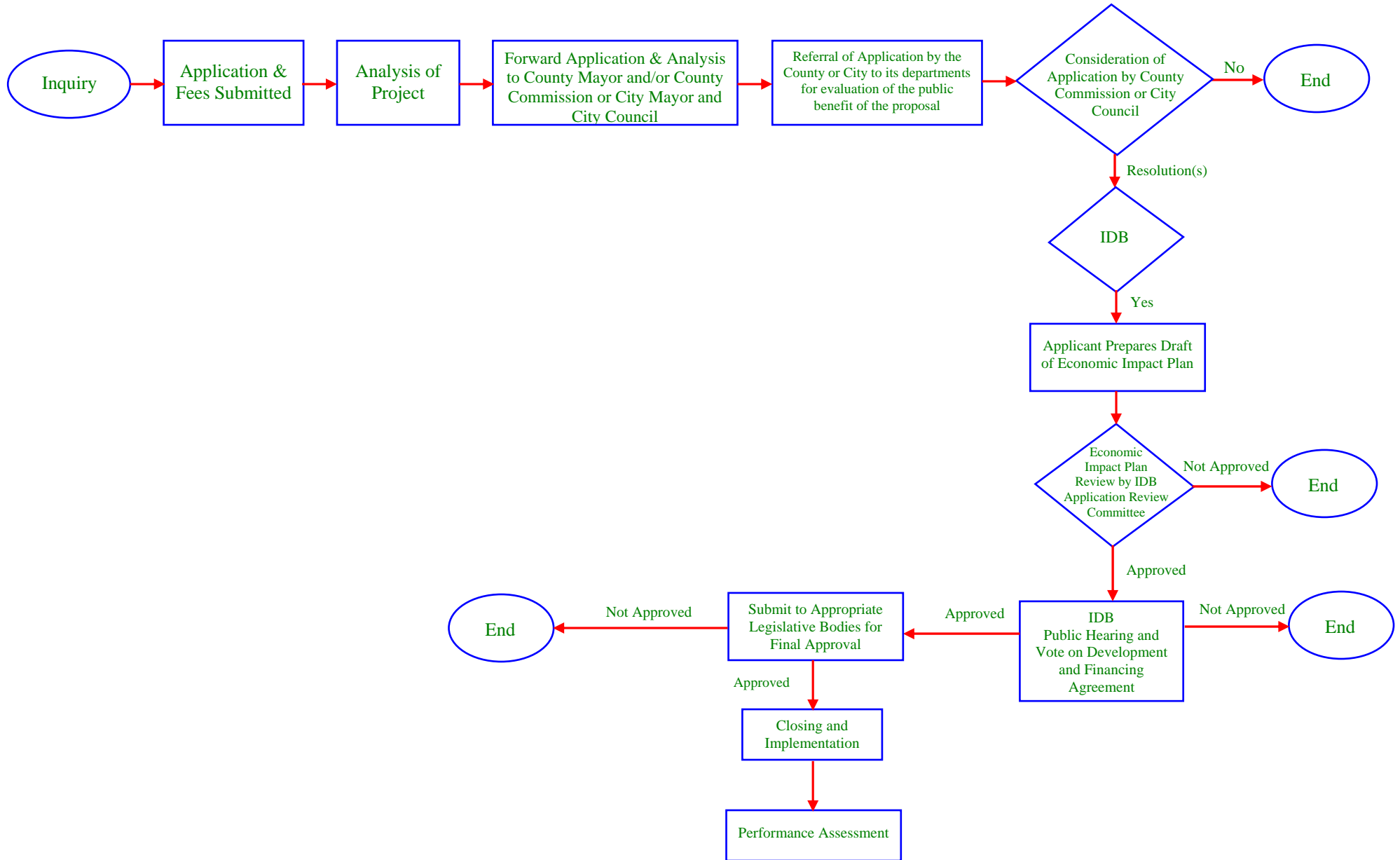
Commercial Value		\$	30,000,000.00
Assessed 25%		\$	7,500,000.00
/100		\$	75,000.00
County Rate		\$	159,000.00
<b>Less: County Debt Service Reserve \$0.43</b>		<b>\$</b>	<b>(32,250.00)</b>
Equal:		\$	126,750.00
Less: Base Year			
Increment		\$	126,750.00
Allowable Increment	100%	\$	126,750.00
<b>Less: Lender Debt Service Coverage Ratio</b>	1.2	\$	21,125.00
Equal: Annual Debt Service		\$ (8,802.08)	\$ (105,625.00)
Term	20	240	20
Interest Rate	4.00%	0.3333%	4.0%
Maximum TIF Loan			\$1,452,536.15

**Total Maximum TIF Loan****\$7,106,712.16**

**EXHIBIT B TO TIF PROGRAM**

**TIF PROCEDURE DIAGRAM**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
TAX INCREMENT FINANCING PROGRAM  
PROCEDURE DIAGRAM**



Farragut Town Center Project  
Knox County, Tennessee

Limited “But For” Analysis of Applicant’s Proposal for  
Public Assistance

March 8, 2022

**MuniCap, Inc.**

# **FARRAGUT TOWN CENTER PROJECT KNOX COUNTY TENNESSEE**

## **TABLE OF CONTENTS**

Executive Summary

- I. Introduction and Scope of Work
- II. Summary of Applicant's Development Plan
- III. Assumptions Provided to MuniCap, Inc.
- IV. Estimated Financial Returns
- V. Additional Information and Other Considerations

Exhibit A

Appendix A

Appendix B

**March 8, 2022**

## **EXECUTIVE SUMMARY**

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Utilizing assumptions provided by Bass Berry and Sims, PLC (the “Client”), which assumptions were based on information provided by CHM Farragut, LLC. (the “Applicant”), MuniCap, Inc. (“MuniCap”) has calculated the estimated financial returns for a proposed development of the Farragut Town Center project located at 11230 Kingston Pike, in Farragut, TN (the “Project”), as further described below. Utilizing the given assumptions, the estimated financial performance of the Project indicates that 1) without the requested public assistance, the Project can be expected to produce a financial return that is lower than the standard targets of real property developers and 2) with public assistance in the form of a tax increment finance grant in the amount of \$7,100,000, the Project can be expected to produce a financial return that is within the range of target returns that could be considered reasonable.

Please see MuniCap’s full report for an explanation of the indications stated above, other relevant information and the limitations of MuniCap’s analysis.

March 8, 2022

## **I. INTRODUCTION AND SCOPE OF WORK**

MuniCap has executed a consulting agreement with Bass Berry and Sims, PLC to provide consulting services to support Client’s representation of local governments, including Knox County (the “County”).

MuniCap has worked directly with Client and representatives of the Applicant to review and analyze Applicant’s public assistance request for the Project. The Applicant has indicated that it intends to build a mixed-use project, including a 286-unit apartment complex, a grocery store and approximately 40,000 square feet of commercial space, located at 11230 Kingston Pike. The Applicant has indicated that the construction of the Project is expected to take approximately one and a half years, leading to a targeted opening in the second half of 2023. Additional information on the development plan can be found in the following sections of this report and may be available from the Applicant. The Applicant has requested public assistance from a tax increment finance grant (a “TIF Grant”), with the stated goal of reducing the effective capital cost of the Project in order to make the Project viable.

To provide its **limited analysis** of the Applicant’s request for public assistance, MuniCap has prepared this report (see below for a description of the scope of work). MuniCap understands that this report will be utilized by the County in its evaluation of the requested public assistance.

This report is based in large part on a financial pro forma for the Project provided by Applicant. This report also utilizes additional information provided by Applicant, including information provided subsequent to the delivery of the Project’s financial pro forma. Key aspects of the Project and the expected financial results are described in more detail in Section II and Section III of this report.

At the direction of Client, MuniCap’s scope of work for its analysis of the Project is limited to the following tasks:

- Utilizing assumptions provided by Client (generally based on information provided by the Applicant) and the Applicant, calculate an estimate of the financial return of the Project which assumes that the requested public assistance is **not** provided;
- Utilizing assumptions provided by Client (generally based on information provided by Applicant) and the Applicant, calculate an estimate of the Applicant’s financial return from the Project, assuming a TIF Grant in the amount of \$7,100,000.

MuniCap’s scope of work for its analysis of the request for public assistance **excludes** the following tasks and topics, amongst others, which MuniCap understands have been or will be provided by others, to the extent that any are deemed necessary:

- Analysis of the sources of capital to be utilized, including but not limited to:
  - Proposed borrowing arrangement with Applicant’s lender(s) (including the amount of capital estimated to be provided, the percentage of the Project estimated to be funded by the borrowing, interest rate and payback terms);



**March 8, 2022**

- Availability and appropriateness of typical financing sources for similar developments;
- Potential for other financing plans that would not require public assistance or require less public assistance.
- Analysis of the fiscal impact of the Project and resulting net, effective real property tax revenues on participating taxing entities (with or without a TIF Grant).
- Independent analysis of the Project's real property taxes.
- Analysis of the Applicant's estimate of the Project's real property taxes.
- Analysis of the Project assumptions, including but not limited to:
  - Cost estimates to build the Project;
  - Estimates of vacancy rates;
  - Estimates of other revenues;
  - Estimates of operating costs;
- Analysis of alternative scenarios in which the Project's outcomes vary (e.g., a different development use is built).
- Analysis of potential mechanisms to vary the terms of the TIF Grant in accordance with the execution and actual results of the Project.
- Analysis of qualitative considerations as to whether the Applicant would proceed with the Project without public assistance.
- Analysis of whether a different development project on this same site could be financially viable without public assistance.
- Analysis of (1) whether and when a TIF Grant can be provided, (2) how large a TIF Grant can be supported by the real property taxes from the Project or (3) the necessary term of a TIF Grant.
- Analysis of potential benefits from the Project to the surrounding area and the County in general.

As indicated above, the limited "but for" analysis provided in this report does not consider whether the development of the site into the proposed development use could be accomplished by an alternative development group without the requested public assistance (or at a lower amount of public assistance), potentially utilizing a more advantageous financial plan or development plan. Instead, the analysis within this report is limited to the specific consideration of whether the estimated financial return without any public assistance is above the standard return targets which are necessary for real property developers to proceed with development plans, and secondarily, whether public assistance in the form of a TIF Grant for \$7,100,000 (as directed by Client) produces an estimated return for the Project that is greater than the typical range of real property return targets.

**March 8, 2022**

## **II. SUMMARY OF APPLICANT'S DEVELOPMENT PLAN**

The Applicant has presented a development plan to build the Project at 11230 Kingston Pike, in Farragut, TN. The Applicant has indicated that the construction of the Project is expected to take approximately one and a half years, leading to a targeted opening during 2023. The Applicant has indicated that the Project will include a 286-unit apartment complex, a grocery store and approximately 40,000 square feet of commercial space. MuniCap understands that the Applicant's development team has experience with the development and management of the contemplated development uses. Additional information on the development plan can be found in the following Section III.

## **III. ASSUMPTIONS PROVIDED TO MUNICAP**

In performing its scope of work, MuniCap is utilizing assumptions provided by Client, most of which are either directly or generally based on information provided by the Applicant, as well as information provided directly by the Applicant. A summary of certain assumptions provided by Client and the Applicant are provided on the following page. As typical, through the period of MuniCap's analysis, the Applicant has provided additional information, including responses for requested information. Additionally, through the period of this analysis, the Applicant has provided updated and or corrected information on the Project's expected performance (relative to information provided within the submitted applications). At the direction of Client, certain information provided by Applicant following its submittal of its application has been considered and utilized in the preparation of this report.

## Summary of Key Assumptions Affecting Return Calculations - Provided to MuniCap

### Capital Sources and Construction Expenditures

Purchase price of real property paid by Applicant	\$11,130,000	
Construction costs, including contingencies	\$75,916,510	Includes soft and hard costs for total Project; excludes interest
	<u>\$87,046,510</u>	
Additional capital contributions to be provided by Applicant	\$28,816,510	
Sale of excess land	\$2,200,000	
Long term debt financing	\$56,030,000	
Total capital provided	<u>\$87,046,510</u>	
Interest rate on long term debt financing	4.0% and 4.5%	Residential and commercial, respectively
Term of debt financing	30 years and 20 years	Residential and commercial, respectively

### Revenues

#### **Residential**

Apartment units	286
Average monthly lease rate per unit 2023	\$1,602
Annual increase in average monthly lease rate	2.0%
Average vacancy	6.0%

#### **Commercial**

Commercial square footage	40,000
Annual rent per SF	\$32
Growth in annual rent per SF	10% every 5 years
Average vacancy	5.0%
Annual ground lease from Aldi (grocery)	\$134,947

### Annual Operating Expenses

#### **Residential**

Management	3.0% of revenues
Property Insurance	\$85,800 Initial year
Payroll	\$429,000 Initial year
Repairs/Maintenance	\$85,800 Initial year
Utilities - ALL	\$243,100 Initial year
General & Administrative	\$200,200 Initial year
Advertising	\$143,000 Initial year
Contract Services	\$71,500 Initial year
Real property taxes on apartments	\$424,000 At full build, assuming \$50,000,000 taxable value, increasing 10% every 4th year

#### **Commercial**

Management	5.0% of revenues
Accounting	\$2,500 Initial year
Insurance	\$10,000 Initial year
Common area maintenance	\$60,000 Initial year
Real property taxes on commercial	\$80,000 At full build, increasing 10% every 4th year
Exp reimbursement from comm. space	Full cost of insurance, common area maintenance and real property taxes, less vacancy
Annual increase in operating expenses	2.00%

### Sale of Property

Timing of assumed sale	End of 15th year
Ratio of sales price to net operating income	17.94
Implied "cap rate"	5.58%

**MuniCap has not attempted to determine the reasonableness of these assumptions; MuniCap is not expressing an opinion on the reasonableness of these assumptions.**

## **IV. ESTIMATED FINANCIAL RETURNS**

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### Assuming No Public Assistance is Provided

The preparation of an estimate of the financial return from the Project if a TIF Grant is **not** provided requires an assumption that the Project would proceed as planned even if the TIF Grant is not made available. As such, one should recognize that this scenario is only a conceptual approach, prepared solely to assist in the evaluation of the requested public assistance for the proposed Project. MuniCap is not suggesting that this deal structure is a realistic or a unrealistic possibility, or that it should be implemented; other alternatives may be more realistic or informative than this alternative (please note, however, that any such alternative without a TIF Grant will also be inconsistent with the Applicant’s plan).

Utilizing **assumptions, including the ones specified on the prior page**, the estimated financial return for the Project assuming that the requested public assistance is **not** provided is summarized in Table 1 below; a detailed calculation of the estimated cash flows from the Project and the estimated financial return is provided in the attached **Appendix A**. As indicated in Appendix A, the estimated financial return assumes a sale of the property at the end of the 2037, corresponding to the end of the assumed 15<sup>th</sup> year of operations.

**Table 1**  
**Summary of Estimated Financial Return Assuming No Public Assistance**

Estimated total equity investment	\$28,816,510
Estimated capital returned to investors	\$101,712,941
Assumed return period	Per 2037
Estimated annual internal rate of return (levered)	<b>9.7%</b>

The estimated internal rate of return (the “IRR”; please see **Exhibit A** for an explanation of the internal rate of return) for the Applicant is 9.7 percent, as shown in Table 1 above, is lower than the standard targets of real property developers, which typically range from 12 percent to 20 percent (on a levered basis)<sup>1</sup> and depend on many factors, including the length of the investment measurement. As such, it is reasonable to believe that the

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<sup>1</sup>MuniCap provides this range of internal rate of return targets (assuming debt is used) for the purpose of comparing the estimated returns of the Project. The indicated range is based on a combination of sources, including but not limited to the following: MuniCap’s analysis of hundreds of real estate development projects, including many other “but for” tests for public assistance; direct communications with real estate developers (both clients and others firms involved in projects on which MuniCap has worked); direct communications with investors in real estate development projects; direct communications with brokers of investment opportunities in real estate development projects; analysis of actual investments in real estate development opportunities; review of leading industry research papers, trade publications and surveys; direct inquiry with property developers; prior applicants for public assistance from the City of Knoxville and Knox County.

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estimated financial return from the Project, assuming no public assistance is provided, is not strong enough to justify a real property developer's investment in the Project.

Please note that the indications in the prior paragraph are based on the **assumptions** specified further above (among others) and therefore the indications in the prior paragraph do not rule out the possibility of the development of the site according to a development plan which does not require public assistance.

Assuming Public Assistance is Provided

The estimated financial return for the Applicant, utilizing assumptions, including the ones provided on page 6 above, and assuming that a TIF grant for \$7,100,000 is provided, is summarized in Table 2 below; a detailed calculation of the estimated cash flows from the Project and the estimated financial return is provided in the attached **Appendix B**. As noted above, the assumed TIF Grant would reduce the effective cost of the Project, thus increasing the financial return of the Project. As indicated in Appendix B, the estimated financial return assumes a sale of the property at the end of 2037, corresponding to the end of the assumed 15<sup>th</sup> year of operations.

**Table 2**  
**Estimated Financial Return Assuming Public Assistance**

Estimated total equity investment	\$21,716,510
Estimated capital returned to investors	\$101,712,941
Assumed return period	Per 2037
Estimated annual internal rate of return (levered)	<b>12.0%</b>

The estimated IRR for the Applicant, 12.0 percent as shown in Table 2 above, is within the range of IRR returns indicated above (from 12 percent to 20 percent). Assuming that range of IRR returns as a reasonable target range, the estimated internal rate of return does not indicate that a TIF Grant for \$7,100,000 will produce an excessive return.

In that the estimated financial return for the Project is calculated through the use of a great number of assumed outcomes, the actual financial return will differ from the estimated return. The critical outcomes in determining the actual financial return from the Project include the following:

- Actual construction costs and the resulting impact on the construction loan and equity contributions;
- Actual lease rates obtained for the apartment units and commercial spaces;
- Vacancy rates;
- Actual operating costs of the Project;
- Real property taxes; and
- Whether the Project is sold, and if so, when and for how much.

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To the extent that the Applicant's efforts to execute the Project produce better outcomes than the assumed outcomes (e.g., the actual lease rates are higher than the assumed level indicated in Section III), then the actual financial return will be stronger than the estimated return specified above.

## **V. OTHER CONSIDERATIONS & ADDITIONAL INFORMATION**

Through its analysis of the estimated financial return from the Project, MuniCap has become aware of the following, which the approving taxing authorities may wish to incorporate into their review of the requested public assistance:

- MuniCap understands that the Project is located within an area of the County that has been targeted for redevelopment by the Town of Farragut; and furthermore understands that the Project would help promote the development of other underutilized real property in this area;
- MuniCap understands that the Town of Farragut desires a mixed-use development at this site in order to assist in providing a town center with public gathering spaces and other amenities;
- MuniCap understands that the Town of Farragut supports the development plan of the Project; and
- MuniCap understand that through the construction of the Project, the Applicant intends to address existing drainage and flooding issues.

As stated above, MuniCap's scope of work does not include an analysis of qualitative considerations as to whether the Project would proceed without public assistance. MuniCap believes that qualitative factors should be contemplated in a full "but for" analysis.

## **Exhibit A**

### Internal Rate of Return Explanation

The **Internal Rate of Return** (often referred to as the “IRR”) is a metric used to measure the attractiveness of potential investments and the performance of actual investments. The internal rate of return metric is used regularly by real estate developers. The internal rate of return can be defined as the discount rate at which the net present value of a set of cash flows (i.e., the initial investment, expressed negatively, and the returns, expressed positively) equals zero.

In more simple terms, it is the annual rate at which a real estate investment grows.

Among many other sources, additional information on the internal rate of return can be found at the link below:

<https://www.realtymogul.com/resource-center/articles/what-irr-can-tell-investors-about-real-estate-investments>

**Appendix A**

**Farragut Town Center  
Farragut, TN**

Estimated Applicant Returns Assuming No TIF is Provided



**Schedule I: Sources and Uses of Capital**

Year Ending December 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
<b>Sources:</b>																		
Proposed TIF borrowing <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank loan for residential project <sup>1</sup>	\$0	\$17,140,475	\$25,889,525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank loan for commercial project <sup>1</sup>	\$0	\$7,931,214	\$5,068,786	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sale of excess land - outparcels <sup>1</sup>	\$0	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sale of excess land - town homes <sup>1</sup>	\$0	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Applicant equity <sup>1</sup>	\$14,217,980	\$14,598,530	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total sources</b>	<b>\$14,217,980</b>	<b>\$41,870,219</b>	<b>\$30,958,311</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,046,510</b>
<b>Uses</b>																		
<b>Real property<sup>1</sup></b>																		
Land for residential project	\$7,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Land for commercial project	\$4,130,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total real property</b>	<b>\$11,130,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,130,000</b>
<b>Construction expenditures</b>																		
<b>Hard costs<sup>1</sup></b>																		
Residential units	\$0	\$22,000,000	\$22,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site work for residential units	\$0	\$9,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency for residential units	\$0	\$0	\$2,142,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FF&E for residential units	\$0	\$375,000	\$395,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial project	\$0	\$5,000,000	\$5,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site work for commercial project	\$0	\$3,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency for commercial	\$200,000	\$15,000	\$43,786	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total hard costs</b>	<b>\$200,000</b>	<b>\$39,890,000</b>	<b>\$29,581,286</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$69,671,286</b>
<b>Soft costs<sup>1</sup></b>																		
Architect / engineer	\$425,000	\$225,000	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Resi. property taxes (see Sched. III also)	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$83,053	\$83,053	\$83,054	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Broker	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre development	\$165,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential property management	\$38,333	\$38,333	\$38,334	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential marketing	\$26,333	\$26,333	\$26,334	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential pre leasing	\$0	\$0	\$324,303	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential impact and permit fees	\$0	\$507,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal, organizational, title, recording fees	\$250,000	\$30,000	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing fee	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential - Development fee <sup>2</sup>	\$500,000	\$500,000	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Comm. property taxes (see Sched. III also)	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial soft costs	\$570,261	\$275,000	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial lease commissions	\$150,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial - Development fee <sup>2</sup>	\$150,000	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TIF review fee, IDB	\$10,000	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total soft costs</b>	<b>\$2,887,980</b>	<b>\$1,980,219</b>	<b>\$1,377,025</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,245,224</b>
<b>Total construction expenditures</b>	<b>\$3,087,980</b>	<b>\$41,870,219</b>	<b>\$30,958,311</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$75,916,510</b>
<b>Total Uses</b>	<b>\$14,217,980</b>	<b>\$41,870,219</b>	<b>\$30,958,311</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,046,510</b>

<sup>1</sup>Assumption provided by Client based on Applicant's indication of total borrowing and additional information provided by Applicant.

**Schedule II: Estimated Draw Down and Repayment of Bank Loan**

Year Ending December 31	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
<b>Long Term Bank Loan for Residential Property</b>																	
Beginning balance	\$0	\$17,140,475	\$43,030,000	\$42,262,771	\$41,464,853	\$40,635,017	\$39,771,989	\$38,874,439	\$37,940,988	\$36,970,198	\$35,960,577	\$34,910,571	\$33,818,564	\$32,682,878	\$31,501,764	\$30,273,405	
Draws <sup>1</sup>	\$17,140,475	\$25,889,525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repayments <sup>2,3</sup>	\$0	\$0	(\$767,229)	(\$797,918)	(\$829,835)	(\$863,028)	(\$897,550)	(\$933,452)	(\$970,790)	(\$1,009,621)	(\$1,050,006)	(\$1,092,006)	(\$1,135,687)	(\$1,181,114)	(\$1,228,359)	(\$1,277,493)	(\$14,034,088)
Ending balance	\$17,140,475	\$43,030,000	\$42,262,771	\$41,464,853	\$40,635,017	\$39,771,989	\$38,874,439	\$37,940,988	\$36,970,198	\$35,960,577	\$34,910,571	\$33,818,564	\$32,682,878	\$31,501,764	\$30,273,405	\$28,995,912	
Annual interest exp. on bank loan <sup>2,3</sup>	\$205,686	\$1,255,189	\$1,721,200	\$1,690,511	\$1,658,594	\$1,625,401	\$1,590,880	\$1,554,978	\$1,517,640	\$1,478,808	\$1,438,423	\$1,396,423	\$1,352,743	\$1,307,315	\$1,260,071	\$1,210,936	\$22,264,795
<b>Long Term Bank Loan for Commercial Property</b>																	
Beginning balance	\$0	\$7,931,214	\$13,000,000	\$12,585,610	\$12,152,573	\$11,700,049	\$11,227,161	\$10,732,993	\$10,216,588	\$9,676,945	\$9,113,017	\$8,523,713	\$7,907,890	\$7,264,356	\$6,591,862	\$5,889,106	
Draws <sup>1</sup>	\$7,931,214	\$5,068,786	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repayments <sup>4,5</sup>	\$0	\$0	(\$414,390)	(\$433,037)	(\$452,524)	(\$472,888)	(\$494,168)	(\$516,405)	(\$539,643)	(\$563,927)	(\$589,304)	(\$615,823)	(\$643,535)	(\$672,494)	(\$702,756)	(\$734,380)	(\$7,845,274)
Ending balance	\$7,931,214	\$13,000,000	\$12,585,610	\$12,152,573	\$11,700,049	\$11,227,161	\$10,732,993	\$10,216,588	\$9,676,945	\$9,113,017	\$8,523,713	\$7,907,890	\$7,264,356	\$6,591,862	\$5,889,106	\$5,154,726	
Annual interest exp. on bank loan <sup>4,5</sup>	\$83,278	\$482,357	\$585,000	\$566,352	\$546,866	\$526,502	\$505,222	\$482,985	\$459,746	\$435,463	\$410,086	\$383,567	\$355,855	\$326,896	\$296,634	\$265,010	\$6,711,819

MuniCap, Inc. D:\Dropbox (MuniCap)\MuniCap Team Folder\Thad Municap\MuniCap\Consulting\Knoxville CDC Bass Berry\Farragut\Farragut Project Appendix A no TIF scenario Feb 16 22 draft.xlsx\II

<sup>1</sup>See Schedule I. 16-Feb-22

<sup>2</sup>Assumption provided by Client based on Applicant's indication that it expects to obtain a construction loan with a 30 year amortization with an interest rate of 4.00 percent for a 5 year term (a refinance at year 5 at the same terms for the remaining 25 years is assumed). Interest in 2022 and 2023 is estimated based on a assumption that the entire annual drawn amount is borrowed at the mid point in the year.

<sup>3</sup>As indicated by Applicant, assumed to be interest only through 2023.

<sup>4</sup>Assumption provided by Client based on Applicant's indication that it expects to obtain a permanent construction loan with a 20 year amortization with an interest rate of 4.50 percent. Interest in 2022 and 2023 is estimated based on a assumption that the entire annual drawn amount is borrowed at the mid point in the year.

<sup>5</sup>As indicated by Applicant, assumed to be interest only through 2023 at a rate of 3.5 percent..

**Farragut Town Center  
Knoxville, TN**

**Schedule III: Projected Operating Revenues and Expenditures**

Year Ending December 31	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
<b>Assumptions</b>																
<u>Revenues</u>																
<i>Market rate apartments:</i>																
Market rate apartment units <sup>1</sup>		286	286	286	286	286	286	286	286	286	286	286	286	286	286	286
Average monthly lease rate <sup>1</sup>		\$1,602	\$1,634	\$1,666	\$1,700	\$1,734	\$1,768	\$1,804	\$1,840	\$1,877	\$1,914	\$1,952	\$1,992	\$2,031	\$2,072	\$2,113
Total SF for market rate units	Average monthly	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072
Equivalent ave. monthly rent psf <sup>3</sup>		\$1.53	\$1.56	\$1.59	\$1.62	\$1.65	\$1.69	\$1.72	\$1.75	\$1.79	\$1.82	\$1.86	\$1.90	\$1.94	\$1.97	\$2.01
Annual lease market rate escalation <sup>1</sup>			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Aver. vacancy & collection loss % <sup>1</sup>		65.0%	15.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Aver. other revenue as a % of rents <sup>1</sup>		3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Commercial square footage <sup>1</sup>		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Annual rent per SF		\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$35.20	\$35.20	\$35.20	\$35.20	\$35.20	\$38.72	\$38.72	\$38.72	\$38.72
Annual ground lease from Aldi (grocery)	\$33,737	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$147,150	\$147,150	\$147,150	\$147,150	\$147,150
Annual increase in comm. lease rates <sup>1</sup>			0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
Average vacancy of commercial space <sup>1</sup>		50.0%	15.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<u>Expenditures</u>																
Annual oper. expense escalation <sup>1</sup>		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Estimated Results</b>																
<u>Projected operating revenues</u>																
<i>Revenue from apartments</i>																
Net apartment lease revenue <sup>1</sup>	\$0	\$1,923,974	\$4,765,959	\$5,376,001	\$5,483,521	\$5,593,192	\$5,705,056	\$5,819,157	\$5,935,540	\$6,054,251	\$6,175,336	\$6,298,842	\$6,424,819	\$6,553,316	\$6,684,382	\$6,818,070
Private garage revenue <sup>1</sup>	\$0	\$17,500	\$45,000	\$45,900	\$46,818	\$47,754	\$48,709	\$49,684	\$50,677	\$51,691	\$52,725	\$53,779	\$54,855	\$55,952	\$57,071	\$58,212
Other apartment revenue <sup>1</sup>	\$0	\$61,567	\$152,511	\$172,032	\$175,473	\$178,982	\$182,562	\$186,213	\$189,937	\$193,736	\$197,611	\$201,563	\$205,594	\$209,706	\$213,900	\$218,178
Lease revenue from comm. space	\$0	\$640,000	\$1,088,000	\$1,216,000	\$1,216,000	\$1,216,000	\$1,216,000	\$1,337,600	\$1,337,600	\$1,337,600	\$1,337,600	\$1,337,600	\$1,471,360	\$1,471,360	\$1,471,360	\$1,471,360
Aldi ground lease revenue	\$33,737	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$147,150	\$147,150	\$147,150	\$147,150	\$147,150
Total operating revenue	\$33,737	\$2,777,988	\$6,186,416	\$6,944,880	\$7,056,759	\$7,170,875	\$7,287,274	\$7,527,600	\$7,648,701	\$7,772,224	\$7,898,218	\$8,038,934	\$8,303,778	\$8,437,484	\$8,573,863	\$8,712,970
<u>Projected operating expenditures<sup>1,2</sup></u>																
<i>Expenditures on residential</i>																
Management	\$0	\$60,091	\$148,904	\$167,818	\$171,174	\$174,598	\$178,090	\$181,652	\$185,285	\$188,990	\$192,770	\$196,626	\$200,558	\$204,569	\$208,661	\$212,834
Property Insurance	\$0	\$85,800	\$87,516	\$89,266	\$91,052	\$92,873	\$94,730	\$96,625	\$98,557	\$100,528	\$102,539	\$104,590	\$106,682	\$108,815	\$110,991	\$113,211
Payroll	\$0	\$429,000	\$437,580	\$446,332	\$455,258	\$464,363	\$473,651	\$483,124	\$492,786	\$502,642	\$512,695	\$522,949	\$533,408	\$544,076	\$554,957	\$566,056
Repairs/Maintenance	\$0	\$85,800	\$87,516	\$89,266	\$91,052	\$92,873	\$94,730	\$96,625	\$98,557	\$100,528	\$102,539	\$104,590	\$106,682	\$108,815	\$110,991	\$113,211
Utilities - ALL	\$0	\$243,100	\$247,962	\$252,921	\$257,980	\$263,139	\$268,402	\$273,770	\$279,245	\$284,830	\$290,527	\$296,338	\$302,264	\$308,310	\$314,476	\$320,765
General & Administrative	\$0	\$200,200	\$204,204	\$208,288	\$212,454	\$216,703	\$221,037	\$225,458	\$229,967	\$234,566	\$239,258	\$244,043	\$248,924	\$253,902	\$258,980	\$264,160
Advertising	\$0	\$143,000	\$145,860	\$148,777	\$151,753	\$154,788	\$157,884	\$161,041	\$164,262	\$167,547	\$170,898	\$174,316	\$177,803	\$181,359	\$184,986	\$188,685
Contract Services	\$0	\$71,500	\$72,930	\$74,389	\$75,876	\$77,394	\$78,942	\$80,521	\$82,131	\$83,774	\$85,449	\$87,158	\$88,901	\$90,679	\$92,493	\$94,343
Real property taxes on apartments <sup>4</sup>	\$0	\$10,000	\$339,200	\$424,000	\$424,000	\$466,400	\$466,400	\$466,400	\$466,400	\$513,040	\$513,040	\$513,040	\$513,040	\$564,344	\$564,344	\$564,344
<i>Expenditures on commercial</i>																
Management	\$0	\$32,000	\$54,400	\$60,800	\$60,800	\$60,800	\$60,800	\$66,880	\$66,880	\$66,880	\$66,880	\$66,880	\$73,568	\$73,568	\$73,568	\$73,568
Refinance fees	\$0	\$171,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounting	\$0	\$2,500	\$2,550	\$2,601	\$2,653	\$2,706	\$2,760	\$2,815	\$2,872	\$2,929	\$2,988	\$3,047	\$3,108	\$3,171	\$3,234	\$3,299
Insurance	\$0	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951	\$12,190	\$12,434	\$12,682	\$12,936	\$13,195
Common area maintenance	\$0	\$60,000	\$61,200	\$62,424	\$63,672	\$64,946	\$66,245	\$67,570	\$68,921	\$70,300	\$71,706	\$73,140	\$74,602	\$76,095	\$77,616	\$79,169
Real property taxes on commercial <sup>6</sup>	\$0	\$10,000	\$80,000	\$80,000	\$80,000	\$88,000	\$88,000	\$88,000	\$88,000	\$96,800	\$96,800	\$96,800	\$96,800	\$106,480	\$106,480	\$106,480
Exp reimbursement from comm. space	\$0	(\$40,000)	(\$128,690)	(\$145,187)	(\$146,570)	(\$155,582)	(\$157,021)	(\$158,490)	(\$159,988)	(\$169,875)	(\$171,434)	(\$173,023)	(\$174,644)	(\$185,494)	(\$187,181)	(\$188,901)
Net operating expenditures	\$0	\$1,574,241	\$1,851,332	\$1,972,100	\$2,001,766	\$2,074,825	\$2,105,690	\$2,143,251	\$2,175,363	\$2,255,196	\$2,288,605	\$2,322,682	\$2,364,129	\$2,451,370	\$2,487,533	\$2,524,419
Projected net income before interest	\$33,737	\$1,203,747	\$4,335,084	\$4,972,781	\$5,054,993	\$5,096,050	\$5,181,584	\$5,384,349	\$5,473,339	\$5,517,028	\$5,609,613	\$5,716,252	\$5,939,650	\$5,986,113	\$6,086,330	\$6,188,551
Estimated interest expense <sup>7</sup>	\$288,963	\$1,737,546	\$2,306,200	\$2,256,863	\$2,205,460	\$2,151,903	\$2,096,102	\$2,037,962	\$1,977,386	\$1,914,270	\$1,848,509	\$1,779,990	\$1,708,598	\$1,634,211	\$1,556,704	\$1,475,946
Capital reserves <sup>1</sup>	\$0	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Income after interest & reserves	(\$255,227)	(\$539,799)	\$2,022,884	\$2,709,917	\$2,843,533	\$2,938,147	\$3,079,482	\$3,340,387	\$3,489,953	\$3,596,758	\$3,755,104	\$3,930,262	\$4,225,052	\$4,345,902	\$4,523,626	\$4,706,605
Estimated principal repayment <sup>7</sup>	\$0	\$0	\$1,181,619	\$1,230,956	\$1,282,359	\$1,335,916	\$1,391,717	\$1,449,857	\$1,510,433	\$1,573,549	\$1,639,310	\$1,707,829	\$1,779,221	\$1,853,608	\$1,931,115	\$2,011,873
Net proceeds for equity distributions	(\$255,227)	(\$539,799)	\$841,265	\$1,478,962	\$1,561,174	\$1,602,231	\$1,687,765	\$1,890,530	\$1,979,520	\$2,023,209	\$2,115,794	\$2,222,433	\$2,445,831	\$2,492,294	\$2,592,511	\$2,694,732

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<sup>1</sup> Assumption provided by Client based on information provided by Applicant. 16-Feb-22  
<sup>2</sup> Operating costs are estimated based on assumptions provided by Client based on information provided by Applicant.  
<sup>3</sup> Reserved  
<sup>4</sup> Assumes a taxable value of \$50,000,000 for the taxes paid in calendar year 2025, escalating ten percent every fourth year (according to Knox County calendar); assumes 80 percent of this amount for the taxes paid in calendar year 2024.  
<sup>5</sup> Reserved.  
<sup>6</sup> Assumes a real property tax amount provided by the Applicant, escalating ten percent every fourth year.  
<sup>7</sup> See Schedule II.

Schedule IV: Estimated Sale Proceeds and Estimated Equity Returns

**Table 1 - Estimated Sale of Property**

12/31/37	Sale date; end of 15th year of operations <sup>1</sup>
\$6,188,551	Net income before reserves or interest (previous 12 months) <sup>2</sup>
<b>(\$6,000)</b>	Adjustment for capital reserves (previous 12 months) <sup>2</sup>
\$6,182,551	Net income after capital reserves before interest expense (previous 12 months) <sup>2</sup>
17.937	Estimated ratio of value to net income <sup>3</sup>
\$110,896,235	Estimated sales price, excluding debt
<b>(\$1,663,444)</b>	Sales fee (1.5% of sales price)
<b>(\$34,150,638)</b>	Outstanding debt <sup>4</sup>
<b>\$75,082,153</b>	<b>Estimated net proceeds for equity distribution</b>

**Table 2 - Estimated Returns**

Year Ending December 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
Equity contributions <sup>5</sup>	<b>(\$14,217,980)</b>	<b>(\$14,598,530)</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>(\$28,816,510)</b>
Distributions from annual operations <sup>2</sup>	\$0	<b>(\$255,227)</b>	<b>(\$539,799)</b>	\$841,265	\$1,478,962	\$1,561,174	\$1,602,231	\$1,687,765	\$1,890,530	\$1,979,520	\$2,023,209	\$2,115,794	\$2,222,433	\$2,445,831	\$2,492,294	\$2,492,294	\$2,592,511	<b>\$26,630,788</b>
Distribution from sale of leased assets <sup>6</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,082,153	<b>\$75,082,153</b>
Total annual cashflow	<b>(\$14,217,980)</b>	<b>(\$14,853,757)</b>	<b>(\$539,799)</b>	\$841,265	\$1,478,962	\$1,561,174	\$1,602,231	\$1,687,765	\$1,890,530	\$1,979,520	\$2,023,209	\$2,115,794	\$2,222,433	\$2,445,831	\$2,492,294	\$2,492,294	\$77,674,665	<b>\$72,896,431</b>

Estimated internal rate of return (IRR)	9.7%
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<sup>1</sup>For purposes of calculating a projected return on investment, a sale of the property is assumed; the end of the 15th year of operations is assumed.

<sup>2</sup>See Schedule III.

<sup>3</sup>The assumed ratio of 17.937x equates to a "cap rate" (a commonly used metric that relates the asset value to net income) of approximately 5.57 percent, which is assumed based on a blending of cap rate assumption for both apartments and commercial uses, using information provided in PWC Real Estate Investor Surveys.

<sup>4</sup>See Schedule II.

<sup>5</sup>See Schedule I.

<sup>6</sup>See Table 1 above for sale of project at end of term.

**Appendix B**

**Farragut Town Center  
Farragut, TN**

Estimated Applicant Returns Assuming a \$7,100,000 TIF Grant is Provided

**Schedule I: Sources and Uses of Capital**

Year Ending December 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
<b>Sources:</b>																		
Proposed TIF borrowing <sup>1</sup>	\$0	\$7,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,100,000
Bank loan for residential project <sup>1</sup>	\$0	\$17,140,475	\$25,889,525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,030,000
Bank loan for commercial project <sup>1</sup>	\$0	\$7,931,214	\$5,068,786	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,000,000
Sale of excess land - outparcels <sup>1</sup>	\$0	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$700,000
Sale of excess land - town homes <sup>1</sup>	\$0	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500,000
Applicant equity <sup>1</sup>	\$14,217,980	\$7,498,530	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,716,510
<b>Total sources</b>	<b>\$14,217,980</b>	<b>\$41,870,219</b>	<b>\$30,958,311</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,046,510</b>
<b>Uses</b>																		
<b>Real property<sup>1</sup></b>																		
Land for residential project	\$7,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,000,000
Land for commercial project	\$4,130,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,130,000
<b>Total real property</b>	<b>\$11,130,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,130,000</b>
<b>Construction expenditures</b>																		
<b>Hard costs<sup>1</sup></b>																		
Residential units	\$0	\$22,000,000	\$22,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,000,000
Site work for residential units	\$0	\$9,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,000,000
Contingency for residential units	\$0	\$0	\$2,142,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,142,500
FF&E for residential units	\$0	\$375,000	\$395,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$770,000
Commercial project	\$0	\$5,000,000	\$5,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000,000
Site work for commercial project	\$0	\$3,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,500,000
Contingency for commercial	\$200,000	\$15,000	\$43,786	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$258,786
<b>Total hard costs</b>	<b>\$200,000</b>	<b>\$39,890,000</b>	<b>\$29,581,286</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$69,671,286</b>
<b>Soft costs<sup>1</sup></b>																		
Architect / engineer	\$425,000	\$225,000	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000
Resi. property taxes (see Sched. III also)	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000
Insurance	\$83,053	\$83,053	\$83,054	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$249,160
Broker	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000
Pre development	\$165,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$165,000
Residential property management	\$38,333	\$38,333	\$38,334	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$115,000
Residential marketing	\$26,333	\$26,333	\$26,334	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$79,000
Residential pre leasing	\$0	\$0	\$324,303	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$324,303
Residential impact and permit fees	\$0	\$507,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$507,500
Legal, organizational, title, recording fees	\$250,000	\$30,000	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$310,000
Financing fee	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000
Residential - Development fee <sup>2</sup>	\$500,000	\$500,000	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500,000
Comm. property taxes (see Sched. III also)	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000
Commercial soft costs	\$570,261	\$275,000	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$870,261
Commercial lease commissions	\$150,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000
Commercial - Development fee <sup>2</sup>	\$150,000	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000
TIF review fee, IDB	\$10,000	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$35,000
<b>Total soft costs</b>	<b>\$2,887,980</b>	<b>\$1,980,219</b>	<b>\$1,377,025</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,245,224</b>
<b>Total construction expenditures</b>	<b>\$3,087,980</b>	<b>\$41,870,219</b>	<b>\$30,958,311</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$75,916,510</b>
<b>Total Uses</b>	<b>\$14,217,980</b>	<b>\$41,870,219</b>	<b>\$30,958,311</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$87,046,510</b>

<sup>1</sup>Assumption provided by Client based on Applicant's indication of total borrowing and additional information provided by Applicant.

**Schedule II: Estimated Draw Down and Repayment of Bank Loan**

Year Ending December 31	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
<b>Long Term Bank Loan for Residential Property</b>																	
Beginning balance	\$0	\$17,140,475	\$43,030,000	\$42,262,771	\$41,464,853	\$40,635,017	\$39,771,989	\$38,874,439	\$37,940,988	\$36,970,198	\$35,960,577	\$34,910,571	\$33,818,564	\$32,682,878	\$31,501,764	\$30,273,405	
Draws <sup>1</sup>	\$17,140,475	\$25,889,525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,030,000
Repayments <sup>2,3</sup>	\$0	\$0	(\$767,229)	(\$797,918)	(\$829,835)	(\$863,028)	(\$897,550)	(\$933,452)	(\$970,790)	(\$1,009,621)	(\$1,050,006)	(\$1,092,006)	(\$1,135,687)	(\$1,181,114)	(\$1,228,359)	(\$1,277,493)	(\$14,034,088)
Ending balance	\$17,140,475	\$43,030,000	\$42,262,771	\$41,464,853	\$40,635,017	\$39,771,989	\$38,874,439	\$37,940,988	\$36,970,198	\$35,960,577	\$34,910,571	\$33,818,564	\$32,682,878	\$31,501,764	\$30,273,405	\$28,995,912	
Annual interest exp. on bank loan <sup>2,3</sup>	\$205,686	\$1,255,189	\$1,721,200	\$1,690,511	\$1,658,594	\$1,625,401	\$1,590,880	\$1,554,978	\$1,517,640	\$1,478,808	\$1,438,423	\$1,396,423	\$1,352,743	\$1,307,315	\$1,260,071	\$1,210,936	22,264,795
<b>Long Term Bank Loan for Commercial Property</b>																	
Beginning balance	\$0	\$7,931,214	\$13,000,000	\$12,585,610	\$12,152,573	\$11,700,049	\$11,227,161	\$10,732,993	\$10,216,588	\$9,676,945	\$9,113,017	\$8,523,713	\$7,907,890	\$7,264,356	\$6,591,862	\$5,889,106	
Draws <sup>1</sup>	\$7,931,214	\$5,068,786	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,000,000
Repayments <sup>4,5</sup>	\$0	\$0	(\$414,390)	(\$433,037)	(\$452,524)	(\$472,888)	(\$494,168)	(\$516,405)	(\$539,643)	(\$563,927)	(\$589,304)	(\$615,823)	(\$643,535)	(\$672,494)	(\$702,756)	(\$734,380)	(\$7,845,274)
Ending balance	\$7,931,214	\$13,000,000	\$12,585,610	\$12,152,573	\$11,700,049	\$11,227,161	\$10,732,993	\$10,216,588	\$9,676,945	\$9,113,017	\$8,523,713	\$7,907,890	\$7,264,356	\$6,591,862	\$5,889,106	\$5,154,726	
Annual interest exp. on bank loan <sup>4,5</sup>	\$83,278	\$482,357	\$585,000	\$566,352	\$546,866	\$526,502	\$505,222	\$482,985	\$459,746	\$435,463	\$410,086	\$383,567	\$355,855	\$326,896	\$296,634	\$265,010	6,711,819

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<sup>1</sup>See Schedule I.

16-Feb-22

<sup>2</sup>Assumption provided by Client based on Applicant's indication that it expects to obtain a construction loan with a 30 year amortization with an interest rate of 4.00 percent for a 5 year term (a refinance at year 5 at the same terms for the remaining 25 years is assumed). Interest in 2022 and 2023 is estimated based on a assumption that the entire annual drawn amount is borrowed at the mid point in the year.

<sup>3</sup>As indicated by Applicant, assumed to be interest only through 2023.

<sup>4</sup>Assumption provided by Client based on Applicant's indication that it expects to obtain a permanent construction loan with a 20 year amortization with an interest rate of 4.50 percent. Interest in 2022 and 2023 is estimated based on a assumption that the entire annual drawn amount is borrowed at the mid point in the year.

<sup>5</sup>As indicated by Applicant, assumed to be interest only through 2023 at a rate of 3.5 percent..



**Farragut Town Center  
Knoxville, TN**

**Schedule III: Projected Operating Revenues and Expenditures**

Year Ending December 31	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
<b>Assumptions</b>																
<u>Revenues</u>																
<i>Market rate apartments:</i>																
Market rate apartment units <sup>1</sup>		286	286	286	286	286	286	286	286	286	286	286	286	286	286	286
Average monthly lease rate <sup>1</sup>		\$1,602	\$1,634	\$1,666	\$1,700	\$1,734	\$1,768	\$1,804	\$1,840	\$1,877	\$1,914	\$1,952	\$1,992	\$2,031	\$2,072	\$2,113
Total SF for market rate units	Average monthly	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072	300,072
Equivalent ave. monthly rent psf <sup>3</sup>		\$1.53	\$1.56	\$1.59	\$1.62	\$1.65	\$1.69	\$1.72	\$1.75	\$1.79	\$1.82	\$1.86	\$1.90	\$1.94	\$1.97	\$2.01
Annual lease market rate escalation <sup>1</sup>			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Aver. vacancy & collection loss % <sup>1</sup>		65.0%	15.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Aver. other revenue as a % of rents <sup>1</sup>		3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Commercial square footage <sup>1</sup>		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Annual rent per SF		\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$35.20	\$35.20	\$35.20	\$35.20	\$35.20	\$38.72	\$38.72	\$38.72	\$38.72
Annual ground lease from Aldi (grocery)	\$33,737	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$147,150	\$147,150	\$147,150	\$147,150	\$147,150
Annual increase in comm. lease rates <sup>1</sup>			0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
Average vacancy of commercial space <sup>1</sup>		50.0%	15.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<u>Expenditures</u>																
Annual oper. expense escalation <sup>1</sup>		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Estimated Results</b>																
<u>Projected operating revenues</u>																
<i>Revenue from apartments</i>																
Net apartment lease revenue <sup>1</sup>	\$0	\$1,923,974	\$4,765,959	\$5,376,001	\$5,483,521	\$5,593,192	\$5,705,056	\$5,819,157	\$5,935,540	\$6,054,251	\$6,175,336	\$6,298,842	\$6,424,819	\$6,553,316	\$6,684,382	\$6,818,070
Private garage revenue <sup>1</sup>	\$0	\$17,500	\$45,000	\$45,900	\$46,818	\$47,754	\$48,709	\$49,684	\$50,677	\$51,691	\$52,725	\$53,779	\$54,855	\$55,952	\$57,071	\$58,212
Other apartment revenue <sup>1</sup>	\$0	\$61,567	\$152,511	\$172,032	\$175,473	\$178,982	\$182,562	\$186,213	\$189,937	\$193,736	\$197,611	\$201,563	\$205,594	\$209,706	\$213,900	\$218,178
Lease revenue from comm. space	\$0	\$640,000	\$1,088,000	\$1,216,000	\$1,216,000	\$1,216,000	\$1,216,000	\$1,337,600	\$1,337,600	\$1,337,600	\$1,337,600	\$1,337,600	\$1,471,360	\$1,471,360	\$1,471,360	\$1,471,360
Aldi ground lease revenue	\$33,737	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$134,947	\$147,150	\$147,150	\$147,150	\$147,150	\$147,150
Total operating revenue	\$33,737	\$2,777,988	\$6,186,416	\$6,944,880	\$7,056,759	\$7,170,875	\$7,287,274	\$7,527,600	\$7,648,701	\$7,772,224	\$7,898,218	\$8,038,934	\$8,303,778	\$8,437,484	\$8,573,863	\$8,712,970
<u>Projected operating expenditures<sup>1,2</sup></u>																
<i>Expenditures on residential</i>																
Management	\$0	\$60,091	\$148,904	\$167,818	\$171,174	\$174,598	\$178,090	\$181,652	\$185,285	\$188,990	\$192,770	\$196,626	\$200,558	\$204,569	\$208,661	\$212,834
Property Insurance	\$0	\$85,800	\$87,516	\$89,266	\$91,052	\$92,873	\$94,730	\$96,625	\$98,557	\$100,528	\$102,539	\$104,590	\$106,682	\$108,815	\$110,991	\$113,211
Payroll	\$0	\$429,000	\$437,580	\$446,332	\$455,258	\$464,363	\$473,651	\$483,124	\$492,786	\$502,642	\$512,695	\$522,949	\$533,408	\$544,076	\$554,957	\$566,056
Repairs/Maintenance	\$0	\$85,800	\$87,516	\$89,266	\$91,052	\$92,873	\$94,730	\$96,625	\$98,557	\$100,528	\$102,539	\$104,590	\$106,682	\$108,815	\$110,991	\$113,211
Utilities - ALL	\$0	\$243,100	\$247,962	\$252,921	\$257,980	\$263,139	\$268,402	\$273,770	\$279,245	\$284,830	\$290,527	\$296,338	\$302,264	\$308,310	\$314,476	\$320,765
General & Administrative	\$0	\$200,200	\$204,204	\$208,288	\$212,454	\$216,703	\$221,037	\$225,458	\$229,967	\$234,566	\$239,258	\$244,043	\$248,924	\$253,902	\$258,980	\$264,160
Advertising	\$0	\$143,000	\$145,860	\$148,777	\$151,753	\$154,788	\$157,884	\$161,041	\$164,262	\$167,547	\$170,898	\$174,316	\$177,803	\$181,359	\$184,986	\$188,685
Contract Services	\$0	\$71,500	\$72,930	\$74,389	\$75,876	\$77,394	\$78,942	\$80,521	\$82,131	\$83,774	\$85,449	\$87,158	\$88,901	\$90,679	\$92,493	\$94,343
Real property taxes on apartments <sup>4</sup>	\$0	\$10,000	\$339,200	\$424,000	\$424,000	\$466,400	\$466,400	\$466,400	\$466,400	\$513,040	\$513,040	\$513,040	\$513,040	\$564,344	\$564,344	\$564,344
<i>Expenditures on commercial</i>																
Management	\$0	\$32,000	\$54,400	\$60,800	\$60,800	\$60,800	\$60,800	\$66,880	\$66,880	\$66,880	\$66,880	\$66,880	\$73,568	\$73,568	\$73,568	\$73,568
Refinance fees	\$0	\$171,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounting	\$0	\$2,500	\$2,550	\$2,601	\$2,653	\$2,706	\$2,760	\$2,815	\$2,872	\$2,929	\$2,988	\$3,047	\$3,108	\$3,171	\$3,234	\$3,299
Insurance	\$0	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951	\$12,190	\$12,434	\$12,682	\$12,936	\$13,195
Common area maintenance	\$0	\$60,000	\$61,200	\$62,424	\$63,672	\$64,946	\$66,245	\$67,570	\$68,921	\$70,300	\$71,706	\$73,140	\$74,602	\$76,095	\$77,616	\$79,169
Real property taxes on commercial <sup>6</sup>	\$0	\$10,000	\$80,000	\$80,000	\$80,000	\$88,000	\$88,000	\$88,000	\$88,000	\$96,800	\$96,800	\$96,800	\$96,800	\$106,480	\$106,480	\$106,480
Exp reimbursement from comm. space	\$0	(\$40,000)	(\$128,690)	(\$145,187)	(\$146,570)	(\$155,582)	(\$157,021)	(\$158,490)	(\$159,988)	(\$169,875)	(\$171,434)	(\$173,023)	(\$174,644)	(\$185,494)	(\$187,181)	(\$188,901)
Net operating expenditures	\$0	\$1,574,241	\$1,851,332	\$1,972,100	\$2,001,766	\$2,074,825	\$2,105,690	\$2,143,251	\$2,175,363	\$2,255,196	\$2,288,605	\$2,322,682	\$2,364,129	\$2,451,370	\$2,487,533	\$2,524,419
Projected net income before interest	\$33,737	\$1,203,747	\$4,335,084	\$4,972,781	\$5,054,993	\$5,096,050	\$5,181,584	\$5,384,349	\$5,473,339	\$5,517,028	\$5,609,613	\$5,716,252	\$5,939,650	\$5,986,113	\$6,086,330	\$6,188,551
Estimated interest expense <sup>7</sup>	\$288,963	\$1,737,546	\$2,306,200	\$2,256,863	\$2,205,460	\$2,151,903	\$2,096,102	\$2,037,962	\$1,977,386	\$1,914,270	\$1,848,509	\$1,779,990	\$1,708,598	\$1,634,211	\$1,556,704	\$1,475,946
Capital reserves <sup>1</sup>	\$0	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Income after interest & reserves	(\$255,227)	(\$539,799)	\$2,022,884	\$2,709,917	\$2,843,533	\$2,938,147	\$3,079,482	\$3,340,387	\$3,489,953	\$3,596,758	\$3,755,104	\$3,930,262	\$4,225,052	\$4,345,902	\$4,523,626	\$4,706,605
Estimated principal repayment <sup>7</sup>	\$0	\$0	\$1,181,619	\$1,230,956	\$1,282,359	\$1,335,916	\$1,391,717	\$1,449,857	\$1,510,433	\$1,573,549	\$1,639,310	\$1,707,829	\$1,779,221	\$1,853,608	\$1,931,115	\$2,011,873
Net proceeds for equity distributions	(\$255,227)	(\$539,799)	\$841,265	\$1,478,962	\$1,561,174	\$1,602,231	\$1,687,765	\$1,890,530	\$1,979,520	\$2,023,209	\$2,115,794	\$2,222,433	\$2,445,831	\$2,492,294	\$2,592,511	\$2,694,732

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<sup>1</sup> Assumption provided by Client based on information provided by Applicant.

<sup>2</sup> Operating costs are estimated based on assumptions provided by Client based on information provided by Applicant.

<sup>3</sup> Reserved

<sup>4</sup> Assumes a taxable value of \$50,000,000 for the taxes paid in calendar year 2025, escalating ten percent every fourth year (according to Knox County calendar); assumes 80 percent of this amount for the taxes paid in calendar year 2024.

<sup>5</sup> Reserved.

<sup>6</sup> Assumes a real property tax amount provided by the Applicant, escalating ten percent every fourth year.

<sup>7</sup> See Schedule II.



Schedule IV: Estimated Sale Proceeds and Estimated Equity Returns

**Table 1 - Estimated Sale of Property**

12/31/37	Sale date; end of 15th year of operations <sup>1</sup>
\$6,188,551	Net income before reserves or interest (previous 12 months) <sup>2</sup>
(\$6,000)	Adjustment for capital reserves (previous 12 months) <sup>2</sup>
\$6,182,551	Net income after capital reserves before interest expense (previous 12 months) <sup>2</sup>
17.937	Estimated ratio of value to net income <sup>3</sup>
\$110,896,235	Estimated sales price, excluding debt
(\$1,663,444)	Sales fee (1.5% of sales price)
(\$34,150,638)	Outstanding debt <sup>4</sup>
<b>\$75,082,153</b>	<b>Estimated net proceeds for equity distribution</b>

**Table 2 - Estimated Returns**

Year Ending December 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
Equity contributions <sup>5</sup>	(\$14,217,980)	(\$7,498,530)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$21,716,510)
Distributions from annual operations <sup>2</sup>	\$0	(\$255,227)	(\$539,799)	\$841,265	\$1,478,962	\$1,561,174	\$1,602,231	\$1,687,765	\$1,890,530	\$1,979,520	\$2,023,209	\$2,115,794	\$2,222,433	\$2,445,831	\$2,492,294	\$2,492,294	\$2,592,511	\$26,630,788
Distribution from sale of leased assets <sup>6</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,082,153	\$75,082,153
Total annual cashflow	(\$14,217,980)	(\$7,753,757)	(\$539,799)	\$841,265	\$1,478,962	\$1,561,174	\$1,602,231	\$1,687,765	\$1,890,530	\$1,979,520	\$2,023,209	\$2,115,794	\$2,222,433	\$2,445,831	\$2,492,294	\$2,492,294	\$77,674,665	\$79,996,431

Estimated internal rate of return (IRR)	12.0%
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<sup>1</sup>For purposes of calculating a projected return on investment, a sale of the property is assumed; the end of the 15th year of operations is assumed.

<sup>2</sup>See Schedule III.

<sup>3</sup>The assumed ratio of 17.937x equates to a "cap rate" (a commonly used metric that relates the asset value to net income) of approximately 5.57 percent, which is assumed based on a blending of cap rate assumption for both apartments and commercial uses, using information provided in PWC Real Estate Investor Surveys.

<sup>4</sup>See Schedule II.

<sup>5</sup>See Schedule I.

<sup>6</sup>See Table 1 above for sale of project at end of term.


RESOLUTION

A RESOLUTION OF THE COMMISSION OF KNOX COUNTY, TENNESSEE, REQUESTING THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX TO WAIVE CERTAIN PROVISIONS OF THE BOARD'S TAX INCREMENT FINANCING POLICIES AND PROCEDURES AND TO PREPARE AN ECONOMIC IMPACT PLAN FOR A PROJECT TO BE KNOWN AS FARRAGUT TOWN CENTER AT BIDDLE FARMS DEVELOPMENT.

RESOLUTION: R-21-5-903

REQUESTED BY: COUNTY MAYOR AND COMMISSIONERS SCHOONMAKER, WARD, JAY AND BIGGS

PREPARED BY: BASS, BERRY & SIMS PLC KNOXVILLE, TN

APPROVED AS TO FORM AND CORRECTNESS:  DIRECTOR OF LAW

APPROVED: May 24, 2021 DATE

VETOED: \_\_\_\_\_ DATE

VETO OVERRIDE: \_\_\_\_\_ DATE

MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

**WHEREAS, the Commission (the "Commission") of Knox County, Tennessee (the "County") has met pursuant to proper notice; and**

**WHEREAS, The Industrial Development Board of the County of Knox (the "IDB") is a nonprofit public corporation organized by Knox County as an industrial development board pursuant to Tenn. Code Ann. §7-53-301 et seq. (the "Act") and as such is a public instrumentality of Knox County performing a public function; and**

**WHEREAS, the Commission has been informed that CHM, LLC or an affiliate thereof (the "Developer"), desires to develop a mixed-use development to be known as Farragut Town Center at Biddle Farms in Farragut, Tennessee (the "Project"); and**

**WHEREAS, the Developer has requested the approval of tax increment financing to assist in financing the public infrastructure that will be required in order to provide for the development of the Project; and**

**WHEREAS, the IDB previously adopted certain Policies and Procedures pursuant to which it would consider requests for tax increment financing and the preparation and submission of economic impact plans (the "TIF Policies") to the Commission to authorize tax increment financing; and**

**WHEREAS, the TIF Policies include limits on the term of any tax increment financing and the percentage of tax increment revenues allocated by the County to the IDB to pay debt service on the tax increment financing; and**

**WHEREAS, the Developer has informed the County that the limits contained in the TIF Policies will result in an insufficient amount of tax increment financing being available to make the Project financially viable; and**

**WHEREAS, the Developer has requested the County to waive the limits contained in the TIF Policies referred above; and**

**WHEREAS, the Commission desires to obtain, at the sole expense of the Developer, a report prepared by a financial advisory firm specializing in analyzing public incentives to evaluate whether the requested terms of the tax increment financing is necessary so that the Developer can achieve a reasonable return on investment relating to the development of the Project (the "Third-Party Report"); and**

**WHEREAS, upon receipt of the Third-Party Report, the Commission further desires for the IDB to prepare an economic impact plan for the Project consistent with the conclusions in the Third-Party Report.**

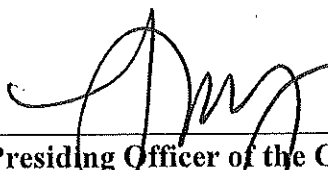
**NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF KNOX COUNTY AS FOLLOWS:**


**Section 1. The Commission requests the IDB to submit an economic impact plan relating to the Project that is not subject to the limits contained in the TIF Policies relating to term or allocation of incremental tax revenues and that is instead consistent with applicable provisions of State law and with what the Third-Party Report concludes is appropriate to provide as a reasonable return on investment to the Developer relating to the Project, provided, however, that if the Third-Party Report concludes that no public incentive is required for the Developer to realize a reasonable return on investment relating to the Project, then the IDB shall not submit to Commission an economic impact plan relating to the Project.**

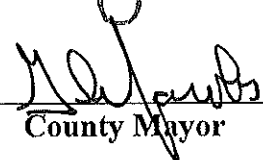
**Section 2. The Commission instructs the Finance Director of the County to obtain the Third-Party Report, at the sole expense of the Developer.**

**Section 3. In submitting an economic impact plan relating to the Project, the IDB is authorized and requested to rely on cost estimates relating to public infrastructure provided by the County and/or the Town of Farragut without retaining a third party to verify such costs.**

**Section 4. This Resolution is to take effect from and after its passage, as provided by the Charter of the County, the public welfare requiring it.**

  
\_\_\_\_\_  
Presiding Officer of the Commission      5/24/2021  
Date

  
\_\_\_\_\_  
County Clerk      5/25/2021  
Date

Approved:   
\_\_\_\_\_  
County Mayor      6/11/2021  
Date

Vetoed: \_\_\_\_\_  
County Mayor      Date





# BIDDLE FARMS

## FARRAGUT









BIDDLE FARMS  
FARRAGUT

## Project Overview

- Biddle Farms Farragut is a mixed-use development that is planned to include 286 high-end luxury apartments in seven building that will surround resort-style amenity areas, 60,000 sqft of retail space, and 48 high end townhouses.
- The cost for this project which includes 286 apartment units, 48 single family townhouses, and 60,000 SqFt of commercial/retail space is around \$119M.
- Knox County Commission has preliminary approved a \$6M 20-year TIF that will provide all new public infrastructure (water utilities, new sanitary sewer system, all new roads/streets along with a new bridge on Concord Road, new sidewalks, new storm sewer system, along with landscaping, parking curbs, and lighting).
- All the above will be in the public right of way. Also, we will be correcting long standing drainage/flooding issues along with re-contouring the existing site.
- Town of Farragut has agreed to be a financial partner that includes purchasing and maintaining the open green space and maintenance of the roads/public bathroom.





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## Current Status Biddle Farms Farragut

### Biddle Farms Farragut:

- Aldi grocery is 95% complete. Expected opening June 2022.
- Retail utilities are complete, finishing up testing with FUD
- Retail pads are being formed and are being poured.
- Apartment utility and site work is 80% complete.







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## Third Party Municap

- Municap was engaged in August 2021.
- We supplied all assumptions to Municap to supply their model.
- Total uses of funds was \$87,046,510
- Municap has ultimately concluded on 7.1M TIF, which is less than the amount we are spending on infrastructure alone.

### Summary of Estimated Financial Return Assuming no Public Assistance

Estimated total equity investment	<b>\$28,816,510</b>
Estimated capital returned to investors	<b>\$101,712,941</b>
Assumed return period	<b>Per 2037</b>
Estimated IRR (levered)	<b>9.7%</b>

### Summary of Estimated Financial Return Assuming Public Assistance

Estimated total equity investment	<b>\$21,716,510</b>
Estimated capital returned to investors	<b>\$101,712,941</b>
Assumed return period	<b>Per 2037</b>
Estimated IRR (levered)	<b>12.0%</b>





**BIDDLE FARMS**  
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## May 2022 Financial Summary

<u>Use of Funds (Entire Project):</u>	<u>Amount</u>
Land Acquisition	\$11,130,000
Site Development	\$10,500,000
Public Improvements	\$8,125,000
Building Costs (Hard)	\$83,525,000
Soft Costs	\$6,245,000
<b>Total:</b>	<b>\$119,525,000</b>

<u>Sources of Funds:</u>	<u>Amount</u>
Owners' Equity	\$33,727,500
Construction Loan	\$78,697,500
Tax Increment	\$7,100,000
<b>Total:</b>	<b>\$119,525,000</b>

### Breakdown of Public Improvements

Building & Infrastructure Demo	\$450,000
Earthwork Reuse Onsite	\$125,000
Earthwork Import to Site	\$1,500,000
Erosion Control	\$175,000
Replace Culvert with Bridge	\$750,000
Stormwater	\$600,000
Water Infrastructure	\$300,000
Sanitary Sewer	\$375,000
Electrical Infrastructure	\$150,000
New Roads	\$2,400,000
Landscaping	\$550,000
Stormwater Ponds	\$400,000
Site Lighting	\$350,000
<b>Total:</b>	<b>\$8,125,000</b>