

# **AMENDED AGENDA**

## **MONTHLY MEETING OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE**

**Monday, July 10, 2023 @ 11:00 AM**

1. Call meeting to order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Minutes approval for the June 5, 2023, regular monthly meeting.
4. Recognition of any person wishing to address the Board.
5. Presentation by Weston Porter (Henderson, Hutcherson & McCullough) (VW Audit Report for Fiscal Year 2022).
6. VW Finance Report presented by Eleanor Liu.
7. **RESOLUTIONS:**
  - a. A resolution authorizing the Industrial Development Board Chair or Vice-Chair to enter into a Lease Agreement with the Hamilton County Water and Wastewater Treatment Authority, in substantially the form attached, for the design and construction of the City's proposed wet weather equalization station at 6000 Cornelison Road, identified as Tax Map No. 169D-A-001.02.
  - b. A resolution authorizing the Industrial Development Board Chair or Vice-Chair to enter into a Lease Agreement with the City of Chattanooga, in substantially the form attached, for the design and construction of the City's proposed wet weather equalization stations, to be located at 220 Cornelison Road, identified as a portion of Tax Map No. 157M-A-009.03; and 7148 Lee Highway, identified as Tax Map Nos. 139P-C-008.01 and 138M-C-002.01, for a term of six (6) years, for an annual amount of one dollar (\$1.00), subject to final closing, and authorizing the Lease Agreement of the wet weather station at 6000 Cornelison Road, identified as Tax Map No. 169D-A-001.02, upon its conveyance to the City of Chattanooga, and rescinding the resolution authorizing the lease for these sites adopted April 17, 2023.
  - c. A resolution authorizing the Industrial Development Board Chair or Vice-Chair to execute an Acknowledgement of Expiration of Lease, Quitclaim Deed, and Bill of Sale, in substantially the forms attached, relative to the PILOT Agreement with Jarnigan Road II, LLC and EMJ Corporation.

8. **PUBLIC HEARING** – PILOT Policies and Procedures.
9. **DISCUSSION ITEMS-OTHER BUSINESS**
  - a. Ernst & Young presentation.
10. Adjournment.



**INDUSTRIAL DEVELOPMENT BOARD  
MONTHLY MEETING MINUTES  
John P. Franklin Sr. City Council Building  
Chattanooga, Tennessee  
for  
June 5, 2023  
11:00 AM**

Present were Kerry Hayes (Chair), Althea Jones (Vice-Chair), Gordon Parker (Secretary), Patrick Sharpley (Assistant Secretary), Ray Adkins, and Jim Floyd. Absent was Jimmy F. Rodgers, Jr.

Also Present were: Attorney for the Board, Phillip A. Noblett; Jermaine Freeman (Interim Chief of Staff); Brad Shumpert and Jimmy White (Urban Story Ventures); Tom Trent (Bradley); Jason Payne (City Engineering); Helen Burns Sharp (ATM); Todd Womach (BPA); Mandy Savage and Jeff Billings (BlueCross-BlueShield of TN); Nate Medford (Hazen & Sawyer); Janice Gooden (CALEB); Mike Pare (Times-Free Press); Erika Robinson and Gail Hart (Real Property); Vickie Haley and Eleanor Liu (City Finance); Paul Boylan; Ian Leavy (VW); Joe Kelly and Betsy McCright (Chattanooga Housing Authority); Brooke Satterfield; Mark Smith (Miller & Martin); Mark Mamantov (Bass Berry & Sims); Charles Wood (Chattanooga Chamber); and Tommy Johnson (Kordsa).



Vice-Chair Althea Jones called the meeting to order, seconded by Mr. Adkins, established that a quorum was present to conduct business, and Attorney Noblett confirmed that the meeting was duly advertised.



**ELECTION OF OFFICERS**

The Board elected the following officers for 2023-2024. The elections take place during June of each year.

Officers	Nominated By	Votes
<b>Kerry Hayes (Chair)</b>	<b>Gordon Parker nominated Kerry Hayes; Ray Adkins nominated Jimmy Rodgers.</b>	<b>Four votes for Kerry Hayes Two votes for Jimmy Rodgers</b>

<b>Althea Jones (Vice-Chair)</b>	<b>Kerry Hayes nominated Althea Jones</b>	<b>Six</b>
<b>Gordon Parker (Secretary)</b>	<b>Patrick Sharpley nominated Gordon Parker</b>	<b>Six</b>
<b>Patrick Sharpley (Assistant Secretary)</b>	<b>Gordon Parker nominated Patrick Sharpley</b>	<b>Six</b>

Chair Kerry Hayes conducted the meeting.



**MONTHLY MEETING OF APRIL 17, 2023 – MINUTES APPROVAL**

On motion of Mr. Adkins, seconded by Mr. Sharpley, the minutes of the April 17, 2023, special monthly meeting were unanimously approved.



**PUBLIC COMMENTS**

**JANICE GOODEN (CALEB)**

Ms. Janice Gooden is a member of CALEB but her address is 2125 Elena Drive. Ms. Gooden noticed on the agenda that the Board is looking at The One Westside TIF application. Her church is on the Westside so she is very interested in this item. Although Ms. Gooden does not know the details of the TIF application, Ms. Gooden is in support of the project itself.

**HELEN BURNS SHARP (ATM)**

Ms. Helen Burns Sharp is representing Accountability for Taxpayer Money (ATM) which is a public interest advocacy group which focuses on property tax and sales tax incentives and government transparency.

Ms. Sharp sent an e-mail to the Board and will try to be brief. Ms. Sharp recognizes that this is not a public hearing, but since this is about the application, Ms. Sharp has a couple of questions about the application.

Ms. Sharp sent an e-mail to the members and the development team over the weekend. (Copy of e-mail attached). Ms. Sharp’s first question is, how much is the applicant requesting in TIF property and sales tax assistance? That question is asked on the application itself in question 11 and will refer to Schedule 10 and Exhibit D, but they have different numbers. One says \$275 million and one says \$115 million. That needs to be clarified.

Number 2, is this a debt service TIF where the City issues a bond or is it pay as you go TIF for the TIF increment issues to reimburse the applicant for deliverables as work is done?

Number 3, if a TIF bond is contemplated, what is the project cost of the capitalized interest that would be paid over the life of the TIF?

Number 4, other than for public infrastructure at The Bend, what else will TIF funds go towards? An article in the Times-Free Press followed the announcement at the site and it referenced that 53% of the extra property tax revenues generated by the development will be used to help the Chattanooga Housing Authority to fund its Westside Redevelopment with providing funding for some of the cost of the downtown school, fire hall, stormwater, and sidewalk upgrades. That sounds great. It is public interest. But what is the definition of “extra”? When and by whom would the amount be determined? Does the state require some specificity on all developments of TIFs? The applicant is really specific about the infrastructure on this site to be financed with TIF funds, but these other items are general and are not mentioned or located in any of the attachments to the agenda. And Ms. Sharp is sure that can be explained.

Please explain more about the terms of the TIF. Question 12 asks a number of years. The TIF assistance is requesting that the applicant’s response is that 20 years upon completion of each phase of construction. There are three phases. As each phase ends, will the property for that phase go back on the tax rolls? Are there estimates on which each – that is incorrect, if they are already on the tax roll, but in other words, will they no longer be devoted to TIF? Would it go towards the General Fund, is what Ms. Sharp is trying to ask? Are there estimates on when each phase will likely be completed? Was there a third-party review done on this application by an independent consulting firm with experience in public finance and real estate development at the expense of the applicant to evaluate the applicant’s financial projections, to assist and evaluating whether the amount allocation period is required for the applicants to receive a reasonable return on investment? Ms. Sharp believes the answer is yes. Ms. Sharp had a conversation with Mr. White to explain that, but did not see any reference. Ms. Sharp did see the Younger Economic Impact Analysis, but did not see the other with the but-for analysis. Ms. Sharp is glad to know that was done.

Number 7 is just a general question. We now have two TIFs in that same general area and wondered, not as part of this TIF, because this is not on The Bend property, but we kind of have a gap between West 19<sup>th</sup> and where the stadium TIF begins. Ms. Sharp was just wondering has the City had any discussions about possible activity there in the future.

Finally, the Board will recall that one of the changes that the IDB made in the policies and procedures is the Board decided to appoint two members to the Application Review Committee which Mr. Freeman can tell us in June or July, and so the Board would need to appoint two members. Ms. Sharp asked, could the July agenda be the appointment of two members by the IDB for the Application Review Committee?

Ms. Sharp thanked the Board for their time and dedication. Ms. Sharp would also like to thank the applicant for what they have done to date on the project and investment, and also for their goaled vision for the future.



**RESOLUTION**

On motion of Mr. Adkins, seconded by Mr. Sharpley,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR AND CITY FINANCE OFFICER TO EXECUTE A MANAGEMENT REPRESENTATION LETTER FOR THE AUDITOR, HENDERSON, HUTCHERSON & MCCULLOUGH, PLLC, FOR FISCAL YEAR ENDING JUNE 30, 2022.

Attorney Noblett stated that this item is needed every year. We have a letter to the state for our audit. Henderson, Hutcherson & McCullough have been doing this audit for us, and we need to authorize that this be executed.

The motion carried.

**ADOPTED-6/5/2023**

**RESOLUTION**

On motion of Mr. Sharpley, seconded by Mr. Floyd,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO EXECUTE A SEVENTH AMENDMENT TO LEASE AGREEMENT, IN SUBSTANTIALLY THE FORM ATTACHED, WITH VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC.

Mr. Jermaine Freeman stated that this resolution calls for the release of an approximately 182 acre site located at Enterprise South Industrial Park. That parcel is part of a block on Lot 34. Lot 34 is a 182 parcel area that had previously been property that was optioned to Volkswagen. The release of this property does allow for the Chamber as well as the City and County to work together to continue to pursue economic development activity on this parcel. Mr. Ian Leavy and Mr. Charles Wood were present if there were any questions.

Mr. Jim Floyd asked if this resolution just releases this property and basically puts it back into the management of the IDB. Mr. Freeman stated that is correct.

The motion carried.

**ADOPTED-6/5/2023**

## RESOLUTION

On motion of Mr. Parker, seconded by Mr. Floyd,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY IN CONNECTION WITH THE KORDSA, INC. PROJECT, TO LEASE SUCH PROPERTY TO KORDSA, INC. AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

Mr. Freeman stated that as part of the general process of doing PILOTs with the City, the Industrial Development Board under state law have the ability to take title to the property in the form of a lease. This is done in conjunction and in coordination with the City Council and the County Commission and for this project, which is the expansion of the Kordsa, which is located on North Access Road in our Hixson area. This would be the last step of the process. Mr. Tommy Johnson is the Site Manager over Kordsa's facility on North Access Road.

The Board's role under the state law and with the State of Tennessee is to take actions that would help expand and grow the local economy and to promote industry, trade, and commerce in a variety of ways -- one of which is by being able to take title to the property so that you can abate taxes for a company when the company is choosing and selecting to undertake a significant expansion.

Kordsa manufactures tire nylon which is used in tires in addition to their facility in Laurelville, North Carolina. Kordsa is based in Turkey and is looking to expand their presence in Hixson on the North Access Road area. Their facility is the former Dupont facility which is also located very close to the current industrial park that is being built by Rise Partners. We are very happy and very supportive of Kordsa's expansion.

The detail of the expansion contemplates adding 200 additional jobs. There is a \$50 million expansion, \$5 million in real property, \$45 million in equipment, and the PILOT is for a term of 10 years. The PILOT only applies to the improvements and not to the existing property. School taxes, of course, are always protected. That is also the case with this PILOT as well. Property taxes that were in place before the PILOT will continue to flow to the City's General Fund and to the County's General Fund.

In addition to all of those benefits, the company has committed to working with the City to provide some future greenway access as to building out a future greenway on the north side of the river. The Kordsa property is actually located between property that is owned by Rise Partners where we also have greenway access as well as City-owned property where we can create greenway access. Having partnered with Kordsa and the City for that is a wonderful thing for the community.

They are also committed to partnering with the City and County on a build within an apprenticeship initiative that will allow the company to target apprenticeship opportunities to local workers. Kordsa has vested big efforts to publicize job opportunities to local residents, as well as construction opportunities for local contractors.

The site plan was presented by Tommy Johnson. Just to the right side of the yard warehouse, there is a pretty large vacant area on the plan. The plant site is roughly one million square feet and currently uses 400,000 square feet of that actively. The intention is to take a portion of this unused area and increase the opportunity for us to gain greater market share by making due process which they currently do in the Laurelville, North Carolina, facility, thus, streamlining the opportunities here, and the reports in Chattanooga.

This is the proposed expansion area, and it is vacant. At the current time, we are looking at hiring once this is totally built out an additional 200 jobs at the Kordsa facility. There was a presentation of what the building will look like once finished. The site has a long heritage here in Chattanooga. We want to keep that heritage as close as we can to the same. We are thankful for the people we have working for us and want to stay with us, which is a positive.

Mr. Freeman stated that this is the last step of the process. We will take you through the approval process up to date. On April 18<sup>th</sup>, we presented the Kordsa PILOT to the City Council's Economic Development Committee. On April 26<sup>th</sup>, we did a similar presentation for the County preparation session. On May 3<sup>rd</sup>, the County Commission approved the PILOT, and also the County Commission approved the Fast Track Grant which is the grant that provided for economic development expansions by the Tennessee Department of Economic and Community Development. On May 9<sup>th</sup>, the City Council approved the PILOT.

The only step remaining is that today, the IDB will take action to accept the lease, then the PILOT will commence, and we will hopefully see \$50 million in investment and 200 new jobs on North Access Road.

Mr. Adkins asked if they will be giving Veterans preference for the 200 new jobs? Mr. Johnson stated they do hire Veterans. They have many Veterans that are currently in the work force. We honor them just like everyone else does. Yes, they do.

Mr. Floyd asked what is the timeframe? Mr. Johnson stated they have actually already submitted permits for demolition and for the foundation work. They are expecting to have those permits picked up from the City office this week. We are ready to go. We anticipate being in production in the second to third quarter of 2024.

Mr. Hayes asked Mr. Freeman to give a quick overview about the build for them of the apprenticeship program. This is the first time this Board may have seen that and just curious to see what that is. Mr. Freeman stated the built within friendship initiative is a partnership with the City, County, and School Board. It is a national initiative in which Chattanooga was selected as one of the sort of start-up cities for implementation. We are one of the very few cities that are part of this but essentially the Built Within platform will sort of create an on-line platform that will allow companies to manage sort of an apprenticeship application process and manage applications

for apprenticeships that local residents submit to work for their companies. We are really excited. Obviously, it is an opportunity to see an expansion of the apprenticeship model here in Chattanooga, which is always a good thing, and to the extent that it can also help us to hire and identify local talent that is also a good thing and also great for our community.

The motion carried.

**ADOPTED-6/5/2023**

**RESOLUTION**

On motion of Mr. Parker, seconded by Mr. Floyd,

A RESOLUTION OF INTENT ACCEPTING THE APPLICATION AND ATTACHMENTS FROM URBAN STORY VENTURES AS COMPLETE AND SUBMISSION OF THE TAX INCREMENT FINANCING APPLICATION FOR THE BEND AREA A/K/A THE ONE WESTSIDE TIF AREA TO THE CHATTANOOGA CITY COUNCIL FOR CONSIDERATION AND APPROVAL.

Mr. Hayes stated at the outset that he looks forward to the presentation and wants to make it clear about the timing of the steps. We have been through this before but to make sure that you make clear for us exactly all of the steps that are described. Mr. Hayes also wanted to disclose to his fellow board members that he will recuse himself for voting on this item. Mr. Hayes has a professional relationship with one of the entities that is working on The Westside Evolves project. Before we go any further, Mr. Hayes wanted to mention that for the record. Mr. Hayes knows he has lots of questions but wants to make sure you can give your presentation.

Mr. Freeman stated that this is a unique and rare project for the City, and it is a project about which the City and County are very excited. The City of Chattanooga's Department of Economic Development has received an application for Tax Increment Financing from Urban Story Ventures, LLC. This application requests up to \$115 million in TIF assistance through the utilization of new incremental property tax revenue to be split between the City and County, as well as new incremental sales tax revenue from the City's portion of the new incremental sales tax revenue created by the project.

Projects of this magnitude are often not possible without the partnerships of public and private sectors. The developer, Urban Story Ventures, is contemplating a new live-work-play environment that will expand our City center. The project contemplates new Class A office space, entertainment space, retail space, and park space along with hospitality space. Along with projects significant near residential space of mixed-use buildings and multifamily housing will also be created.

As you know, this Board has worked tirelessly to revise and create new TIF policies in partnership with the Kelly Administration and the Chattanooga City Council. The City Council is scheduled to vote on the IDB's recommended changes during the City Council's regular meeting tomorrow. The updates provided by the IDB and City Council will be adhered to during the application process for this TIF. Full presentation of this TIF is planned to be provided to the elected officials of the local legislative bodies next week. Mr. Freeman will share that this TIF does protect all taxes that will be set aside for public schools and, in fact, this proposal contemplates additional funding for public education over and above what would normally be made available.

If the legislative bodies authorize the preparation of an Economic Impact Plan, City staff will ensure that the subsequent Application Review Committee will also include representation from the IDB. Now would be the time for the members of the Board to confirm its selection to the Application Review Committee.

Additionally, all stormwater fees are expected to be paid, and the City of Chattanooga has begun working with a third-party public finance advisory firm which specializes in real estate development. On the advice of our external TIF counsel, Mark Mamantov, the firm is called Municap and has done a great deal of work reviewing incentives for the City of Knoxville. This project is unique in that it also affords our city the opportunity to uplift our city's westside. As part of the proposed TIF, the City is contemplating historic investments to assist the Chattanooga Housing Authority as it attempts to implement the Westside Evolves transformation plan which was adopted by the Chattanooga City Council last year. That plan calls for the Chattanooga Housing Authority to submit an application for the much coveted choice neighborhoods implementation grant from the United States Department of Housing and Urban Development. If awarded, that grant could help unlock millions of dollars in additional investments to revitalize the Westside so that the Westside grows and prospers alongside The Bend. This can be done through intergovernmental and interlocal agreements between the City of Chattanooga and the Chattanooga Housing Authority and our partners.

As mentioned, the sheer scale of these projects is not possible without the vision of private development partners as well as the partnership of community partners like the Housing Authority.

Mr. Freeman introduced Mr. Jimmy White of Urban Story Ventures and to introduce himself and share a few words about The Bend, and Betsy McCright with the Chattanooga Housing Authority will introduce herself to share a few words about Westside Evolves. It is the City's intent to facilitate and to work with the developer and the Chattanooga Housing Authority in the vision of the unified One Westside.

**Jimmy White (Urban Story Ventures)**

Mr. White is general partner/owner/developer of The Bend. This is a huge undertaking and do not want to underscore that. This is larger than one developer. This project has been in the works for a very long time. We bought the site initially from GE, and there were three people working there. During the pandemic we leased over a million square feet and now have several 100 people working there, which is exciting, but really have not scratched the surface. We can see

the beautiful riverfront here, but Mr. White wants to talk about the connectivity to downtown. We have always said that our mission is to bring the river to the City and bring the City to the river. Growing up as a kid in Chattanooga, he remembers how significant the change that happened when the aquarium started to redevelop in the late 70's and 80's and what that has done for our community. When you think about the sheer undertaking of that which happened in the late 70's and 80's compared to today, what we have the opportunity to do for The Bend, is really incredible.

Mr. White likes to tell people that are coming to Chattanooga by looking at the site, when you think about going from the Hunter Museum to I-27, and from the riverfront to 4<sup>th</sup> Street, there is a lot of density there, and a lot of different use types. There are a lot of tourists, a lot of locals, and of course RiverBend, a lot of things happen there. This area is twice as large as that. The 21<sup>st</sup> Century Riverfront was a \$120 million investment that took a village to pull that off. Chattanooga has a history of public and private working together, and our riverfront being two and a half times as large as that gives a sense of the undertaking that we are trying to accomplish.

The Riverwalk goes through their site and there is a significant investment the City and County has made. There were properties that were owned at the time. You can see in the presentation, the ADM site, piece of railroad that recently acquired, now all that is continuous. Without this TIF, without the help from the City and County, this would not happen. Ms. McCright is going to talk about the partnership with CHA. Their first meeting was four years ago. This is a development for everyone. Our first week, we opened up which is effectually known as Big Blue where Novonix is today. It had 1,200 people show up. The Bend plan was not a developer coming in to impose his will. This was a project that was designed by the community with park space, riverfront, marina, restaurants, and entertainment. We are really excited.

### **Betsy McCright (Chattanooga Housing Authority)**

Ms. McCright is the Executive Director for the Housing Authority. Ms. McCright mentioned that she had been talking with Mr. White for four years. This dream really began about 15 years ago. College Hill Courts is still at the footprint of Westside Evolves. It is our oldest public housing development which was built in 1940. It has gotten tired and weary. Right now, there is no central air, no ADA accessible units, the space is cramped with very small kitchens. It is time for a change.

Back in 2020, we embarked on a planning process with EGP Consulting and basically set out to learn what the community both on the Westside and in the great Chattanooga community wanted the site. This obviously started September 2020 right in the midst of the pandemic. The pandemic was our friend. Typically, we try to get input from the community. You go into a big auditorium, put yellow dots on the wall, and express what you like and dislike. We had to be really nimble. Ms. McCright's staff and residents were engaged and others in the community and went door step to door step throughout College Hill during that two month period during the pandemic. They had tablets donated and asked about 45 minutes of questions of every family. The questions stand to what would you like your house to look like to what are your medical needs, what are the needs for your children, and what do you want to see socially, economically, recreationally on the site.

There were certain things that happened with regard to College Hill and the neighboring sites. One of the non-negotiables was the community wanted to retain the school which CHA currently owns. The plan will be to renovate and expand that school to house up to 119 seats for Head Start students. Additionally, the park will be expanded to become a green space with courts, water parks, places that people would want to come. That is the non-residential piece.

The residential piece is very exciting. Ultimately, we will take all of College Hill Courts, but do it in a phased way. What they plan to do is take on a first strategy where we build residential first so the residents that live in College Hill can see the new units coming out of the ground. They anticipate what they build in the first phase from 119 to 185 units without taking it down. This time we will no longer concentrate poverty on the Westside. It will be a mixed income community. Every development will have at least 40% of market rate renters which they believe are far more successful and concentrate on poverty.

The master developer is New Residential and has been on board for about two months and getting the phasing plan where the TIF will be used to help infrastructure and phases of residential on the site. As Mr. Freeman mentioned, one of the definitions of TIF proceeds, we will be able to show adequate leverage hopefully to garner a \$50 million Choice Neighborhood Implementation (CNI) grant. That in turn will get the CNI grant, the Tennessee Housing Development Agency will award sub-support, consecutive 9% tax credit awards. CNI is eight years but would bring an additional \$98 million investment.

Mr. Freeman stated as part of this process this will follow the normal TIF process. Starting next week, there will be presentations before the local legislative bodies. In a couple of weeks, the local legislative bodies will vote to take action as to whether or not to pass resolutions of intent to authorize preparation of the Economic Impact Plan. This considers property tax revenue for both the City and the County.

As mentioned before, we are abiding by the recommended updates from the IDB in terms of the TIF policy. We do need two names that would serve on the Application Review Committee if the City Council and County Commission authorize preparation of the Economic Impact Plan. That will all happen within the next few weeks. We do have the completed application. The applicant did pay the new and updated application fee.

Mr. Adkins had a question for Mr. White. You state that there is going to be retail as part of this development. Anything besides bars and restaurants will go in there? Mr. White said yes, sir. They are in line with a Nashville retail developer that has been in retail developments, indoor/outdoor excellent programming. There will be shopping from both restaurants, clothing, and things like that. Retail is in an interesting spot right now similar to working in office space. From a retail perspective, if you are an end user, you want to create a sense of place. It is an experience. You can buy things online. That requires more than restaurants.

Mr. Hayes stated for the record that the non-purely economic developing uses of the TIF proceeds which include the CHE planning and educational aspirations on the part of the County government, he just wants to make sure those are permissible under the TIF statute? Mr. Freeman

states, yes, what we are imagining that those funds would flow, and Mark Mamantov can speak on this, what we would do is the funds would flow to the City and the IDB and we would enter into intergovernmental agreements that are permissible with CHA and with the County for the education. Mr. Hayes asked if this would come back to this Board for approval or is that all to the City Council? Mr. Freeman stated those would be approved by the City Council and the County Commission. Is there a public hearing for this project what we can provide. Mr. Freeman stated there is a public hearing for this project. Ideally, we would like that to happen, if we can allow the timeline at the next meeting of the IDB, which is not the first Monday of July because of the 4<sup>th</sup> of July holiday but the following on July 10<sup>th</sup>.

Mr. Freeman stated that Mr. Rodgers said that the Board had considered the possibility of selecting two names to serve for an entire year, fiscal year, or calendar year so the Board would not have to keep doing this process and they would represent the IDB on any TIF application. Ms. Jones stated that is correct. Mr. Noblett stated that should be done in an open meeting whenever that selection is.

Mr. Freeman stated would the Board be able to select two names and ratify those two names at a future meeting? They could do it as long as they did it at the next meeting before they did anything. This is a 20 year TIF and is 20 years per parcel so the developer would have the opportunity to trigger different parcels with different 20 year timeframes.

Our outgoing Chair did have a question about the resolution language, and Mr. Freeman would offer an amendment that would be helpful to the Board which is to amend the language of the resolution to strike the words, and it ends with consideration and approval, to strike the words “and approval” but to add the words City Council and Hamilton County Commission.

Ms. Jones stated the motion to amend the resolution so the amended resolution would read, “A resolution of intent accepting the application and attachments of the Urban Story Ventures as complete and submission of the Tax Increment Financing application for The Bend a/k/a The One Westside TIF area to the Chattanooga City Council and Hamilton County Commission for consideration”. Mr. Floyd stated to strike through. Ms. Jones re-stated the wording of the resolution, “A resolution of intent accepting the application and attachments from Urban Story Ventures as complete and submission of the Tax Increment Financing application for The Bend Area a/k/a The One Westside TIF area by the Chattanooga City Council and the Hamilton County Commission for consideration”. Correct. Mr. Parker made the motion to amend the resolution, seconded by Mr. Adkins, and the motion was unanimously approved.

Ms. Jones stated that we now have to vote to approve this amended resolution, Mr. Parker made a motion to approve the amended resolution, seconded by Mr. Floyd, and the motion was unanimously approved.

Ms. Jones stated that the Board will now talk about the two people that will represent the IDB on the Application Review Committee. Mr. Parker and Ms. Jones nominated themselves. Mr. Freeman asked Attorney Noblett that he wanted to make sure there is not a conflict in having the IDB members serve on the Application Review Committee. Attorney Noblett stated that we had that discussion previously. These members themselves, if they are making any deliberations

that occur, and they will have to do so in a public meeting for this body. That is the approach that was requested in the TIF request. Mr. Adkins made a motion to approve that Mr. Parker and Ms. Jones will serve on the Application Review Committee, seconded by Mr. Floyd, and the motion was unanimously approved.

The motions carried.

**ADOPTED-6/5/2023**

**RESOLUTION**

On motion of Mr. Sharpley, seconded by Mr. Parker,

A RESOLUTION AUTHORIZING THE EXECUTION OF A THIRD SUPPLEMENT TO AMENDED AND RESTATED TRUST INDENTURE RELATED TO REVENUE BONDS PREVIOUSLY ISSUED FOR THE BENEFIT OF BLUECROSS BLUESHIELD OF TENNESSEE, INC.

Mr. Jeff Billings is the Associate General Counsel for BlueCross BlueShield who spoke. This resolution involves seeking authorization to execute the Third Supplement to Amended and Restated Trust Indenture as a result of LIBOR being sunset as a standard that we calculate interest rates. We have had to settle on a new standard which is SOFR which is what the documents authorize and replace the LIBOR standard for the SOFR standard calculation.

The motion carried.

**ADOPTED-6/5/2023**

**PUBLIC HEARING ON PILOT POLICIES AND PROCEDURES**

Mr. Freeman stated that he will ask Charles Wood (CEO of the Chattanooga Area Chamber) to share some thoughts. We have been talking about drafting PILOT policies for quite some time. Historically, again, we have not had a PILOT policy. During that event, to Mr. Freeman's knowledge, have not adopted a PILOT policy by the City and the County and this is specifically for jobs PILOTs. There are different types of PILOTs that the City and the County consider. There are housing PILOTs and jobs PILOTs and in some communities do retail PILOTs. For the purposes of today's conversation, we are considering jobs PILOTs which under the state law the IDB has the opportunity to be a part of PILOT policies in much the same way that the Board approved the Lease Agreement for Kordsa. This is a reminder of the role of the IDB in helping to expand our local economy and to grow our local economy for the purposes of doing industry, trade, and commerce.

Some of the considerations that the Board will see in the draft received, the draft received is just an initial working draft. It is not in any way the final draft. It is not in any way a complete document. The City and County intend very much to continue working on this document and to

continue seeking advice, counsel, and feedback from some community groups and community partner to ensure that we are working and making sure that we are designing the policies in furtherance of the City's economic development goals.

As we think about economic development, Mr. Freeman reports to the Mayor of the City and has counter-partnered the reports to the County Mayor. Those are the Chief Economic Development officials for the City and County. It is their mission that we are often looking to execute and implement. We want policies that are also supportive by the City Council, we want policies that are also aligned with the objectives of the Chattanooga Climbs Campaign which Mr. Wood can speak to more, and we want PILOT policies that are streamlined to facilitate growth in key industries and sectors that have been identified.

Some of the key sectors will include: manufacturing, especially advanced manufacturing; especially in the automotive sectors and when it comes to electric vehicles, headquarters and office projects in the tech and innovation companies; logistics; and financial services. This Board has already done PILOTs that fit into both of these categories when the Board did the Novonix PILOT which Novonix is a company that manufactures components that go into batteries for electric vehicles. When the Board did the Steam Logistics PILOT, which is a company that uses office space, needed to expand its office space to create a regional headquarters in the John Ross Building. Distribution companies such as Amazon and commercial office and companies that are a part of the industry clusters. One of the reasons again that The Bend, One Westside TIF is an attractive prospect as a project for the City is because it will bring on the commercial office space and help us to attract and improve companies.

As part of the additional considerations for the PILOT policy, we also want to focus on the number of jobs being created under the policy, and the average wages of jobs and capital investment. Additional considerations could also be environmental sustainability, hire than average wages location in disinvestment areas, as well as the commitment to use to the greatest extent possible local hires, contractors, and partnerships with work force development and education. We also value companies that are providing additional benefits like health, dental, paid sick leave, etc. for companies because we believe that these things are beneficial to employees.

These are the standard terms of where we are currently with most PILOTs that we do today. In year one, you seen 100% abatement on property taxes. In year two, you typically see 75% abatement. In year three, you see 60% abatement. In years four through ten, you typically see 50% of abatement until the end of the PILOT. For the last few years, we have done PILOTs that did not exceed the maximum term of 10 years, and we are strongly recommending that you consider the policy and adopt the policy to sort of streamline the process. We would still encourage that any projects that fall outside of the policy that we adopt that those projects be considered before the City Council and County Commission.

We will continue as part of our next steps to collaborate with the County because we want to make sure that we are not working cross-purposes with the County in terms of our economic development strategies. We will continue discussions with the feedback with community partners, and we would also at some point of this process like to show a comparison between other comparable cities and their PILOT policies relative to what hopefully the Board will eventually

adopt. Additionally, once we and the IDB have had a chance to get behind some policies that you like, we would obviously like to put these policies forward for City Council's adoption.

Mr. Charles Wood stated that we historically have not had a policy in place for when projects come before this Board as well as the City Council and County Commission. As we have gone through this process over time, the opportunity is to formalize a structure. The goal around that is to de-politicize this. Typically, there are several other large communities across the state, Knoxville, where they have set policies in place and allows elected officials to adopt policies from a legislative perspective which sets expectations and standards for projects in the process. Our hope is to see a de-politicization of a process, and the second is to help our elected officials with having these standardized. Having this will really help and work through that process.

The disadvantage when we do this is that this will be out there for all the world to see so every other community that we compete with will also know exactly what our policy and structure is. We go into this knowing that, and part of the reason why Mr. Freeman mentioned in analyzing other communities and set of policies is to make sure that we keep Hamilton County in a competitive light.

Mr. Hayes asked Mr. Wood if he has a sense of any deals that we may have lost or where we have been in a posture of the market. Mr. Woods stated that a couple of things make it challenging. The first is the timeline which is challenging. There can be a lot of back and forth because we do not have a structured policy in place. If we had a set structure in place effectively where projects are looking at the steps and terms should be on the front end. The way Mr. Freeman brought this up is that if you deviate from the policies, that would require some different steps. This helps that expectations both on the part of the community and what they are expecting from companies but also from the company on what they can expect. We do track projects. There is an expectation that we will win every deal and that is not reality. You lose projects more than we win. Typically, when we stand in front of this body, we have worked through a lot of that negotiation from a competitive perspective to get to the point where we have the ability to win a project. The reality is that we are not as competitive as we should be on a number of projects. We have very large capital intensive projects. This helps to set the framework in place that will make us much more competitive.

The Board has the additional draft that was attached to the packet but as we continue to work through with community partners over the next several weeks, we can fine tune that draft and get it to a final version. Mr. Freeman would love to say we have a final version by July, but that is ambitious. Given the fact that when we went through the exercise for the TIF policies, it took us about four months. We could be looking at August, but we do want to make sure that rather than rush it, we want to make sure that we get it right and make sure that we have had a chance to meet with all of our community partners to get feedback. There is a public hearing on this.

**JOHN PATTON (COALITION OF COMMUNITY, FAITH & LABOR GROUPS)**  
**(CALEB)**

They have had the privilege to work with the City on some of the PILOT work, and he is very much in support of what Mr. Freeman just expressed. We were understating and would also like to be aligned with some of this ongoing discussion. We have not had the opportunity to meet. For the Board accommodation, they would like to ask for a continuance of this public hearing for the next month or maybe two months to make sure that we can properly work through some of the remaining topics of discussion. Mr. Patton would like to thank the City and its partners for working with them.

Mr. Freeman stated that from the Administration's perspective, we are more than happy to continue the public hearing to the next meeting, and as long as the process takes.

Mr. Hayes stated that the Board will have plenty of opportunity.



**DISCUSSION ITEMS**

- a. **Merger of Volkswagen Group of America, Inc. to Volkswagen Group of America – a New Jersey Corporation – DE Corp. Chattanooga Operations, LLC, affiliates and assigns. The Memorandum of Understanding #2 allows assignment. Does the Board have a problem with the new name? Volkswagen does not want to lose their PILOT benefits.**

Attorney Noblett stated that this item will depend on an amendment – it does allow under the agreement currently any affiliates and assigns under Section 2 of the Memorandum of Understanding with Volkswagen. The question is when will the changing of names occur and the new entities or assignments be developed, and what effect will that have on the existing PILOT.

Mr. Ian Leavy (General Counsel for Volkswagen) said that this is more than an informational activity here. Both the original Memorandum of Understanding in bringing Volkswagen to Chattanooga was named Volkswagen Group of America, Inc. The second MOU regarding the expansion the attorney referenced is in the name of Volkswagen Group of America Chattanooga Operations, LLC is a Tennessee LLC and is single-member managed. The single member is Volkswagen Group of America, Inc. The PILOT agreement is in the name of Volkswagen Group of America Chattanooga Operations, LLC, or affiliates. Essentially, both legal entities are covered by all of the agreements that we have for the City and County with this Board and the state and as we explore and evaluate merging two entities together, we want to make sure the Board is aware and there are no issues or disadvantage issues. There is really no approval that is being sought. The notification as of yet is that the merger has not been completed and if and when that occurs and the merger documents are created and to the extent that it needs to be assigned to an

existing entity, then we will come back to this Board. Right now there is nothing to do other than to let the Board know.

Attorney Noblett asked Mr. Leavy if it would still have to have some sort of ability to be able to operate here in Tennessee even if it became a Delaware corporation? Mr. Leavy stated correct. The Delaware corporation is not necessarily going to occur for right now.

b. **Jermaine Freeman will discuss the handling of the Growing Small Business Incentive Grant process going forward.**

Mr. Freeman stated that one of the things that the City is contemplating is streamlining the process for our small business grants. These are small businesses that apply for grants up to \$10,000.00, and those grants are directly connected to the creation of at least five full-time jobs. This Board has seen these grants come before the Board. There are a few in the pipeline.

As part of the process, one of things that we would like to do as a city is to start to move the application process and review of the grants to the Southeast Tennessee Development District (SETDD) which is a quasi-governmental organization that works closely with the City and County on several different initiatives, including processing of our Brownfield grants. It would streamline the process for the City to start to move those grants over to the SETDD to some point in the future.

At some point, we will come back with a resolution asking for the Board to authorize the transference of the program to SETDD just to help with the processing of the applications. The decisions as to whether or not companies are awarded will still rely on this Board. The SETDD will make their recommendations and come back before this Board for the Board's final decision.

c. **Ernst & Young study for the July meeting.**

Mr. Freeman stated as part of the continued work in economic development with the Chamber, there is a lot of work that Ernst & Young has done contemplating the City's growth and contemplating sort of our economic development future. Mr. Wood and Mr. Freeman thought that it would be good for Ernst & Young to be able to share that information with this body given the fact that this Board is such a key part of our economic development work here in the City.

Mr. Wood stated they had a Steering Committee of about 15 folks, more than 1,200 community members surveyed, and the City Council and Hamilton County Commission in the process. It has been out there a little bit and for us it really focuses on three-core tenants and one is more traditional and economic growth as you see in PILOTs, and the second is around work force development, and the third is innovation and technology.

We have guiding principles that follow and cut across all three of those three tenants so economic mobility is a pretty significant one as well as economic inclusion and collaborative leadership over engagement in multiple sectors are those principles as part of that plan. We will run some of the highlights to be helpful for this group to see and particularly around things like industry sectors around some of our strategic initiatives. We are focused on fair service development, on talent attractions, purpose plan, and to connect some of our marketing strategy in technology. It has not been approved by the Board but the Steering Committee has recommended that. In July, the Board will hear a presentation.

After further discussion, a motion was made by Mr. Sharpley to adjourn the meeting at 12:10 PM.

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**GORDON PARKER, *Secretary***

APPROVED:

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**KERRY HAYES, *Chair***



Maria Manalla &lt;mmanalla@chattanooga.gov&gt;

## ATM Planned Comments on Bend TIF Application at 06-05-2023 IDB Meeting

1 message

Helen Burns Sharp <untiedlaces@gmail.com> Sun, Jun 4, 2023 at 12:36 PM  
To: Kerry Hayes <kerry.hayes@gmail.com>, Gordon Parker <sgordonparker1@gmail.com>, Ray Adkins <adkins@epbfi.com>, Althea Jones <arjones@tva.gov>, James Floyd <jim.floyd@inspexservices.com>, Jimmy Rodgers <jrodgers@summersfirm.com>, Patrick Sharpley <psharpley@iw704jatc.com>  
Cc: Jermaine Freeman <jfreeman@chattanooga.gov>, Phil Noblett <pnoblett@chattanooga.gov>, Manalla Maria <mmanalla@chattanooga.gov>, Richard Beeland <rbeeland@chattanooga.gov>, Cory Gearrin <CoryG@hamiltontn.gov>, Jimmy White <jimmy.white@urbanstoryventures.com>, Brad Shumpert <brad.shumpert@urbanstoryventures.com>

Helen Burns Sharp on behalf of Accountability for Taxpayer Money. ATM is a public interest advocacy group focused on tax incentives and government transparency.

I have a few brief comments/questions about the application materials on the Bend/Westside TIF in your agenda packet. Likely most of these questions will be addressed in the presentations by the applicant and city staff later in this meeting.

### **1) How much is the applicant requesting in TIF property and sales tax assistance?**

Question 11 in the Application (Exhibit A) asks for the total amount of TIF assistance requested. The applicant references Schedule 10 and the pro forma in Exhibit D. The master summary prepared by Younger Associates (Schedule 10) shows \$275 million as the total designated to TIF, with \$192 million from property taxes and \$83 million in sales taxes dedicated to a brownfield TIF.

The pro forma shows the TIF Increment as \$115 million.

### **2) Is this a debt service TIF where the city issues a bond or is it a 'pay-as-you-go' TIF where the TIF increment is used to reimburse the applicant for deliverables?**

### **3) If a TIF bond is contemplated, what is the projected cost of the capitalized interest that would be paid over the life of the TIF?**

### **4) Other than for public infrastructure at the Bend, what else will TIF funds go towards?**

A May 27th *Times Free Press* article following the announcement of the TIF says that 53 percent of the extra property tax revenues generated by the development will be used to help the Chattanooga Housing Authority fund its Westside redevelopment, along with providing funding for some of the cost of a new downtown school, fire hall, and stormwater and sidewalk upgrades downtown. Sounds wonderful as "public benefit." What is the definition of "extra." When and by whom would the amount be determined? Does the State require some specificity on all elements of TIFs? The applicant is very specific about the infrastructure at the Bend site to be financed with TIF funds but these other items are general and are not mentioned or located in any of the attachments to the application.

### **5) Please explain more about the term of the TIF.**

Question 12 on the Application (Exhibit A) asks the number of years TIF assistance is requested. The applicant's response is "20 years upon completion of each phase of construction." There are 3 phases. As each phase ends, will the property for that phase go back on the tax rolls? Are there estimates on when each phase will likely be completed?

### **6) Was a third-party review done on this application by "an independent consulting firm with experience in public finance and real estate development, at the expense of the Applicant, to evaluate the Applicant's financial projections for the Applicant's Project to assist in evaluating whether the amount and allocation period of Tax Increment Incentive requested by the Applicant is required for Applicant to receive a commercially reasonable return on investment with respect to the Applicant's Project?"**

.This wording is from the TIF policy adopted by the IDB on April 17, 2023. It calls for a BUT FOR analysis, which is different from the Younger Economic Impact Analysis. The application includes the Younger tables but does not reference a review done by a firm with experience in public finance.

**7) As part of addressing the Public Infrastructure Need (Schedule 5), was there a discussion about the need for and the funding of a new connecting road for the several "block" area between the Bend TIF at West 19th and the Stadium TIF?**

Just curious. Not the responsibility of this applicant.

**8) Will the July IDB agenda include the appointment of two members to the Application Review Committee for this TIF project?**

Thanks to the Board, as always, for your time and dedication.

Respectfully--

~Helen

Helen Burns Sharp | tel. m. 423-994-2382 |  
129 Walnut St., Unit 444  
Chattanooga, TN 37403

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

FINANCIAL REPORT

JUNE 30, 2022 AND 2021



**CERTIFIED PUBLIC ACCOUNTANTS**

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

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# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## Board Member Roster

Ray Adkins Appointed by City Council	3rd Term Jun 15, 2021 to Jun 15, 2027
Althea Jones, Vice-Chair Appointed by City Council	1st Term Jul 25, 2017 to Jun 13, 2024
Jimmy F. Rodgers, Chair Appointed by City Council	2nd Term Oct 07, 2020 to Oct 07, 2026
Kerry Hayes Appointed by City Council	1st Term Apr 20, 2021 to Apr 20, 2027
Patrick Sharpley, Secretary Appointed by City Council	1st Term Apr 24, 2021 to Jun 15, 2027
James Floyd Appointed by City Council	1st Term May 4, 2021 to Jun 13, 2024
Gordon Parker, Assistant-Secretary Appointed by City Council	1st Term May 17, 2022 to May 17, 2028

The Board meets on 1<sup>st</sup> Monday of the month at 11:00 a.m. in the City Council Assembly Room, 1000 Lindsay Street, Chattanooga, TN 37402.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Industrial Development Board of the City of Chattanooga  
Chattanooga, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Industrial Development Board of the City of Chattanooga, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinions, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Industrial Development Board of the City of Chattanooga, and the respective changes in its financial position and its cash flows as of and for the years ended June 30, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Industrial Development Board of the City of Chattanooga and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the entity's basic financial statements. The accompanying schedule of expenditures of state awards and combining program schedule are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of state awards and combining program schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards and combining program schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Chattanooga, Tennessee  
June 5, 2023

*Henderson Hutcherson  
& McCullough, PLLC*

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The Industrial Development Board of the City of Chattanooga (IDB) was established in 1967 for the purpose of undertaking financing and development of projects to promote industry, trade, commerce, tourism, recreation, and housing construction in Chattanooga.

Pursuant to a July 2008 Memorandum of Understanding (MOU), as amended, by and among Volkswagen Group of America, Inc., the State of Tennessee, Hamilton County, the City of Chattanooga, the Chattanooga Area Chamber of Commerce, and the Industrial Development Board, the IDB was awarded \$210.8 million in grants from the State of Tennessee as incentives to build a billion-dollar automotive plant; an additional \$46 million in local government funding was also pledged. In June 2014, a second MOU was entered into whereby the state awarded an additional \$165.8 million in incentives. An additional \$52.5 million was pledged by the City and County to be shared equally. In June 2017, an amendment increased the State incentive to \$168.9 million. These additional capital contributions support a Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) expansion to include a production line for a new sports utility vehicle and a national research and development center. In May 2022, a third MOU from the State provided another \$50 million incentive grant to VW through IDB for electric vehicle production.

In fiscal year 2014, IDB entered into a Tax Incremental Financing (TIF) agreement with Black Creek, LLC after the City Council approved the economic impact plan on resolution 27143 dated June 9, 2012. In fiscal year 2018, IDB entered into a second TIF agreement with Evergreen Real Estate after the City Council approved the economic impact plan on resolution 29336 on February 20, 2018. In fiscal year 2020, IDB entered into the third TIF agreement for the East Chattanooga Rising Development Area. City Council approved the economic impact plan on resolution 30147 on December 3, 2019. One of the world's biggest paint and coating makers, Nippon Paint, is to build a 270,000-square-foot manufacturing complex on site. While undertaking the site development construction, the City of Chattanooga agreed to loan \$4 million to IDB to finance certain tax increment eligible cost relating to the construction in November of 2020. This loan is considered a conduit debt, so it is only disclosed on the City of Chattanooga's Comprehensive Annual Financial Report. The TIF agreement refunds taxes to support infrastructure and commercial real estate development. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation and less allowable city and county expenses.

In fiscal year 2015, the City of Chattanooga's Department of Economic Development began a program called Economic Development Incentive Program (EDIP) to assist, support and incentivize local businesses and workforce to develop and grow. Since 2015, through City appropriation and the Economic Development Lease Payment from qualifying businesses, EDIP has been expanded into the following programs:

- Growing Small Business Incentive Plan which provides incentives for small businesses with 100 or fewer employees in the city to create more jobs.
- Technology Workforce Development brings city residents, technology companies and our workforce training partners together to train and reskill residents to embrace the future of Chattanooga.
- Small Business Construction Mitigation Grant awards qualified businesses that are impacted by construction projects in the city.
- Renewing Chattanooga helps combat blight, vacant, and abandoned properties in underserved communities throughout the city that fall into despair.

(Continued)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Business Development fund dollars are used to encourage private investment and existing businesses retention. Eligible expenses range from site surveys and property appraisals to marketing initiatives and matching grant opportunities
- Innovation grant funds are used to award businesses with innovative products, systems or technologies while creating ten or more Chattanooga-based full-time jobs.

Starting in the fiscal year 2016, IDB began to receive Economic Development Lease Payment from qualifying businesses. These lease payments are In Lieu of Property Tax Payment and are to be used to fund the EDIP programs directed by the City Mayor.

On October 8, 2020, IDB entered into a grant agreement with the Tennessee Valley Authority (TVA) to study a future enterprise project site in Chattanooga. The suitable preparation of the project site will attract more businesses to relocate here and advance job creation and job retention in the county and State. Of the project cost \$698,000, TVA is to provide 50 percent while Hamilton County and IDB provide an equal share of the remaining 50 percent.

In February of 2022, IDB executed an MOU with the City for the design and construction of wet weather equalization stations, estimated to cost \$125 million. As part of the environmental and economic infrastructure improvement project, this program's goal is to reduce or eliminate chronic sanitary sewer overflows in the regional sanitary sewer collection system and to prevent moratoriums on sanitary sewer connections under the city's consent decree.

As members of the Industrial Development Board of the City of Chattanooga, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Volkswagen Group of America, Inc.'s Project Site ("Project Site"), Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Project ("Expansion Site" and "Expansion Project"), Tax Increment Financing ("TIF"), Due Diligence Studies, and Economic Development Incentive Programs ("EDIP") for the City of Chattanooga for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented herein in conjunction with additional information provided in the notes to the basic financial statements, which can be found beginning on page 12 of this report.

### Financial Highlights

- Net position at the end of the most recent fiscal year is \$441.2 million. \$439.1 million of that amount is invested in the development of the Project Site and Expansion Site of VWGoA automotive plant.
- Net position increased \$65,026 primarily due to \$281,400 Economic Development Lease Payment collected from qualifying businesses.
- Due Diligence Studies expensed \$173,668 in grant costs this year.

### Overview of Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the financial statement of the Project and Expansion Site of VWGoA along with certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Operations are accounted for in a single proprietary fund. The basic financial statements consist of financial statements and related notes to the financial statements.

(Continued)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The *Statement of Net Position* presents financial information on the Project and Expansion Site's assets and liabilities with the difference reported as net position. Net position is primarily invested in leased assets and represents the amount of grants dollars expended to build and equip the Project and Expansion Site. Costs incurred by VWGoA are not included.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported on an accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, financial transactions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

*Notes to the Financial Statements* provide additional information that is essential for a full understanding of the data provided in the financial statements.

The financial statements can be found beginning on page 10 of this report; notes to the financial statements can be found beginning on page 14 of this report.

### Financial Analysis

Assets exceeded liabilities by \$441.2 million at the close of the most recent fiscal year; of this amount, \$439.1 million reflects investment in leased assets (e.g., land, buildings and infrastructure). An additional \$28,971 is restricted for construction and another \$2.3 million is restricted for Economic Development Incentive Programs.

	Net Position		
	June 30, 2022	June 30, 2021	June 30, 2020
Current and other assets	\$ 2,634,830	\$ 2,617,694	\$ 1,243,835
Noncurrent asset	441,908	428,960	500,000
Leased assets	<u>439,063,898</u>	<u>439,036,981</u>	<u>438,884,473</u>
Total assets	<u>442,140,636</u>	<u>442,083,635</u>	<u>440,628,308</u>
Current liabilities	<u>904,162</u>	<u>912,187</u>	<u>38,125</u>
Net position			
Investment in capital assets	439,063,898	439,036,981	438,855,502
Restricted for construction	28,971	28,971	28,971
Restricted for interlocal government agreements	-	3,603	-
Restricted for TIF	(186,030)	1,500	-
Restricted	<u>2,329,635</u>	<u>2,100,393</u>	<u>1,705,710</u>
Total net position	<u>\$ 441,236,474</u>	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>

Total assets increased \$57,001. Cash on hand decreased \$11,705 mostly due to the TIF payments received from Hamilton County and City being issued to the developers before the end of the fiscal year. TVA grant receivables increased by \$173,668 for the anticipated reimbursement. The cash held by the Southeast TN Development District, the agency handling the COVID Bridge Loan given to area businesses as a form of assistance during the pandemic, increased by \$85,933 due to a few businesses began paying back their loans this year. The interest payable on the loan increased by \$189,030 as the first year interest payment of the 20-year TIF loan became due on June 30, 2022. There is no long-term debt associated with the Project and Expansion Site.

(Continued)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in Net Position**

	<b>Year ended June 30, 2022</b>	<b>Year ended June 30, 2021</b>	<b>Year ended June 30, 2020</b>
<b>Revenues</b>			
City of Chattanooga	\$ 986,766	\$ 813,156	\$ 545,013
Hamilton County payment	412,834	440,598	254,681
State of TN	-	-	665,312
TVA	86,834	194,658	-
TIF application revenue	1,500	-	-
Econ. Dev. Incentive Revenue	281,400	625,403	387,273
Allowance for bad debt	12,949	(71,040)	-
Miscellaneous revenue	<u>10</u>	<u>-</u>	<u>-</u>
Total revenues	1,782,293	2,002,775	1,852,279
<b>Expenses</b>			
TIF expenses	1,545,213	1,059,096	799,694
Grant expenditures	173,668	389,316	-
Grant award	21,700	22,927	150,913
Other expenditures	<u>-</u>	<u>-</u>	<u>665,312</u>
Total expenses	1,740,581	1,471,339	1,615,919
Operating income (loss)	41,712	531,436	236,360
<b>Capital grants and contributions:</b>			
State grant 3.1	-	-	17,777,321
City of Chattanooga 6.2	9,856	70,904	179,297
Hamilton County 6.2	13,458	76,254	184,512
Transfer in	43,417	-	-
Transfer out	<u>(43,417)</u>	<u>(97,329)</u>	<u>-</u>
Total capital contributions	<u>23,314</u>	<u>49,829</u>	<u>18,141,130</u>
Change in net position	<u>65,026</u>	<u>581,265</u>	<u>18,377,490</u>
Net position, beginning	<u>441,171,448</u>	<u>440,590,183</u>	<u>422,212,693</u>
Net position, ending	<u>\$ 441,236,474</u>	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>

The change in net position for this fiscal year increased slightly. It mainly contributed from the collection of Economic Development Lease Payments from area businesses.

**Analysis of Budget Variations**

The budget for the Project and Expansion Site is on a cumulative basis. The difference reflects the amount of grant revenue remaining within the grant period.

(Continued)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Budgetary Highlights**

	<u>Estimated Revenues</u>	<u>Actual Revenues</u>
Revenue source:		
State of Tennessee 6.1	\$ 92,919,998	\$ 92,919,998
State of Tennessee 6.2	72,705,000	72,705,000
State of Tennessee 9.10	1,965,905	1,965,905
State of Tennessee 3.1	168,877,867	168,877,867
State of Tennessee 2.1	50,000,000	-
Local 6.2 1st MOU	40,000,000	39,946,743
Local 6.2 2nd MOU	52,500,000	52,048,430
Letter of Intent	5,000,000	-
Private donations	90,525	90,525
	<u>\$ 484,059,295</u>	<u>\$ 428,554,468</u>

**Leased Assets**

The Project and Expansion Site and Project's investment in leased assets is \$439.1 million. The investment in leased assets includes land and leased assets for the building and equipment. There is no depreciation recorded as this entire investment is leased to VWGoA under a 30 year Payment-in-Lieu-of-Tax Agreement provision in the MOU. The lease expires July 2038.

**Leased Assets**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Land	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Depreciable leased assets	<u>429,063,898</u>	<u>429,036,981</u>	<u>428,884,473</u>
Total capital assets	<u>\$ 439,063,898</u>	<u>\$ 439,036,981</u>	<u>\$ 438,884,473</u>

**State Grants Status**

The Project Site and Expansion Site and Project state grants are budgeted on a cumulative grant basis. Ending dates for the grants are as follows:

State grant 6.1	Expired June 30, 2015	\$ 92,919,998
State grant 6.2	Expired June 30, 2015	\$ 72,705,000
State grant 9.10	Expired April 30, 2017	\$ 1,965,905
State grant 3.1	Expired March 6, 2020	\$ 168,877,867
State grant 2.1	Expires July 31, 2024	\$ 50,000,000

## **Requests for Information**

This financial report is designed to provide a general overview of the Industrial Development Board of the City of Chattanooga activities related to the Project and Expansion Site of VWGoA, and certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Questions concerning any of the information provided in this report should be addressed to the City of Chattanooga Finance Department who is acting as the fiscal agent of the board.

City of Chattanooga Finance Department  
101 East 11<sup>th</sup> Street; Suite 101  
Chattanooga, Tennessee 37402  
(423) 643-7363  
[www.chattanooga.gov](http://www.chattanooga.gov)

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

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<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,071,845	\$ 2,083,550
Receivables:		
City of Chattanooga	-	97,329
Hamilton County	140,746	242,157
TVA	281,493	194,658
Other	<u>140,746</u>	<u>-</u>
Total current assets	<u>2,634,830</u>	<u>2,617,694</u>
<b>NONCURRENT ASSETS</b>		
Leased assets, land	10,000,000	10,000,000
Leased assets, depreciable	429,063,898	429,036,981
Account receivable - Southeast Tennessee Development District	112,335	26,402
Notes receivable - Southeast Tennessee Development District, net of allowance for bad debt	<u>329,573</u>	<u>402,558</u>
Total noncurrent assets	<u>439,505,806</u>	<u>439,465,941</u>
<b>TOTAL ASSETS</b>	<u>\$ 442,140,636</u>	<u>\$ 442,083,635</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

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	<b>2022</b>	<b>2021</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Due to City of Chattanooga	\$ 553,335	\$ 284,168
Accrued liabilities - Project & Expansion Site	-	2,005
Accrued liabilities - TIF	-	313,288
Accrued liabilities - Due Diligence Studies	9,650	215,397
Accrued liabilities - EDIP	152,147	97,329
Retainage payable	<u>189,030</u>	<u>-</u>
Total current liabilities	<u>904,162</u>	<u>912,187</u>
<b>NET POSITION</b>		
Investment in leased assets	439,063,898	439,036,981
Restricted for construction	28,971	28,971
Restricted for interlocal government agreement cost	-	3,603
Restricted for TIF	(186,030)	1,500
Restricted for economic development incentive programs	<u>2,329,635</u>	<u>2,100,393</u>
Total net position	<u>441,236,474</u>	<u>441,171,448</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 442,140,636</u></u>	<u><u>\$ 442,083,635</u></u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>		
City of Chattanooga	\$ 986,766	\$ 813,156
Hamilton County	412,834	440,598
TIF application revenue	1,500	-
TVA	86,834	194,658
Economic development incentive program grant revenue	281,400	625,403
Allowance for bad debt	12,949	(71,040)
Miscellaneous revenue	<u>10</u>	<u>-</u>
Total revenues	<u>1,782,293</u>	<u>2,002,775</u>
<b>EXPENSES</b>		
Tax increment financing expenses	1,545,213	1,059,096
Due diligence studies	173,668	389,316
Economic development incentive program grant awards	<u>21,700</u>	<u>22,927</u>
Total expenses	<u>1,740,581</u>	<u>1,471,339</u>
<b>OPERATING INCOME</b>	<u>41,712</u>	<u>531,436</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>		
City of Chattanooga local matching funds	9,856	70,904
Hamilton County local matching funds	13,458	76,254
Transfers in	43,417	-
Transfers out	<u>(43,417)</u>	<u>(97,329)</u>
Total capital contributions and transfers	<u>23,314</u>	<u>49,829</u>
<b>CHANGE IN NET POSITION</b>	65,026	581,265
<b>NET POSITION, beginning</b>	<u>441,171,448</u>	<u>440,590,183</u>
<b>NET POSITION, ending</b>	<u>\$ 441,236,474</u>	<u>\$ 441,171,448</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from local governments	\$ 1,782,293	\$ 1,642,009
Payments of grant awards and TIF expenses	<u>(1,636,352)</u>	<u>(671,406)</u>
Net cash from operating activities	<u>145,941</u>	<u>970,603</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash receipts (disbursements) from capital contributions	(5,527)	(47,500)
Payments for leased assets	<u>(152,119)</u>	<u>(7,339)</u>
Net cash from financing activities	<u>(157,646)</u>	<u>(54,839)</u>
Net increase (decrease) in cash	(11,705)	915,764
Cash and cash equivalents - beginning	<u>2,083,550</u>	<u>1,167,786</u>
Cash and cash equivalents - ending	<u>\$ 2,071,845</u>	<u>\$ 2,083,550</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 41,712	\$ 531,436
Adjustments not affecting cash:		
(Increase) decrease in receivable - Hamilton County	101,760	(166,108)
(Increase) decrease in receivable - TVA	(86,835)	(194,658)
Increase (decrease) in due to others - City	366,496	173,919
Increase (decrease) in accrued liabilities - Project & expansion	(2,005)	-
Increase (decrease) in accrued liabilities - Due Diligence Studies	(205,747)	215,397
Increase (decrease) in accrued liabilities - TIF	(313,288)	313,288
Increase (decrease) in accrued liabilities - TIF Loan	189,030	-
Increase (decrease) in accrued liabilities - EDIP	<u>54,818</u>	<u>97,329</u>
Total adjustments	<u>104,229</u>	<u>439,167</u>
Net cash from operating activities	<u>\$ 145,941</u>	<u>\$ 970,603</u>

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization and Nature of Activities**

The Industrial Development Board of the City of Chattanooga (the “Board”) is a public corporation formed pursuant to the provisions of the Tennessee Industrial Development Corporation Act. The Board performs public functions on behalf of the City of Chattanooga (the “City”), and its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in these activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial entities. The accompanying financial statements include the activities of Volkswagen Group of America, Inc.’s Project Site (“Project Site”), Volkswagen Group of America Chattanooga Operations, LLC’s (VWGoA) Expansion Site and Project (“Expansion Site” and “Expansion Project”), and Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) Partnership Agreement (“Partnership Agreement”), as well as management of the City of Chattanooga’s Tax Increment Financing (“TIF”) program and certain economic development incentives.

The financial statements of the Project Site have been prepared in accordance with the United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies are described below.

#### **Basis of Accounting**

The accompanying financial statements are prepared using the accrual basis of accounting. The measurement focus is upon the determination of financial position, changes in net position, and changes in cash flows. The accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets and liabilities (whether current or noncurrent) associated with the Board’s activities are included in the statement of net position.

These financial statements distinguish operating revenues from nonoperating items. Operating revenues include city appropriation for economic development incentive programs and the accompanying schedule of expenditures of state awards includes the state activity of Project Site and Expansion Site of VWGoA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Audit Manual of the State of Tennessee, Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash balances in banks, and cash held by the City of Chattanooga as the Board's agent. On June 30, 2022 and 2021, all cash is held by the City as the Board's agent and is designated for uses authorized by capital contracts and the Board approving disbursements. The City's policies limit deposits to those instruments allowed by applicable state laws. The deposits must be covered by state depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the State Reserve Banks acting as third-party agents.

#### **Accounts Receivable**

Accounts and notes receivable are reported net of an allowance for doubtful accounts. The allowance is based on the Board's estimate of the amount of receivables that will actually be collected. Once receivables are determined to be uncollectible, they are written off through a charge against revenues. As of June 30, 2022 and 2021, the board established an allowance for doubtful accounts of \$58,108 and \$71,000, respectively.

#### **Leased Assets**

Leased assets (including infrastructure) are recorded at historical cost. Contributed leased assets are recorded at their estimated fair market value on the date contributed. Leased assets include public domain infrastructure assets consisting of buildings, roads, streets and sidewalks, sewers, lighting systems, and drainage systems. The Project Site and Expansion Site define leased assets as assets with an estimated useful life of three years or greater.

Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Any costs incurred for repairs and maintenance are expensed as incurred. Because the Board holds these assets in a lease for the Project Site and Expansion Site, no depreciation expense was recorded for the years ended June 30, 2022 and 2021.

#### **Net Position**

The Board's financial statements utilize a net position presentation. Net position is categorized as investment in leased assets, restricted and unrestricted. As of June 30, 2022 and 2021, the Board has no debt related to leased assets.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Net Position** (Continued)

Investment in Leased Assets – is intended to reflect the portion of net position which is associated with non-liquid leased assets less outstanding leased asset related debt.

Restricted Net Position – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. The Board’s policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

#### **Program Revenues**

The Board is a recipient of grant revenues for the Project Site and the Expansion Site and recognizes these revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the Project Site before the eligibility requirements are met are reported as deferred revenues. Some grants and contributions consist of resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the Board.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

### **NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS**

The Board has an administrative services agreement with the City of Chattanooga (the City). The City provides administrative services to the projects and programs covered by these financial statements at no cost. These services include but are not limited to legal, financial management, accounting and reporting, clerical and other ordinary, necessary services for oversight, including the retention and maintenance of records.

#### **Project Site**

During the fiscal year ending May 31, 2009, Volkswagen Group of American, Inc. (VW) announced its decision to build a \$1 billion automotive production facility in Chattanooga, Tennessee. The announcement was the culmination of years of extensive economic development efforts by the City. The VW facility is expected to contribute to the economic expansion of the City and the surrounding region for years to come. The Project Site is being developed for the VW facility.

In connection with the development of the VW Project Site, the Board, the City, Hamilton County, Tennessee (the “County”), the State of Tennessee (including various state agencies), and the Greater Chattanooga Area Chamber of Commerce (the “Chamber”) executed a Memorandum of Understanding (MOU). The provisions of the MOU include:

- Term of 30 years, to expire July 2038
- Identification of land parcels for the Project Site and Expansion Site
- State and local tax incentives
- Making the Project Site available and suitable for use by VW
- Training and administrative assistance
- Commitments of the City, the County, and the State of Tennessee
- Development of a Welcome Center

During the year ended May 31, 2009, the Board was awarded state grants for the Project Site, as follows:

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

### NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

#### Project Site (Continued)

1. Volkswagen Grant 6.1 totaling approximately \$79.6 million was awarded by the Tennessee Department of Finance and Administration for the development of the Project Site. In subsequent grant amendments, this amount was increased to \$96,019,864.
2. Volkswagen Grant 6.2 totaling approximately \$70 million was awarded by the Tennessee Department of Finance and Administration to provide additional infrastructure at the Project Site. The City and the County also committed to provide \$20 million each over four years for infrastructure.
3. Volkswagen Grant 9.10 totaling \$1,766,200 was awarded by the Tennessee Department of Economic and Community Development for the design and installation of sign for VWGoA facility and workforce recruitment campaign.

With funding from a Tennessee General Assembly appropriation, Volkswagen Grant 6.1 was initially awarded in July 2008. The State of Tennessee decided in June 2009 to utilize bond proceeds rather than an appropriation to fund the Project Site. As a result, Volkswagen Grant 6.1 was amended. The amendment caused the Board to obtain additional documentation from contractors developing the Project Site in order to comply with the amended grant. The Volkswagen Grant 9.1 was amended by the State of Tennessee, the Department of Economic and Community Development, and the Industrial Development Board of the City of Chattanooga for an additional \$1,766,200 to be awarded by the Tennessee Department of Finance and Administration. This amendment was made effective as of December 31, 2013.

The City and the County have worked diligently to develop the Project Site, and have provided funding, when needed, to prevent any interruptions in the development of the Project Site, and to ensure the Project Site is available and suitable for the VW facility. Pursuant to the MOU, the City and County transferred land with a fair market value of \$10,000,000 to the Project Site during the 2010 fiscal year.

State grants 6.1 and 6.2 related to the Project Site ended effective June 30, 2015 and state grant 9.10 related to the Project Site ended effective April 30, 2017.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

### NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

#### **Expansion Site**

In June 2014, a second MOU was entered into whereby the state awarded an additional \$165,778,000 in incentives subject to annual appropriation by the legislature in fiscal year 2016. An additional \$52.5 million was pledged by the City and County to be shared equally; of which \$20 million was appropriated in fiscal year 2015 and \$6,250,000 was appropriated in fiscal year 2016 by the City. The County appropriated the full amount in fiscal year 2015. These additional capital contributions support a VWGoA expansion to include a production line for a new sports utility vehicle and a national research and development center. In June 2017, an amendment was awarded which increased the State incentive to \$168,877,867. During fiscal year 2018, all grant expenditures were covered by local matching dollars. No state grant funds were requested during the year.

#### **Expansion Project**

As VW began to expand its production capacities to include the electric vehicle in the Chattanooga plant, a third MOU was entered into in May of 2022 whereby the state awarded \$50 million to cover project-related costs to VW through IDB. It requires VW to make a total capital investment of approximately \$800 million and hire 1,000 additional employees. A Letter of Intent (LOI) signed between VW, Hamilton County, City, and IDB on January 11, 2019 stipulates City and County each provide \$2.5 million to the IDB for the construction of certain capital projects for the benefit of VW's electric vehicle project at the site. This grant will end in July 2024.

#### **Tax Increment Financing (TIF)**

The Board is the administrative agent of the City of Chattanooga's TIF program. TIF's are arrangements in which taxes are refunded to help develop or redevelop areas within the City. These agreements are authorized by T.C.A. section 13-20-205. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation, less allowable municipal expenses.

The first TIF administered by the Board is the Black Creek Mountain. Tax year 2011 serves as the base year for the tax increments. The arrangement, approved in 2012, is effective for twenty years.

In May 2018, the Board approved the Development and Financing Agreement with Evergreen Real Estate regarding the M.L. King Extension Project to the Riverfront.

In fiscal year 2020, the Board took on the third TIF with the City of Chattanooga as the developer to complete the required significant public road and infrastructure upgrade in the Chattanooga East area. This project will enable Nippon Paint Automotive American to open its plant on site.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

### NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

#### **Economic Development Incentive Programs (EDIP)**

The Board administers certain economic development incentive programs for the City of Chattanooga Department of Economic Development.

Growing Small Business is the first program established in IDB. It provides incentives for businesses with one hundred or fewer employees that create five or more jobs within the prior twelve months. \$200,000 was provided by the City since the beginning of the program in 2015.

Economic Development Fee is a program that receives and holds the lease payments from the qualifying businesses. The money is used for City's economic development as directed by the Mayor of the City. \$500,000 was distributed among three EDIP programs in fiscal year 2020 so to fulfill each program's mission. Amid the onset of COVID-19, \$500,000 was disbursed as a part of the City's \$2.5 million 90-Day Stabilization Fund. As a "bridge" loan assistance until small businesses can apply and receive assistance from the federal government, this \$500,000 provided immediate relief to small businesses that have been adversely impacted by the executive orders issued by the Governor and Mayor to slow the spread of COVID-19. The loans term generally last between five to seven years.

Technology Workforce Development is a program that helps to ensure Chattanooga's residents have the skills and training needed to work in the growing tech sector of the community. \$100,000 was provided in 2015 an additional \$350,000 was provided by the City in 2018. \$50,000 was disbursed to Enterprise Center for the COVID-19 Coronavirus Digital Access Project for K-12 students in underserved communities.

Small Business Construction Mitigation Grant is a program that provides assistance to qualifying small businesses that are impacted by construction projects in the city. \$25,000 was provided in 2016 and an additional \$19,000 was provided by the City in 2018.

Renewing Chattanooga is a program that intends to provide façade grants for the physical renovation of disinvested and blighted properties in underserved communities throughout the City. This is a tool kit to help combat blight, vacant, and abandoned properties that fall into disrepair.

Business Development's mission is to encourage private investment and existing business retention. In fiscal year 2020, \$25,000 was disbursed to the Chattanooga Chamber of Commerce for a marketing campaign on behalf of small businesses impacted by the Coronavirus executive order closures.

Innovation program awards businesses with innovative products, systems or technologies while create local jobs.

(Continued)

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### **NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)**

#### **e2i2 Program**

In February 2022, IDB and the City entered into an MOU to execute a new program. This is an environmental and economic infrastructure improvement program that encompasses the clear Chattanooga and scenic city vision for Chattanooga by reducing sanitary sewage that enters the Tennessee River and waterways. At the estimated cost of \$125 million, this program will design and build Equalization Stations at strategic locations to reduce sanitary sewer overflows in the regional sanitary sewer collection system, comply with EPA Consent Decrees, and promote regional economic growth.

### **NOTE 3 – CONTINGENCIES**

The Project Site has received state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. Management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The Board is involved in certain claims arising from normal business activities. Management believes that neither the financial position nor results of operations of the Project Site will be materially affected by the final outcome of these proceedings.

### **NOTE 4 – CONDUIT DEBT OBLIGATIONS**

From time to time, the IDB has issued bonds and loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These debts are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither IDB, the City of Chattanooga, nor State is obligated in any manner for repayment of the bonds and loans. Accordingly, these debts are not reported as liabilities in the accompanying financial statements.

The IDB has five (5) outstanding loans and two (2) refunding revenue bonds, the original amounts of which were \$283,924,045. The outstanding principal at end of fiscal year 2022 is \$261,382,809.

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2022 through June 5, 2023 for potential recognition or disclosure in the financial statements. Except for the matter discussed in the following paragraph, management has not identified any other items requiring recognition or disclosure.

On July 12, 2022, the City Council approved the economic impact plan on resolution 31182 and as a result, IDB entered into a TIF agreement with Access Road, LLC to build the North River Commerce Center Industrial Park. It proposes to build significant Class A industrial space along North Access Road in Hixson adjacent to the Corsa facility which is the former Dupont site. It has the potential to create hundreds of new jobs on a site and bring people back into the labor market and provide opportunities for working people to their families.

On August 1, 2022, IDB approved and submitted to the City Council an economic impact plan for the South Broad District Area Plan to promote and accelerate the economic development of the South Broad District where a new stadium is expected to be constructed. It is intended to be a catalytic project to promote and accelerate the redevelopment of the area.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2022

<b>ASSETS</b>					
	<b>Project and Expansion Site</b>	<b>Tax Increment Financing</b>	<b>Due Diligence Studies</b>	<b>Economic Development Incentive</b>	<b>Total</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 28,971	\$ 3,000	\$ -	\$ 2,039,874	\$ 2,071,845
Receivable:					
Hamilton County	-	-	140,746	-	140,746
TVA	-	-	281,493	-	281,493
Other	-	-	140,746	-	140,746
	<u>28,971</u>	<u>3,000</u>	<u>562,985</u>	<u>2,039,874</u>	<u>2,634,830</u>
Total current assets					
	<u>28,971</u>	<u>3,000</u>	<u>562,985</u>	<u>2,039,874</u>	<u>2,634,830</u>
<b>NONCURRENT ASSETS</b>					
Leased assets, land	10,000,000	-	-	-	10,000,000
Leased assets, depreciable	429,063,898	-	-	-	429,063,898
Account receivable - Southeast Tennessee Development District	-	-	-	112,335	112,335
Note Receivable - Southeast Tennessee Development District	-	-	-	387,681	387,681
Allowance for bad debt	-	-	-	(58,108)	(58,108)
	<u>439,063,898</u>	<u>-</u>	<u>-</u>	<u>441,908</u>	<u>439,505,806</u>
Total noncurrent assets					
	<u>439,063,898</u>	<u>-</u>	<u>-</u>	<u>441,908</u>	<u>439,505,806</u>
<b>TOTAL ASSETS</b>	<u>\$ 439,092,869</u>	<u>\$ 3,000</u>	<u>\$ 562,985</u>	<u>\$ 2,481,782</u>	<u>\$ 442,140,636</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2022

<b>LIABILITIES AND NET POSITION</b>					
	<b>Project and Expansion Site</b>	<b>Tax Increment Financing</b>	<b>Due Diligence Studies</b>	<b>Economic Development Incentive</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>					
Due to City of Chattanooga	\$ -	\$ -	\$ 553,335	\$ -	\$ 553,335
Accrued liabilities - Due Diligence Studies	-	-	9,650	-	9,650
Accrued liabilities - EDIP	-	-	-	152,147	152,147
Retainage payable	-	189,030	-	-	189,030
	<u>-</u>	<u>189,030</u>	<u>-</u>	<u>-</u>	<u>189,030</u>
Total current liabilities	<u>-</u>	<u>189,030</u>	<u>562,985</u>	<u>152,147</u>	<u>904,162</u>
<b>NET POSITION</b>					
Investment in leased assets	439,063,898	-	-	-	439,063,898
Restricted for construction	28,971	-	-	-	28,971
Restricted for TIF	-	(186,030)	-	-	(186,030)
Restricted for economic development incentive programs	-	-	-	2,329,635	2,329,635
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,329,635</u>	<u>2,329,635</u>
Total net position	<u>439,092,869</u>	<u>(186,030)</u>	<u>-</u>	<u>2,329,635</u>	<u>441,236,474</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>					
	<u>\$ 439,092,869</u>	<u>\$ 3,000</u>	<u>\$ 562,985</u>	<u>\$ 2,481,782</u>	<u>\$ 442,140,636</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

COMBINING PROGRAMS  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
<b>REVENUES</b>					
City of Chattanooga	\$ -	\$ 986,766	\$ -	\$ -	\$ 986,766
Hamilton County	-	369,417	43,417	-	412,834
TVA	-	-	86,834	-	86,834
TIF application revenue	-	1,500	-	-	1,500
Economic development incentive program grant revenue	-	-	-	281,400	281,400
Allowance for bad debt	-	-	-	12,949	12,949
Miscellaneous revenue	-	-	-	10	10
	<u>-</u>	<u>1,357,683</u>	<u>130,251</u>	<u>294,359</u>	<u>1,782,293</u>
<b>EXPENSES</b>					
Tax increment financing expenses	-	1,545,213	-	-	1,545,213
Due diligence studies	-	-	173,668	-	173,668
Economic development incentive program grant awards	-	-	-	21,700	21,700
	<u>-</u>	<u>1,545,213</u>	<u>173,668</u>	<u>21,700</u>	<u>1,740,581</u>
<b>OPERATING INCOME</b>	<u>-</u>	<u>(187,530)</u>	<u>(43,417)</u>	<u>272,659</u>	<u>41,712</u>

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

COMBINING PROGRAMS  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
(Continued)					
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>					
City of Chattanooga local matching funds	\$ 9,856	\$ -	\$ -	\$ -	\$ 9,856
Hamilton County local matching funds	13,458	-	-	-	13,458
Transfers in	-	-	43,417	-	43,417
Transfers out	-	-	-	(43,417)	(43,417)
	<u>23,314</u>	<u>-</u>	<u>43,417</u>	<u>(43,417)</u>	<u>23,314</u>
Total capital contributions and transfers	23,314	-	43,417	(43,417)	23,314
<b>CHANGE IN NET POSITION</b>	23,314	(187,530)	-	229,242	65,026
<b>NET POSITION, beginning</b>	<u>439,069,555</u>	<u>1,500</u>	<u>-</u>	<u>2,100,393</u>	<u>441,171,448</u>
<b>NET POSITION, ending</b>	<u>\$ 439,092,869</u>	<u>\$ (186,030)</u>	<u>\$ -</u>	<u>\$ 2,329,635</u>	<u>\$ 441,236,474</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED JUNE 30, 2022

State Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Accrued Grant Revenue July 1, 2021	Cash Receipts	Expenditures	Adjustments	Accrued Grant Revenue June 30, 2022
<b>STATE GRANTS</b>						
Tennessee Valley Authority						
Due Diligence Studies	15328	\$ (389,316)	\$ -	\$ 86,834	\$ (194,658)	\$ (281,492)
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<u>\$ (389,316)</u>	<u>\$ -</u>	<u>\$ 86,834</u>	<u>\$ (194,658)</u>	<u>\$ (281,492)</u>

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

JUNE 30, 2022 AND 2021

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### **Basis of Presentation**

The accompanying schedule of expenditures of state awards includes the state activity of the Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site and Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Audit Manual of the State of Tennessee, Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. During fiscal year 2022, all grant expenditures were covered by local matching dollars.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
The Industrial Development Board of the City of Chattanooga  
Chattanooga, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Industrial Development Board of the City of Chattanooga (the Board), as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated June 5, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board’s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee  
June 5, 2023

*Henderson Hutcherson  
& McCullough, PLLC*

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF CHATTANOOGA**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

JUNE 30, 2022

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None reported.

**CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD**  
**ECD - VOLKSWAGEN INCENTIVE PROJECT**  
**VW FUNDING PROGRESS SUMMARY**  
**As of Jun 29, 2023**

FIRST MOU	Final Grant Budget Amount	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent, Encumbered & Contingencies	Grant Status
6.1 Site Preparation - State	92,919,998	92,919,998	-	-	100.00%	Ended 6/30/2015
6.2 Infrastructure - State	72,795,525	72,795,525	-	-	100.00%	Ended 6/30/2015
7.4 Training Facility - State	39,995,942	39,995,942	-	-	100.00%	Ended 6/30/2015
9.10 Marketing & Public Relations - State	1,965,905	1,965,905	-	-	100.00%	Ended 4/30/2017
<b>TOTAL STATE FUNDING</b>	<b>207,677,370</b>	<b>207,677,370</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>	
6.2 Infrastructure - Local (Hamilton County & City of Chattanooga)	40,000,000	39,946,743	-	53,256	99.87%	Ongoing
9.5 Welcome Center - Local (VW decided not to build it)	-	-	-	-	N/A	
<b>TOTAL LOCAL FUNDING</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>53,257</b>	<b>99.87%</b>	
<b>TOTAL FUNDING</b>	<b>247,677,370</b>	<b>247,624,113</b>	<b>-</b>	<b>53,257</b>	<b>99.98%</b>	

SECOND MOU	Final Grant Budget Amount	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent, Encumbered & Contingencies	Grant Status
3.1 Facility Development - State	168,877,867	168,877,867	-	-	100.00%	Ended 3/6/2020
<b>TOTAL STATE FUNDING</b>	<b>168,877,867</b>	<b>168,877,867</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>	
VW SUV - Local (Hamilton County & City of Chattanooga)	52,500,000	52,048,430	57,000	394,570	99.25%	Ongoing
<b>TOTAL LOCAL FUNDING</b>	<b>52,500,000</b>	<b>52,048,430</b>	<b>57,000</b>	<b>394,570</b>	<b>99.25%</b>	
<b>TOTAL FUNDING</b>	<b>221,377,867</b>	<b>220,926,297</b>	<b>57,000</b>	<b>394,570</b>	<b>99.82%</b>	

THIRD MOU & LETTER OF INTENT (LOI)	Final Grant Budget Amount	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent, Encumbered & Contingencies	Grant Status
Electric Vehicle Expansion - State	50,000,000	-	-	50,000,000	0.0%	Ongoing
<b>TOTAL STATE FUNDING</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>0.0%</b>	
Electric Vehicle Expansion (Hamilton County & City of Chattanooga)	5,000,000	-	-	5,000,000	0.00%	Ongoing
<b>TOTAL LOCAL FUNDING</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>	
<b>TOTAL FUNDING</b>	<b>55,000,000</b>	<b>-</b>	<b>-</b>	<b>55,000,000</b>	<b>0.00%</b>	

FIRST MOU, SECOND MOU, THIRD MOU & LOI	Final Grant Budget Amount	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent, Encumbered & Contingencies
<b>TOTAL FUNDING</b>	<b>524,055,237</b>	<b>468,550,410</b>	<b>57,000</b>	<b>55,447,827</b>	<b>89.42%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

**CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD**  
**ECD - VOLKSWAGEN INCENTIVE PROJECT**  
**VW FUNDING PROGRESS SUMMARY**  
**As of Jun 29, 2023**

FIRST MOU	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Contract Amount	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
6.1 Site Preparation - State *	79,614,864	16,405,000	96,019,864	(3,099,867)	92,919,998	92,919,998	-	92,919,998	-	-	100.00%	100.00%
6.2 Infrastructure - State *	70,000,000	2,795,525	72,795,525	-	72,795,525	72,795,525	-	72,795,525	-	-	100.00%	100.00%
7.4 Training Facility - State *	40,000,000	-	40,000,000	(4,058)	39,995,942	39,995,942	-	39,995,942	-	-	100.00%	100.00%
9.10 Marketing & Public Relations - State *	1,966,200	(275)	1,965,925	(20)	1,965,905	1,965,905	-	1,965,905	-	-	100.00%	100.00%
<b>TOTAL STATE FUNDING</b>	<b>191,581,064</b>	<b>19,200,250</b>	<b>210,781,314</b>	<b>(3,103,945)</b>	<b>207,677,370</b>	<b>207,677,370</b>	<b>-</b>	<b>207,677,370</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>	<b>100.00%</b>
6.2 Infrastructure - Local **	40,000,000	-	40,000,000	N/A	40,000,000	39,946,743	-	39,946,743	-	53,256	99.87%	99.87%
9.5 Welcome Center - Local	6,000,000	(6,000,000)	-	-	-	-	-	-	-	-	N/A	N/A
<b>TOTAL LOCAL FUNDING</b>	<b>46,000,000</b>	<b>(6,000,000)</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>39,946,743</b>	<b>-</b>	<b>53,257</b>	<b>99.87%</b>	<b>99.87%</b>
<b>TOTAL IDB FUNDING FOR FIRST MOU</b>	<b>237,581,064</b>	<b>13,200,250</b>	<b>250,781,314</b>	<b>(3,103,945)</b>	<b>247,677,370</b>	<b>247,624,113</b>	<b>-</b>	<b>247,624,113</b>	<b>-</b>	<b>53,257</b>	<b>99.98%</b>	<b>99.98%</b>

\* State grant 6.1, 6.2, and 7.4 ended on 6/30/2015; State grant 9.10 ended on 4/30/2017. Total of these four State grants per grant contract is \$210,781,314. \$3,103,945 was not used.

\*\* Total local infrastructure does not include 6.3 Public roads and 6.4 Railway Lines as they are not managed by the IDB.

SECOND MOU	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Total Amended Budget	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
3.1 Facility Development - State	165,778,000	3,099,867	168,877,867	N/A	168,877,867	168,877,867	-	168,877,867	-	-	100.00%	100.00%
<b>TOTAL STATE FUNDING</b>	<b>165,778,000</b>	<b>3,099,867</b>	<b>168,877,867</b>	<b>N/A</b>	<b>168,877,867</b>	<b>168,877,867</b>	<b>-</b>	<b>168,877,867</b>	<b>-</b>	<b>-</b>	<b>100.00%</b>	<b>100.00%</b>
VW SUV - Local	52,500,000	-	52,500,000	N/A	52,500,000	52,048,430	-	52,048,430	57,000	394,570	99.25%	99.25%
<b>TOTAL LOCAL FUNDING</b>	<b>52,500,000</b>	<b>-</b>	<b>52,500,000</b>	<b>N/A</b>	<b>52,500,000</b>	<b>52,048,430</b>	<b>-</b>	<b>52,048,430</b>	<b>57,000</b>	<b>394,570</b>	<b>99.25%</b>	<b>99.25%</b>
<b>TOTAL IDB FUNDING FOR SECOND MOU</b>	<b>218,278,000</b>	<b>3,099,867</b>	<b>221,377,867</b>	<b>N/A</b>	<b>221,377,867</b>	<b>220,926,297</b>	<b>-</b>	<b>220,926,297</b>	<b>57,000</b>	<b>394,570</b>	<b>99.82%</b>	<b>99.82%</b>

\* State grant 3.1 ended on 3/6/2020

THIRD MOU	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Total Amended Budget	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
Electric Vehicle Expansion	50,000,000	-	50,000,000	N/A	50,000,000	-	-	-	-	50,000,000	0.0%	0.0%
<b>TOTAL STATE FUNDING</b>	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>	<b>N/A</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>0.0%</b>	<b>0.0%</b>
Electric Vehicle Expansion	5,000,000	-	5,000,000	N/A	5,000,000	-	-	-	-	-	0.00%	0.00%
<b>TOTAL LOCAL FUNDING</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>N/A</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>TOTAL IDB FUNDING FOR THIRD MOU</b>	<b>55,000,000</b>	<b>-</b>	<b>55,000,000</b>	<b>N/A</b>	<b>55,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>0.00%</b>	<b>0.00%</b>

FIRST & SECOND & THIRD MOU & LOI	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Total Amended Budget	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
<b>TOTAL IDB FUNDING FOR FIRST &amp; SECOND &amp; THIRD MOU</b>	<b>510,859,064</b>	<b>16,300,117</b>	<b>527,159,181</b>	<b>(3,103,945)</b>	<b>524,055,237</b>	<b>468,550,410</b>	<b>-</b>	<b>468,550,410</b>	<b>57,000</b>	<b>50,447,827</b>	<b>89.42%</b>	<b>89.42%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 STATE FUNDING PROGRESS REPORT - FIRST MOU  
 As of Jun 29, 2023

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Contract Amount	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
<b>6.1 SITE PREPARATION</b> ----- GRANT ENDED 6/30/2015 -----														
Clearing, Grubbing & Mass Grading	1,664,957	-	1,664,957	-	1,664,957	1,664,957	-	1,664,957	-	-	-	-	100%	100%
Grubbing & Erosion Control	2,704,391	-	2,704,391	(110,911)	2,593,480	2,593,480	-	2,593,480	-	-	-	-	100%	100%
Fine Grading (Site Pad)	50,428,531	8,949,529	59,378,060	(312,448)	59,065,612	59,065,612	-	59,065,612	-	-	-	-	100%	100%
Stone Pad	7,483,865	-	7,483,865	-	7,483,865	7,483,865	-	7,483,865	-	-	-	-	100%	100%
Stream Relocation	5,436,511	-	5,436,511	83,275	5,519,786	5,519,786	-	5,519,786	-	-	-	-	100%	100%
Detention Pond	997,907	3,604,471	4,602,378	(1,424,905)	3,177,473	3,177,473	-	3,177,473	-	-	-	-	100%	100%
North Area	-	2,358,855	2,358,855	(1,613,304)	745,551	745,551	-	745,551	-	-	-	-	100%	100%
Construction Access Roads	718,565	-	718,565	-	718,565	718,565	-	718,565	-	-	-	-	100%	100%
Rammed Aggregate Piers	1,874,615	-	1,874,615	-	1,874,615	1,874,615	-	1,874,615	-	-	-	-	100%	100%
Design, RPR, Survey, Testing, Project Support	8,305,522	1,492,145	9,797,667	278,426	10,076,093	10,076,093	-	10,076,093	-	-	-	-	100%	100%
<b>TOTAL 6.1 SITE PREPARATION *</b>	<b>79,614,864</b>	<b>16,405,000</b>	<b>96,019,864</b>	<b>(3,099,867)</b>	<b>92,919,998</b>	<b>92,919,998</b>	<b>-</b>	<b>92,919,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>100%</b>
<b>6.2 INFRASTRUCTURE</b> ----- GRANT ENDED 6/30/2015 -----														
VW Test Track	1,915,000	-	1,915,000	(9,482)	1,905,518	1,905,518	-	1,905,518	-	-	-	-	100%	100%
VW Electric Transformer Station	10,945,000	-	10,945,000	(9,690)	10,935,310	10,935,310	-	10,935,310	-	-	-	-	100%	100%
VW Mixing Yard	10,025,000	-	10,025,000	1,819,244	11,844,244	11,844,244	-	11,844,244	-	-	-	-	100%	100%
VW Parking Lots for Employees	12,700,000	2,091,000	14,791,000	(1,613,586)	13,177,414	13,177,414	-	13,177,414	-	-	-	-	100%	100%
VW Tank Farm (Fluids Storage) & Utilities	30,445,000	-	30,445,000	(17,473)	30,427,527	30,427,527	-	30,427,527	-	-	-	-	100%	100%
VW Planning, Engineering, Etc	3,970,000	245,855	4,215,855	(38,079)	4,177,776	4,177,776	-	4,177,776	-	-	-	-	100%	100%
North Area Grading	-	368,145	368,145	(130,935)	237,210	237,210	-	237,210	-	-	-	-	100%	100%
North Area Non-reimbursable	-	90,525	90,525	-	90,525	90,525	-	90,525	-	-	-	-	100%	100%
<b>TOTAL 6.2 INFRASTRUCTURE</b>	<b>70,000,000</b>	<b>2,795,525</b>	<b>72,795,525</b>	<b>-</b>	<b>72,795,525</b>	<b>72,795,525</b>	<b>-</b>	<b>72,795,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>100%</b>
<b>Subtotal State (6.1 &amp; 6.2)</b>	<b>149,614,864</b>	<b>19,200,525</b>	<b>168,815,389</b>	<b>(3,099,867)</b>	<b>165,715,523</b>	<b>165,715,522</b>	<b>-</b>	<b>165,715,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>100%</b>

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 STATE FUNDING PROGRESS REPORT - FIRST MOU  
 As of Jun 29, 2023

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Contract Amount	Adj. For Grant Amount Not Expended at Grant Expiration Date	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
<b>7.4 TRAINING FACILITY</b> ----- GRANT ENDED 6/30/2015 -----														
Training Center	22,900,000	148,110	23,048,110	-	23,048,110	23,048,110	-	23,048,110	-	-	-	-	100%	100%
Equipment for Training Center	13,500,000	(327,889)	13,172,111	(4,058)	13,168,053	13,168,053	-	13,168,053	-	-	-	-	100%	100%
Related Planning Cost	3,600,000	179,779	3,779,779	-	3,779,779	3,779,779	-	3,779,779	-	-	-	-	100%	100%
<b>Total 7.4 ST. TRAINING FACILITY</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>(4,058)</b>	<b>39,995,942</b>	<b>39,995,942</b>	<b>-</b>	<b>39,995,942</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>100%</b>
<b>9.10 MARKETING &amp; PUBLIC RELATIONS</b> ----- GRANT ENDED 4/30/2017 -----														
9.10 Visitor's Center **	200,000	(275)	199,725	-	199,725	199,725	-	199,725	-	-	-	-	100%	100%
9.10 Capital Purchase (Roof Sign)	239,580	(30,460)	209,120	-	209,120	209,120	-	209,120	-	-	-	-	100%	100%
9.10 Capital Purchase & Professional Fees (Admin & Planning)	26,620	(15,204)	11,416	(20)	11,397	11,397	-	11,397	-	-	-	-	100%	100%
9.10 Professional Fees, Grant & Award (Education partnership)	1,500,000	(500,000)	1,000,000	-	1,000,000	1,000,000	-	1,000,000	-	-	-	-	100%	100%
9.10 Salaries, Benefits & Taxes (Plant Tours)	-	27,117	27,117	-	27,117	27,117	-	27,117	-	-	-	-	100%	100%
9.10 Professional Fees, Grants & Award (Marketing Expenses)	-	518,547	518,547	-	518,547	518,547	-	518,547	-	-	-	-	100%	100%
<b>Total 9.10 MARKETING &amp; PUBLIC RELATIONS</b>	<b>1,966,200</b>	<b>(275)</b>	<b>1,965,925</b>	<b>(20)</b>	<b>1,965,905</b>	<b>1,965,905</b>	<b>-</b>	<b>1,965,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>100%</b>
<b>TOTAL ALL STATE FUNDS</b>	<b>191,581,064</b>	<b>19,200,250</b>	<b>210,781,314</b>	<b>(3,103,945)</b>	<b>207,677,370</b>	<b>207,677,370</b>	<b>-</b>	<b>207,677,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>100%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

**CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD**  
**ECD - VOLKSWAGEN INCENTIVE PROJECT**  
**LOCAL FUNDING PROGRESS REPORT - FIRST MOU**  
**As of Jun 29, 2023**

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
VW Streets, Lanes, etc., including Helpad	8,345,835	-	8,345,835	8,345,835	-	8,345,835	-	-	-	-	100.00%	100.00%
VW Railroads, Loading Dept	10,080,801	-	10,080,801	10,080,801	-	10,080,801	-	-	-	-	100.00%	100.00%
VW Fire Dept Building, garage and equipment	3,070,609	-	3,070,609	3,070,609	-	3,070,609	-	-	-	-	100.00%	100.00%
VW Construction Lanes	1,640,533	-	1,640,533	1,640,533	-	1,640,533	-	-	-	-	100.00%	100.00%
VW Guard House and Fence	1,310,219	-	1,310,219	1,310,219	-	1,310,219	-	-	-	-	100.00%	100.00%
Drive Around Property	553,714	-	553,714	553,714	-	553,714	-	-	-	-	100.00%	100.00%
Scrap Yard	118,933	-	118,933	118,933	-	118,933	-	-	-	-	100.00%	100.00%
VW Water, Waste & Stormwater	6,093,236	-	6,093,236	6,093,236	-	6,093,236	-	-	-	-	100.00%	100.00%
VW Gas, Telecom, Power (Additional Utility Infra)	1,120,472	-	1,120,472	1,120,472	-	1,120,472	-	-	-	-	100.00%	100.00%
VW Planning, Engineering, Etc	7,665,648	-	7,665,648	7,612,392	-	7,612,392	-	-	-	53,256	99.31%	99.31%
<b>TOTAL 6.2 INFRASTRUCTURE - LOCAL FUNDING</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>39,946,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,256</b>	<b>99.87%</b>	<b>99.87%</b>
Welcome Center	6,000,000	(6,000,000)	-	-	-	-	-	-	-	-	N/A	N/A
<b>TOTAL 9.5 OTHER LOCAL FUNDING</b>	<b>6,000,000</b>	<b>(6,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL LOCAL FUNDINGS (Managed by IDB) *</b>	<b>46,000,000</b>	<b>(6,000,000)</b>	<b>40,000,000</b>	<b>39,946,743</b>	<b>-</b>	<b>39,946,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,257</b>	<b>99.87%</b>	<b>99.87%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

\* Total local infrastructure does not include 6.3 Public roads and 6.4 Railway Lines as they are not managed by the IDB.

Changes Since Prior Report - FIRST MOU										
As of Jun 29, 2023										
		Expenditures		Encumbrances		Change				
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances	Actual	Encumbrance	Comments
Z10101	Clearing, Grubbing & Mass Grading	1,664,957	1,664,957	-	-	-	-			
Z10102	Grubbing & Erosion Control	2,593,480	2,593,480	-	-	-	-			
Z10103	Fine Grading (Site Pad)	59,065,612	59,065,612	-	-	-	-			
Z10104	Stone Pad	7,483,865	7,483,865	-	-	-	-			
Z10105	Stream Relocation	5,519,786	5,519,786	-	-	-	-			
Z10106	Detention Pond	3,177,473	3,177,473	-	-	-	-			
Z10107	North Area	745,551	745,551	-	-	-	-			
Z10109	Construction Access Roads	718,565	718,565	-	-	-	-			
Z10110	Rammed Aggregate Piers	1,874,615	1,874,615	-	-	-	-			
Z10111	Design, RPR, Survey, Testing & Project Support	10,076,093	10,076,093	-	-	-	-			
<b>TOTAL 6.1 SITE PREPARATION</b>		<b>92,919,998</b>	<b>92,919,998</b>	-	-	-	-	-	-	Grant ended 6/30/2015
Z10301	VW Test Track	1,905,518	1,905,518	-	-	-	-			
Z10306	VW Electric Transformer Station	10,935,310	10,935,310	-	-	-	-			
Z10307	VW Mixing Yard	11,844,244	11,844,244	-	-	-	-			
Z10308	VW Parking Lots for Employees	13,177,414	13,177,414	-	-	-	-			
Z10312	VW Tank Farm (Fluids Storage) & Utilities	30,427,527	30,427,527	-	-	-	-			
Z10315	VW Planning, Engineering, Etc	4,177,776	4,177,776	-	-	-	-			
Z10316	North Area Grading	237,210	237,210	-	-	-	-			
Z10317	North Area Non-reimbursable	90,525	90,525	-	-	-	-			
<b>TOTAL 6.2 INFRASTRUCTURE</b>		<b>72,795,525</b>	<b>72,795,525</b>	-	-	-	-	-	-	Grant ended 6/30/2015
Z10601	Training Center	23,048,110	23,048,110	-	-	-	-			
Z10602	Equipment for Training Ctr	13,168,053	13,168,053	-	-	-	-			
Z10603	Related Planning Cost	3,779,779	3,779,779	-	-	-	-			
<b>TOTAL 7.4 ST. TRAINING FACILITY</b>		<b>39,995,942</b>	<b>39,995,942</b>	-	-	-	-	-	-	Grant ended 6/30/2015
Z00701	Visitor's Center	199,725	199,725	-	-	-	-			
Z00702										
Z00703	Capital Purchase (Roof Sign)	209,120	209,120	-	-	-	-			
Z00704	Capital Purchase & Professional Fees (Admin & Planning)	11,397	11,397	-	-	-	-			
Z00705	Professional Fees, Grant & Award (Education partnership)	1,000,000	1,000,000	-	-	-	-			
Z00706	Salaries, Benefits & Taxes (Plant Tours)	27,117	27,117	-	-	-	-			
Z00707	Professional Fees, Grants & Award (Marketing Expenses)	518,547	518,547	-	-	-	-			
<b>TOTAL 9.10 MARKETING &amp; PUBLIC RELATIONS</b>		<b>1,965,905</b>	<b>1,965,905</b>	-	-	-	-	-	-	Grant ended 4/30/2017

Changes Since Prior Report - FIRST MOU										
As of Jun 29, 2023										
		Expenditures		Encumbrances		Change		Actual	Encumbrance	Comments
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances			
Z10401	VW Streets, Lanes, etc., including Helipad	8,345,835	8,345,835	-	-	-	-			
Z10402	VW Railroads, Loading Dept	10,080,801	10,080,801	-	-	-	-			
Z10403	VW Fire Dept Building, garage and equipment	3,070,609	3,070,609	-	-	-	-			
Z10404	VW Construction Lanes	1,640,533	1,640,533	-	-	-	-			
Z10405	VW Guard House and Fence	1,310,219	1,310,219	-	-	-	-			
Z10409	VW Drive Around Property	553,714	553,714	-	-	-	-			
Z10411	VW Scrap Yard	118,933	118,933	-	-	-	-			
Z10412	VW Water, Waste & Stormwater	6,093,236	6,093,236	-	-	-	-			
Z10413	VW Gas, Telecom, Power (Additional Utility Infra)	1,120,472	1,120,472	-	-	-	-			
Z10415	VW Planning, Engineering, Etc	7,612,392	7,612,392	-	-	-	-			
<b>TOTAL 6.2 INFRASTRUCT LOCAL FUNDING</b>		<b>39,946,743</b>	<b>39,946,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Z00801	Welcome Center	-	-	-	-	-	-			
<b>TOTAL 9.5 WELCOME CTR LOCAL FUNDING</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL</b>		<b>247,624,113</b>	<b>247,624,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 STATE FUNDING PROGRESS REPORT - SECOND MOU  
 As of Jun 29, 2023

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
Infrastructure I	22,271,000	6,649,804	28,920,804	24,714,941	-	24,714,941	-	-	-	4,205,863	85.46%	85.46%
Manufacturing Equipment	140,635,000	(677,937)	139,957,063	144,162,926	-	144,162,926	-	-	-	(4,205,863)	103.01%	103.01%
<b>TOTAL 3.1 FACILITY DEVELOPMENT</b>	<b>165,778,000</b>	<b>3,099,867</b>	<b>168,877,867</b>	<b>168,877,867</b>	-	<b>168,877,867</b>	-	-	-	-	100.00%	<b>100.00%</b>
<b>TOTAL STATE FUNDS</b>	<b>165,778,000</b>	<b>3,099,867</b>	<b>168,877,867</b>	<b>168,877,867</b>	-	<b>168,877,867</b>	-	-	-	-	<b>100.00%</b>	<b>100.00%</b>

----- GRANT ENDED 3/6/2020 -----

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 LOCAL FUNDING PROGRESS REPORT - SECOND MOU  
 As of Jun 29, 2023

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
Major Underground Additions	723,725	(267,894)	455,831	455,831	-	455,831	-	-	-	-	100.00%	100.00%
Paint Shop Capacity Increase	1,344,385	241,357	1,585,742	1,585,742	-	1,585,742	-	-	-	-	100.00%	100.00%
Production and Logistics Building Addition	22,802,333	207,197	23,009,530	23,009,530	-	23,009,530	-	-	-	-	100.00%	100.00%
Assembly Finish Building Extension & Infra.	8,590,958	295,658	8,886,616	8,886,616	-	8,886,616	-	-	-	-	100.00%	100.00%
Technical Center Pilot Program Extension	4,968,082	(253,229)	4,714,853	4,714,853	-	4,714,853	-	-	-	-	100.00%	100.00%
Body Shop Robots Fixtures Integration	2,460,223	2,979,843	5,440,066	5,420,707	-	5,420,707	-	-	-	19,359	99.64%	99.64%
VW SUV B Planning Costs	7,425,329	578,553	8,003,882	7,863,634	-	7,863,634	21,029	(21,029)	-	140,248.00	98.25%	98.25%
VW SUV B Contingency	1,085,098	(1,085,098)	-	-	-	-	-	-	-	-	0.00%	0.00%
VW SUV B Site Preparation	3,099,867	(2,696,387)	403,480	111,517	-	111,517	-	57,000	57,000	234,963	41.77%	41.77%
<b>TOTAL 6.1 VW SUV - LOCAL FUNDING</b>	<b>52,500,000</b>	<b>-</b>	<b>52,500,000</b>	<b>52,048,430</b>	<b>-</b>	<b>52,048,430</b>	<b>21,029</b>	<b>35,971</b>	<b>57,000</b>	<b>394,570</b>	<b>99.25%</b>	<b>99.25%</b>
<b>TOTAL LOCAL FUNDINGS (Managed by IDB)</b>	<b>52,500,000</b>	<b>-</b>	<b>52,500,000</b>	<b>52,048,430</b>	<b>-</b>	<b>52,048,430</b>	<b>21,029</b>	<b>35,971</b>	<b>57,000</b>	<b>394,570</b>	<b>99.25%</b>	<b>99.25%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

Changes Since Prior Report - SECOND MOU										
As of Jun 29, 2023										
		Expenditures		Encumbrances		Change				
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances	Actual	Encumbrance	Comments
Z01001	Infrastructure I	24,714,941.48	24,714,941.48	-	-	-	-			
Z01003	Manufacturing Equipment	144,162,925.72	144,162,925.72	-	-	-	-			
<b>TOTAL 3.1 FACILITY DEVELOPMENT - STATE</b>		<b>168,877,867</b>	<b>168,877,867</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	Grant ended 3/6/2020
Z00902	Major Underground Additions	455,831.00	455,831.00	-	-	-	-			
Z00904	Paint Shop Capacity Increase	1,585,741.95	1,585,741.95	-	-	-	-			
Z00905	Production and Logistics Building Addition	23,009,530.27	23,009,530.27	-	-	-	-			
Z00906	Assembly Finish Building Extension & Infra.	8,886,616.12	8,886,616.12	-	-	-	-			
Z00907	Technical Center Pilot Program Extension	4,714,852.72	4,714,852.72	-	-	-	-			
Z00913	Body Shop Robots Fixtures Integration	5,420,706.50	5,420,706.50	-	-	-	-			
Z00918	VW SUV B Planning Costs	7,863,634.37	7,863,634.00	-	21,028.96	0.37	(21,028.96)			
Z00919	VW SUV B Contingency	-	-	-	-	-	-			
Z00920	VW SUV B Site Preparation	111,517.33	111,517.33	57,000.00	-	-	57,000.00	-		
<b>TOTAL 1.1 VW SUV - LOCAL FUNDING</b>		<b>52,048,430</b>	<b>52,048,430</b>	<b>57,000</b>	<b>21,029</b>	<b>0.37</b>	<b>35,971</b>	<b>-</b>	<b>-</b>	
<b>Contingency</b>										
		<b>This Report</b>	<b>Last Report</b>	<b>Change</b>	<b>Comments</b>					
Z00919	VW SUV B Contingency	-	-	-						
<b>TOTAL</b>		<b>220,926,297</b>	<b>220,926,297</b>	<b>57,000</b>	<b>21,029</b>	<b>0</b>	<b>35,971</b>	<b>-</b>	<b>-</b>	

**CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD**  
**ECD - VOLKSWAGEN INCENTIVE PROJECT**  
**STATE FUNDING PROGRESS REPORT - THIRD MOU**  
**As of Jun 29, 2023**

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
State 3rd MOU Electric Vehicle Expansion	50,000,000	-	50,000,000	-	-	-	-	-	-	50,000,000	0.00%	0.00%
<b>TOTAL STATE FUNDING</b>	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000,000</b>	<b>0.00%</b>	<b>0.00%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

CITY OF CHATTANOOGA INDUSTRIAL DEVELOPMENT BOARD  
 ECD - VOLKSWAGEN INCENTIVE PROJECT  
 LOCAL FUNDING PROGRESS REPORT - THIRD MOU  
 As of Jun 29, 2023

Description	Original Grant / Contract Budget	Grant / Contract Budget Adjustment	Final Grant Budget Amount	PJTD Expenditures As of Feb 22, 2023	Current Expenditures	PJTD Expenditures As of Jun 29, 2023	Encumbrances As of Feb 22, 2023	Change in Encumbrances	Encumbrances As of Jun 29, 2023	Available Budget (Over Expenditures & Encumbrances)	% Spent and Encumbered	% Spent, Encumbered & Contingencies
Local 3rd MOU Electric Vehicle Expansion	5,000,000	-	5,000,000	-	-	-	-	-	-	5,000,000	0.0%	0.0%
<b>TOTAL LOCAL FUNDING</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>0.00%</b>	<b>0.00%</b>

These reports are intended to represent the budgets available to the IDB and do not reflect the entire incentive package.

Changes Since Prior Report - THIRD MOU										
As of Jun 29, 2023										
		Expenditures		Encumbrances		Change				
		This Report	Last Report	This Report	Last Report	Expenditures	Encumbrances	Actual	Encumbrance	Comments
Z11302	State 3rd MOU Electric Vehicle	-	-	-	-	-	-			
<b>TOTAL STATE FUNDING</b>		-	-	-	-	-	-	-	-	
Z11301	Local 3rd MOU Electric Vehicle Expansion	-	-	-	-	-	-			
<b>TOTAL LOCAL FUNDING</b>		-	-	-	-	-	-	-	-	

**IDB - ECD PROGRAMS SUMMARY**

PJTD EBS & CLOUD (Since inception)

As of 6/29/2023

Acct	Activity	Description	NR11	NR13	NR14	NR14	NR14	NR15	NR16	NR17	NR18	TOTAL
			GROWING SMALL BUS. Z00303	TECH WORKFORCE Z00304	IDB-PILOTS Z00306	IDB-ADMIN * Z300310	IDB LOANS Z00315	MITIGATION Z00307	BUSINESS DEV. Z00308	RENEWING CHATT Z00312	INNOVATION Z00313	
101101		Interfund Cash	169,574.02	335,000.00	-----	1,625,452.87	-----	11,000.00	25,000.00	20,000.00	170,000.00	2,356,026.89
124212'		NR COVID-19 Loans	-	-	-	-	306,310.76	-	-	-	-	306,310.76
124901		Allowance for Notes Receivable	-	-	-	-	(46,926.33)	-	-	-	-	(46,926.33)
172102		Restricted Cash with Agent	-	-	-	-	193,809.75	-	-	-	-	193,809.75
513140	102601	IDB EDLP - VV	-	-	1,125,000.00	-	-	-	-	-	-	1,125,000.00
513140	102602	IDB EDLP - Southern Champion Tray	-	-	180,914.58	-	-	-	-	-	-	180,914.58
513140	102603	IDB EDLP - Gastamp	-	-	1,051,719.18	-	-	-	-	-	-	1,051,719.18
513140	102604	IDB EDLP - YanFeng	-	-	63,782.29	-	-	-	-	-	-	63,782.29
513140	102605	IDB EDLP - Plastic Omnium Auto	-	-	240,908.70	-	-	-	-	-	-	240,908.70
513140	102606	IDB EDLP - Homeserve	-	-	9,002.15	-	-	-	-	-	-	9,002.15
513140	102607	IDB EDLP - M & M Industries	-	-	89,852.16	-	-	-	-	-	-	89,852.16
513140	102608	IDB EDLP - Van De Wiele	-	-	27,065.25	-	-	-	-	-	-	27,065.25
513140	102609	IDB EDLP - Coca-Cola	-	-	95,128.01	-	-	-	-	-	-	95,128.01
513140	102610	IDB EDLP - Puregraphite	-	-	16,889.09	-	-	-	-	-	-	16,889.09
524107		City of Chattanooga Appropriation	200,000.00	450,000.00	-	-	-	44,000.00	-	-	-	694,000.00
576101		Miscellaneous Revenue	-	-	5.00	6,686.47	120.51	-	-	-	-	6,811.98
801604		Transfer from Non Reported (NR) Funds	200,000.00	-	-	-	-	-	50,000.00	50,000.00	200,000.00	500,000.00
		Bridge Loan related expenses - managed by SETDD										
538101		Bad Debt Expense	-	-	-	-	(46,926.33)	-	-	-	-	(46,926.33)
701105		Engineering Non-construction Consulting	-	-	-	-	-	-	(2,500.00)	-	-	(2,500.00)
704602		Training Costs	-	25,000.00	-	-	-	-	-	-	-	25,000.00
761101		CIP Expense	-	-	-	-	-	-	2,500.00	-	-	2,500.00
784101		Appropriations	-	50,000.00	-	-	-	-	25,000.00	-	-	75,000.00
782201		Awards	-	-	56,000.00	-	-	-	-	-	-	56,000.00
782202		Donations	-	40,000.00	-	-	-	-	-	-	-	40,000.00
782207		Grant Award	230,425.98	-	51,000.00	-	-	33,000.00	-	30,000.00	30,000.00	374,425.98
811604		Transfer to Non Reported (NR) Funds	-	-	674,500.01	-	-	-	-	-	-	674,500.01
		Operating income (loss)	169,574.02	335,000.00	2,118,766.40	6,686.47	(46,805.82)	11,000.00	25,000.00	20,000.00	170,000.00	2,809,221.07
			-	-		-		-	-	-	-	-

**IDB - TAX INCREMENT FINANCING (TIF) SUMMARY**

PJTD EBS & CLOUD (Since inception)

As of 6/29/2023

Acct	Description	NR09	NR09	NR23	NR24		NR25	NR27	TOTAL
		Black Creek Tax Payments Z00302	MLK Tax Payments Z00311	East Chatt Rising Tax Payments Z00316	N. River Com. Ctr. Tax Payments Z00319	Developer Z00320	Sports Authority Tax Payments Z00321	The Bend Area Tax Payments Z00322	
101101	Interfund Cash		76,230.77	1,412.88	1,500.00		-	8,000.00	87,143.65
125105	AR Miscellaneous		4,793.25	-	-		-	-	4,793.25
125190	AR Oracle Customers AR Module		-	-	-		-	-	-
141301	AR County		-	-	-		-	-	-
172601	Restricted Cash TIF - IDB TIF Developer Projects		-	-	-		-	-	-
201101	Accounts Payable		-	-	-		-	-	-
212103	AP Interest - TIF Loan		-	(313,557.05)	-		-	-	(313,557.05)
513143	TIF Application Fee	-	1,500.00	-	1,500.00	-	-	8,000.00	11,000.00
523109	* Ham Co TIF Payment	1,159,599.41	631,350.58	16,817.20	-	-	-	-	1,807,767.19
524106	* City TIF Payment	2,626,053.86	1,086,599.35	39,945.68	-	-	-	-	3,752,598.89
536122	** TIF Admin Fee (City)	-	79,523.99	1,412.88	-	-	-	-	80,936.87
536123	IDB TIF Developer Project Revenue	-	-	-	-	6,953,362.79	-	-	6,953,362.79
782211	Interest expense	-	-	349,611.11	-	-	-	-	349,611.11
782215	IDB TIF Developer Project Expense	-	-	-	-	6,953,362.79	-	-	6,953,362.79
782601	TIF Agency	3,177,017.72	1,473,955.11	14,768.04	-	-	-	-	4,665,740.87
782602	TIF Administrative Fee to Chattanooga	104,611.81	54,569.64	1,377.64	-	-	-	-	160,559.09
782604	TIF Debt Service Allocation to Chattanooga	301,856.08	157,265.97	(1,406.54)	-	-	-	-	457,715.51
782605	TIF Refuse Pickup to Chattanooga	137,667.18	-	5,144.19	-	-	-	-	142,811.37
782603	TIF Administrative Fee to Hamilton Co	46,071.73	22,970.88	589.64	-	-	-	-	69,632.25
782606	TIF Trustee Fee to Hamilton Co	18,428.70	9,188.35	235.85	-	-	-	-	27,852.90
	Operating income (loss)	0.05	81,023.97	(312,144.17)	1,500.00	-	-	8,000.00	(221,620.15)
			-	-	-				
	Hamilton County Payments	1,095,098.98	599,191.35	15,991.71	-	-			1,710,282.04
	City Payment	2,081,918.79	874,763.74	34,830.39	-	-			2,991,512.92
	Total Payments to developer	3,177,017.77	1,473,955.09	50,822.10	-	-			4,701,794.96

RESOLUTION

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO ENTER INTO A LEASE AGREEMENT WITH THE HAMILTON COUNTY WATER AND WASTEWATER TREATMENT AUTHORITY, IN SUBSTANTIALLY THE FORM ATTACHED, FOR THE DESIGN AND CONSTRUCTION OF THE CITY'S PROPOSED WET WEATHER EQUALIZATION STATION AT 6000 CORNELISON ROAD, IDENTIFIED AS TAX MAP NO. 169D-A-001.02.

---

BE IT RESOLVED, that it is hereby authorizing the Industrial Development Board Chair or Vice-Chair to enter into a Lease Agreement with the Hamilton County Water and Wastewater Treatment Authority, in substantially the form attached, for the design and construction of the City's proposed wet weather equalization station at 6000 Cornelison Road, identified as Tax Map No. 169D-A-001.02.

ADOPTED: July 10, 2023

THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF CHATTANOOGA

Attest:

---

KERRY HAYES, Chair

---

GORDON PARKER, Secretary

## LEASE AGREEMENT

This Lease Agreement ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2023, but is effective for all purposes as of the \_\_\_\_\_ day of \_\_\_\_\_, 2023 (the "Effective Date") by and between Hamilton County Water and Wastewater Treatment Authority ("Lessor") and the Industrial Development Board of the City of Chattanooga, Tennessee, a Tennessee public corporation ("Lessee"), (Lessor and Lessee collectively referred to as the "Parties")

### RECITALS:

**WHEREAS**, Lessor desires to allow the Lessee to acquire, by lease, or otherwise, certain property referenced in the Memorandum of Understanding by and between the City of Chattanooga, through its Wastewater Department, (the "City") and the Industrial Development Board for the City of Chattanooga, Tennessee (the "IDB" and/or "Development Authority") dated April 4, 2022 for the design and construction of the City's proposed wet weather equalization stations (the "Facilities") located at two (2) project sites which reside on four (4) parcels (two (2) parcels per site) in Chattanooga, Tennessee (the "Project Sites") (the "MOU"):

- Site #1: West Chickamauga (Hwy I-75, Chattanooga, TN, 37411)
- Site #2: South Lee Hwy (7148 Lee Hwy, Chattanooga, TN, 37421)

**WHEREAS**, this Agreement from Lessor to Lessee is specific to Site #1, Parcel #1 as identified below and shown in **Exhibit A**, attached hereto, and incorporated by reference.

- Site #1: West Chickamauga (Hwy I-75, Chattanooga, TN, 37411)
- Parcel #1: 6000 Cornelison Road, Chattanooga, TN, 37411

(the "Project")

**WHEREAS**, the Project will be awarded through the Lessee as a Development Authority under this Agreement and the City will provide a grant of funds pursuant to T.C.A. § 6-54-118 for the Project by a mix of sources that may include loans from the EPA Water Infrastructure Finance and Innovation Act of 2014, the Tennessee Department of Environment and Conservation State Revolving Fund and cash; and

**WHEREAS**, the Project will be delivered by the Lessee under this Agreement as a Development Authority under the Progressive Design-Build method. The Lessee will be the Industrial Development Board for the City, as described in Tennessee Code Annotated § 12-10-124, as a public corporation, to engage in a request-for-proposal process or other public process for the construction of the Project; and

**WHEREAS**, the City will enter into an agreement with the Lessee, separate from this Agreement, that will authorize the Lessee and a professional consultant hired by the City as its agent to manage the construction and execute the e2i2 project on its behalf; and

**WHEREAS**, the Lessor has agreed to lease to the Lessee the management of this Project during design and construction;

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties hereto agree as follows:

1. **LEASED PREMISES.** Lessor hereby leases to Lessee, a proposed wet weather equalization station (the "Facility") located on a single parcel in Chattanooga, Tennessee described below:

- Site #1: West Chickamauga (Hwy I-75, Chattanooga, TN, 37411)
- Parcel #1: 6000 Cornelison Road, Chattanooga, TN, 37411

(the "Project Site") as more particularly described on **Exhibit A** attached hereto and made a part hereof ("The Space"). Lessee shall be entitled to the permitted use of the Space during the term of this Agreement to improve, maintain, equip, and furnish this wet weather equalization station and related facilities, including all real and personal properties in connection with the Project as authorized under Tennessee law.

The Space is subject to and excepting the following:

Existing zoning, existing lease agreements for cellular utilities or otherwise, all existing utility easements, rights-of-way easements and drainage easements thereon.

Restrictions on the Space, whether contained in prior title or otherwise, are not lifted or removed by this Agreement.

Lessee is responsible to maintain access at all times in accordance with all existing lease agreements on subject properties including but not limited to the following:

Signal One Corporation recorded in Deed Book 10366, Page 170.

2. **TERM.** The term of this Agreement is for six (6) years, which includes the entire period of the design and construction of the Facility located on the Space as set forth in Paragraph 1 above. Upon the completion of construction, this Agreement shall terminate and the Lessee as the Development Authority shall transfer all constructed infrastructure to the City; and the Lessor shall also convey all its property interest in the Space to the City upon the termination of this Agreement.

If the Lessor conveys the Space to the City at any time while this Agreement is in effect, this Agreement shall immediately terminate and the Space will be governed by the Agreement between the City and the Industrial Development Board of the City dated \_\_\_\_\_.

In addition, either party may terminate this Agreement without cause upon sixty (60) days' written notice to the other party.

3. **REMEDY.** In the event of the expiration or early termination (for any reason) of this Agreement, Lessor shall have the right to re-enter and repossess the Space, with or without legal action.
4. **BUSINESS CONDUCTED IN THE SPACE; PERMITTED USE.** Lessee and its agents or consultants under this Agreement shall conduct themselves in a manner consistent with the recognized standards of the professions and with all applicable ethical guidelines, policies and procedures and federal, state and local laws and regulations. Lessee shall use the Space for the sole purpose of the completion of the design build components of the e2i2 project as set forth in Paragraph 5 of this Lease Agreement.
5. **OBLIGATIONS OF LESSEE.**

5.1 **RESPONSIBILITIES.** Lessee shall provide its services in compliance with federal, state and local laws and regulations, as well as comply with all the policies established by Lessor or its designee on the Space including the following:

- (a) Planning and preliminary engineering of the e2i2 Project;
- (b) Development of a request for proposals, receive and review the submitted proposals, and development a selection committee for the procurement of the design-builder;
- (c) Development of the design-build agreement for the Project. The design-build agreement will be developed to implement the Project in accordance with **Exhibit B – Progressive Design-Build Process**;
- (d) Submission of resolutions to the IDB or City for authorization of payments during construction;
- (e) City and IDB's agent shall be responsible to submit monthly status reports to the IDB concerning the Project;
- (f) City and IDB's agent shall be responsible to submit applications for project funding and coordination with the financing agencies;
- (g) City and IDB's agent shall be responsible for management of the selected Design-Builder including schedule management, progress reporting, workshop attendance, budget management, and approvals of invoices;
- (h) The Project shall continue to be leased by the IDB during the design and construction completion of the Project Site; and the Project shall comply with

all federal, state, and local requirements at the end of this Agreement after construction is completed; and

- (i) Upon termination of this Agreement, at the expiration of the term hereof, or an extension thereof, Lessee shall surrender the Space to the Lessor in its improved condition following construction of all site improvements. Lessee covenants to Lessor that it shall vacate the Space on or before thirty-one (31) days following the expiration of the term hereof or any extension thereof or earlier termination of this Agreement, including the removal of all personnel and personal property.

5.2 **CONTACT.** Lessee shall report to Lessor or its designee any administrative problems or concerns arising in or related to the Space during design or construction as soon as practicable. Notice shall be given at the address set forth in Section 10.

6. **RENT.** In consideration for the use of the Space during the design and construction of all facilities, Lessee shall pay Lessor rent in the amount of One Dollar (\$1.00) per year. The rent shall be due on the Effective Date of this Agreement and thereafter on the first day of each succeeding year (with rentals for portions of a month, if any, being prorated). Any changes in the rent shall be agreed to by the Parties in advance and specified in writing prior to each Renewal Term by addendum to this Agreement.

7. **RELATIONSHIP OF PARTIES.**

7.1 **STATUS AS AN INDEPENDENT CONTRACTOR.** Lessee and Lessor are independent parties. The Parties (and their respective employees and agents) at all times will act as independent contractors and not as partners, agents, shareholders, members, or employees of each other. Neither party shall hold itself out to third parties as a partner, employee, shareholder, member or agent of, or joint venturer with, the other party in the leasing of space and equipment under this Agreement. Each party shall have the exclusive responsibility for the payment of all sales and use taxes, business taxes, payroll (employment) taxes, or income taxes in the Space, if applicable.

7.2 **COMPLIANCE WITH LAWS.** Lessee shall act at all times in compliance with all federal, state and local laws. It shall be deemed a material breach of this Agreement if Lessee shall fail to observe this requirement, and, in such event, Lessor may terminate this Agreement immediately.

- (a) Lessee covenants to comply with all state, county, and city laws and ordinances, including those regarding nuisances insofar as the Space is concerned, and that the Lessee will not by any act of its agents or officers render the Lessor liable therefor. Further, Lessee covenants to comply with all federal, county, and city laws and ordinances in regard to discrimination

due to handicap, age, race, color, religion, sex, national origin, or any other classification protected by said laws.

- (b) Notwithstanding any unanticipated effect of any provisions of this Agreement, neither party will intentionally conduct itself in such a manner as to violate the applicable federal or state laws.

7.3 **INCURRING FINANCIAL OBLIGATIONS.** Lessee shall be responsible for all personal and professional expenses of its own employees or agents, including but not limited to, professional liability insurance premiums, and personal and professional expenses.

8. **PROHIBITION ON ASSIGNMENT BY LESSEE.** The benefits conferred under this Agreement may not be assigned by Lessee without the express written consent of Lessor or as otherwise provided for in Section 2.

9. **CHANGES IN LAW.** In the event that either party (i) due to its involvement in activities relating to this Agreement, becomes the subject of governmental regulatory action, the purpose of which is to enforce federal or state laws, or (ii) becomes aware of a new written interpretation released by a governmental regulatory body involving federal or state laws, then Lessor and Lessee shall use reasonable efforts to revise this Agreement in a manner that would appropriately reduce or eliminate such substantial risk and if such revision is not agreed to by Lessee and Lessor, then either party may terminate this Agreement upon written notice to the other party.

10. **NOTICES.**

Any notice required or desired to be served by either party hereto upon the other shall be deemed to have been properly given if such notice shall be in writing and either personally delivered, delivered by messenger or overnight courier, transmitted by a telefacsimile device, or sent certified mail, with postage prepaid, and addressed as follows:

Hamilton County Water and Wastewater Treatment Authority  
Attn: Mike Patrick, Executive Director  
1250 Market Street, Suite 3050  
Chattanooga, TN 37402

Industrial Development Board of the City of Chattanooga  
Attn: Phillip A. Noblett, Counsel  
100 E. 11<sup>th</sup> Street, Suite 200  
Chattanooga, TN 37402

Unless otherwise provided herein, the date which is five (5) days after the date of mailing, or the date of written confirmation of transmission if sent by facsimile, or the date of delivery if sent by messenger or overnight courier shall be deemed to be the date on which such notice was given.

Either party may change its address for purposes of this Agreement by providing written notice to the other.

11. **MISCELLANEOUS.**

- 11.1 **NO THIRD PARTY RIGHTS.** This Agreement has been made and is made solely for the benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties to it and their respective successors and permitted assigns. Nothing in this Agreement is intended, to relieve or discharge the obligation or liability of any third persons to any party to this Agreement.
- 11.2 **FORCE MAJEURE.** Neither party hereto shall be liable for any delay or failure in the performance of any obligation under this Agreement (excluding Lessee's rent payment obligations hereunder) or for any loss or damage (including indirect or consequential damage) to the extent that such nonperformance, delay, loss, or damage results from any contingency which is beyond the control of such party, provided such contingency is not caused by the fault or negligence of such party. Such contingencies for the purposes of this Agreement shall be acts of God, fires, floods, earthquakes, explosions, storms, wars, hostilities, blockades, public disorders, quarantine restrictions, embargoes, strikes or other labor disturbances, pandemics or epidemics and compliance with any law, order or control of, or insistence by any governmental or military authority. The party claiming to be affected by such contingency shall give immediate notice to the other party, giving full particulars thereof, and all such contingencies shall, as far as is reasonably possible, be remedied with all reasonable efforts and dispatch. The existence of such contingencies shall justify the suspension of performance hereunder by either party and shall extend the time for such performance for a period equal to the period of delay; provided, however, that if such period of delay shall exceed sixty (60) days from the date of such notice, either party shall have the right to terminate this Agreement.
- 11.3 **NO WAIVER.** Any waiver by the Parties of any default or breach of any of one or more of the terms, conditions, or covenants of this Agreement shall be in writing and shall not be construed to be a waiver of any subsequent or other breach or default of the same or of any other term, condition, or covenant of this Agreement. No delay, failure, or omission of Lessor to re-enter the Space, to insist on strict enforcement of any term, covenant or condition, or to exercise any right, privilege or option arising from any breach or default shall impair any such right, privilege or option or be construed as a waiver or acquiescence in such breach of default.
- 11.4 **SEVERABILITY.** The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions, which shall remain in full force and effect.

- 11.5 **TITLES AND CAPTIONS.** All section or subsection headings used herein are for convenience only and shall not be taken into consideration in any construction or interpretation of this Agreement or any of its provisions.
- 11.6 **GOVERNING LAW.** This Agreement shall be governed by and construed according to the laws of the State of Tennessee.
- 11.7 **SURVIVAL.** Any provisions of this Agreement extending beyond the term hereof shall survive the expiration or termination of this Agreement, regardless of the reason for such termination.
- 11.8 **AMENDMENTS.** This Agreement may not be changed orally, but only by an amendment to this Agreement in writing and signed by both Lessor and Lessee.
- 11.9 **ENTIRE AGREEMENT.** This Agreement, together with its Exhibits attached hereto, sets forth the entire agreement and understanding of the Parties relating to the subject matter contained herein and merges all prior discussions between them, and neither party shall be bound by any definition, condition, warranty, or representation other than as expressly stated in this Agreement. This Agreement represents all of the premises and equipment leased between the Parties for the term of this Agreement.
- 11.10 **AUTHORIZATION FOR AGREEMENT.** The execution and performance of this Agreement by both parties have been duly authorized by all necessary and applicable laws, resolutions, and partnership action, and this constitutes valid and enforceable obligations of the Parties in accordance with its terms.

**[signature page following]**

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement through their duly authorized representatives.

LESSOR:

**Hamilton County Water and Wastewater  
Treatment Authority**

By: Michael C. Patrick

Name: MICHAEL C. PATRICK

Title: EXECUTIVE DIRECTOR

LESSEE:

**Industrial Development Board of the City of  
Chattanooga**

By: \_\_\_\_\_

Name: \_\_\_\_\_

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

## EXHIBIT A

### Lease Premises Description

#### Site #1 - West Chickamauga EQ Station

#### **Parcel #1 (6000 Cornelison Road, Chattanooga, TN, 37411)**



#### **LAND DESCRIPTION**

#### **TAX PARCEL 169D A 001.02**

#### **Property of Hamilton County Wastewater Treatment Authority**

Ref: Deed Book 13105, Page 421, Register's Office, Hamilton County, Tennessee

A tract or parcel of land located in Hamilton County, Tennessee and being Lot 1 as shown on Revised Plat Lots 1 & 2, HCWWTA on I-75 Subdivision Plat, recorded in P3 124, Page 183, Instrument No. 2022081100165, in the Register's Office of Hamilton County, Tennessee, and being more particularly described as follows:

A parcel of land situated in Hamilton County, Tennessee being a part of Deed Book 10366, page 170 of the Register's Office Hamilton County (R.O.H.C.). To find the true point of beginning begin at the remote point of beginning which is the South right of way of U. S. Interstate 75 and the West boundary of Chickamauga Creek; thence with and along the West boundary of said creek 91.3 feet more or less to a point; said line is subtended by a chord South 27 degrees 43 minutes 13 seconds East 91.17 feet; thence leaving said boundary and with a series of bearings and distances as follows: South 37 degrees 32 minutes 18 seconds West 720.63 feet to a point, South 70 degrees 36 minutes 54 seconds West 830.77 feet to a point, North 59 degrees 06 minutes 20 seconds West 499.14 feet to a point in the South right

of way of U. S. Interstate 75; thence leaving said lines and with and /along the South right of way of said Interstate with a series of bearings and distances as follows: North 64 degrees 43 minutes 21 seconds East 371.13 feet to the point of curve and marked by a concrete monument found, with a curve measured to the right an arc distance of 603.07 feet to a point of compound curve marked by a concrete monument found, said curve has a radius of 11,339.16 feet a tangent of 301.60 feet and is subtended by a chord North 66 degrees 13 minutes 06 seconds East 603.00 feet with a curve measured to the right an arc distance of 616.93 feet to the point of tangent, said curve has a radius of 11,339.16 feet a tangent of 308.54 feet and is subtended by a chord North 69 degrees 18 minutes 02 seconds East 616.86 feet, North 70 degrees 12 minutes 14 seconds East 153.29 feet to the point of beginning.

LESS AND EXCEPT Lot 2 as shown on Revised Plat Lots 1 & 2, HCWWTA on I-75 Subdivision Plat, recorded in P3 124, Page 183, Instrument No. 2022081100165, in the Register's Office of Hamilton County, Tennessee, and being more particularly described as follows:

A parcel commencing at an iron pin; beginning South 66 degrees 14 minutes 20 seconds East a distance 818.33 feet from the termination of Cornelison Road at Tennessee State Plane Coordinates (N 245797.9841, E 2206706.4819), said iron pin being the Southwest corner of the tract herein described and also the POINT OF BEGINNING;

Thence North 00 degrees 00 minutes 00 seconds East a distance of 150 feet to an iron pin;

Thence South 90 degrees 00 minutes 00 seconds East a distance of 150.00 feet to an iron pin;

Thence North 90 degrees 00 minutes 00 seconds West a distance of 150.00 feet to the POINT OF BEGINNING.

Containing 0.52 acres more or less.

The above legal description of property taken from Exhibit 1 to Memorandum of Lease recorded in Deed Book GI 5377 Page 43.

**EXHIBIT B**  
**Progressive Design-Build Process**

**Procure Design-Builder**

The City has established criteria for solicitation of a design-build team for the project. Such criteria was published on the City's procurement website and which included such items as the prospective proposer's:

- licensure/bonding amount
- work history including size of recent projects completed as well as experience
- qualifications of the design-build organization(s)
- collaborative delivery approach
- past performance
- small business enterprise and local preference
- project understanding and delivery
- personnel qualifications and team approach
- oral communication
- costs of the 60% design professional services

The list of items above is not comprehensive.

**Design**

The design of the project will be completed in accordance with the design-builder contract. All Project components will be designed by a professional engineer (P.E.) licensed in the State of Tennessee. A guaranteed maximum price (GMP) will be provided at an interim design milestone. Based on its review of the GMP, it may become more economical to receive construction bids for the Project. The City reserves the right to deviate from the design-build of the project and solicit construction bids. If the design-build method remains the most economical option, the design-builder will be permitted to begin construction while finalizing the design for the project.

**Construction**

The construction of the project will be completed as described in the design-builder contract and design documents developed by a licensed professional engineer. Construction will be permitted to begin once the GMP is approved by the IDB.

**Startup**

Once construction of the Project components is substantially complete, the design-builder will implement the startup of Project components. Once the startup is approved by the City, the design-builder will provide the City with final project operational manuals and allow the City to begin operating the Project components.

RESOLUTION

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO ENTER INTO A LEASE AGREEMENT WITH THE CITY OF CHATTANOOGA, IN SUBSTANTIALLY THE FORM ATTACHED, FOR THE DESIGN AND CONSTRUCTION OF THE CITY'S PROPOSED WET WEATHER EQUALIZATION STATIONS, TO BE LOCATED AT 220 CORNELISON ROAD, IDENTIFIED AS A PORTION OF TAX MAP NO. 157M-A-009.03; AND 7148 LEE HIGHWAY, IDENTIFIED AS TAX MAP NOS. 139P-C-008.01 AND 138M-C-002.01, FOR A TERM OF SIX (6) YEARS, FOR AN ANNUAL AMOUNT OF ONE DOLLAR (\$1.00), SUBJECT TO FINAL CLOSING, AND AUTHORIZING THE LEASE AGREEMENT OF THE WET WEATHER STATION AT 6000 CORNELISON ROAD, IDENTIFIED AS TAX MAP NO. 169D-A-001.02, UPON ITS CONVEYANCE TO THE CITY OF CHATTANOOGA, AND RESCINDING THE RESOLUTION AUTHORIZING THE LEASE FOR THESE SITES ADOPTED APRIL 17, 2023.

---

BE IT RESOLVED, that it is hereby authorizing the Industrial Development Board Chair or Vice-Chair to enter into a Lease Agreement with the City of Chattanooga, in substantially the form attached, for the design and construction of the City's proposed wet weather equalization stations, to be located at 220 Cornelison Road, identified as a portion of Tax Map No. 157M-A-009.03; and 7148 Lee Highway, identified as Tax Map Nos. 139P-C-008.01 and 138M-C-002.01, for a term of six (6) years, for an annual amount of one dollar (\$1.00), subject to final closing, and authorizing the Lease Agreement of the wet weather station at 6000 Cornelison Road, identified as Tax Map No. 169D-A-001.02, upon its conveyance to the City of Chattanooga, and rescinding the resolution authorizing the lease for these sites adopted April 17, 2023.

ADOPTED: July 10, 2023

THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF CHATTANOOGA

Attest:

---

KERRY HAYES, Chair

---

GORDON PARKER, Secretary

## **LEASE AGREEMENT**

This Lease Agreement ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2023, but is effective for all purposes as of the \_\_\_\_\_ day of \_\_\_\_\_, 2023 (the "Effective Date") by and between City of Chattanooga, ("Lessor") and the Industrial Development Board of the City of Chattanooga, Tennessee, a Tennessee public corporation ("Lessee").

### **RECITALS:**

**WHEREAS**, LESSOR desires to allow the LESSEE to acquire, by lease, or otherwise, certain property referenced in the Memorandum of Understanding by and between the City of Chattanooga, through its Wastewater Department (the "City") and the Industrial Development Board for the City of Chattanooga, Tennessee (the "IDB" and/or "Development Authority") (the City and the Development Authority, collectively, the "Parties") dated April 4, 2022 for the design and construction of the City's proposed wet weather equalization stations (the "Facilities") are located at two (2) project sites which reside on four (4) parcels in Chattanooga, Tennessee (the "Project Sites") (the "MOU"):

**WHEREAS**, this Agreement from Lessor to Lessee is specific to Parcels #2, 3 and 4 as identified below and shown in **Exhibit A**, attached hereto, and incorporated herein by reference.

- Parcel 2 - 220 Cornelison Road, Chattanooga, TN, 37411 (Tax Map #157M-A-009.03)
- Parcel 3 - 7148 Lee Highway, Chattanooga, TN 37421 (Tax Map #139P-C-008); and
- Parcel 4 - 148 Lee Highway, Chattanooga, TN 37421 (Tax Map #148M-C-00201)

**WHEREAS**, this Lease Agreement supersedes and takes precedence over the MOU for provisions, which may conflict and;

**WHEREAS**, the Project will be awarded through the Lessee as a Development Authority under this Agreement and the City will provide a grant of funds pursuant to T.C.A. § 6-54-118 for the project by a mix of sources that may include loans from the EPA Water Infrastructure Finance and Innovation Act of 2014, the Tennessee Department of Environment and Conservation State Revolving Fund and cash; and

**WHEREAS**, the Project will be delivered by the Lessee under this Agreement as a Development Authority under the Progressive Design-Build method. The Lessee will be the Industrial Development Board for the City, as described in Tennessee Code Annotated § 12-10-124, as a public corporation, to engage in a request-for-proposal process or other public process for the construction of this project; and

**WHEREAS**, the Lessor authorizes the Lessee and a professional consultant hired by the City as its agent to manage and execute the e2i2 project on its behalf; and

**WHEREAS**, the Lessor has agreed to lease to the Lessee during construction of this project and Lessee agrees to return all property so leased to it to Lessor following the completion of construction and on the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties hereto agree as follows:

1. **LEASED PREMISES.** Lessor hereby leases to Lessee, proposed wet weather equalization stations (the "Facilities") located at three parcels in Chattanooga, Tennessee:
  - Parcel 2 - 220 Cornelison Road, Chattanooga, TN, 37411 (Tax Map #157M-A-009.03)
  - Parcel 3 - 7148 Lee Highway, Chattanooga, TN 37421 (Tax Map #139P-C-008); and
  - Parcel 4 - 148 Lee Highway, Chattanooga, TN 37421 (Tax Map #148M-C-00201)

as more particularly described on **Exhibit A** attached hereto and made a part hereof ("the Spaces"). Lessee shall be entitled to the permitted use of the Spaces during the term of this Lease Agreement to improve, maintain, equip and furnish this wet weather equalization station and facilities, including all real and personal properties in connection with these projects as authorized under Tennessee law.

The Space are subject to and excepting the following:

Existing zoning, existing lease agreements for cellular utilities or otherwise, all existing utility easements, rights-of-way easements and drainage easements thereon.

Restrictions on the Spaces, whether contained in prior title or otherwise, are not lifted or removed by this Agreement.

Lessee is responsible to maintain access at all times in accordance with all existing lease agreements on subject properties including but not limited to the following:

Crown Castle GT Company, LLC recorded in Deed Book GI 10083, Page 609

2. **TERM.** The term of this Agreement is for six (6) years, which includes the entire period of the design and construction of the facilities located at the three parcels in Chattanooga, Tennessee which are the two (2) project sites set forth in Paragraph 1 above. Upon the completion of construction of each project site the Lessee as the Development Authority shall transfer all constructed infrastructure and property to the City. In addition, either party may terminate this Agreement without cause upon sixty (60) days written notice to the other party.

If the Hamilton County Water and Wastewater Authority conveys the Space at 6000 Cornelison Road to the City of Chattanooga during the term of this Agreement, the lease between the WWTa and IDB shall immediately terminate and the property shall be governed by this Agreement between the City of Chattanooga and the IDB. The property at 6000 Cornelison Road as described on Exhibit B as “Future Parcel #1”.

3. **REMEDY.** In the event of the expiration or early termination (for any reason) of this Agreement, Lessor shall have the right to re-enter and repossess the Spaces, with or without legal action.

4. **BUSINESS CONDUCTED IN THE SPACE; PERMITTED USE.** Lessee and its agents or consultants under this Agreement shall conduct themselves in a manner consistent with the recognized standards of the profession and with all applicable ethical guidelines, policies and procedures and federal, state and local laws and regulations. Lessee shall use the Spaces for the sole purpose of the completion of the design build components of the e2i2 project as set forth in Paragraph 5 of this Agreement.

5. **OBLIGATIONS OF LESSEE.**

5.1 **RESPONSIBILITIES.** Lessee shall provide its Services in compliance with federal, state and local laws and regulations, as well as comply with all the policies established by Lessor on the Spaces including the following:

- (a) Planning and preliminary engineering of the e2i2 Project;
- (b) Development of a request for proposals, receive and review the submitted proposals, and development a selection committee for the procurement of the design-builder;
- (c) Development of the design-build agreement for the Project. The design-build agreement will be developed to implement the project in accordance with **Exhibit C** – Progressive Design-Build Process.
- (d) Submission of resolutions to the IDB or City for authorization of payments during construction;
- (e) City and IDB’s agent shall be responsible to submit monthly status reports to the IDB concerning the Project;
- (f) City and IDB’s agent shall be responsible to submit applications for project funding and coordination with the financing agencies;
- (g) City and IDB’s agent shall be responsible for management of the selected Design-Builder including schedule management, progress reporting, workshop attendance, budget management, and approvals of invoices;

- (h) The Project shall continue to be leased by the IDB during the design and construction completion of each Project site; and the Project shall comply with all federal, state, and local requirements before it is returned to the Lessor at the end of this Lease after construction is completed.
- (i) Upon termination of this Agreement, at the expiration of the term hereof, or an extension thereof, Lessee shall surrender the Spaces to Lessor in its improved condition following construction of all site improvements. Lessee covenants to Lessor that it shall vacate the Spaces on or before thirty-one (31) days following the expiration of the term hereof or any extension thereof or earlier termination of this Agreement, including the removal of all personnel and personal property.

5.2 **CONTACT.** Lessee shall report to Lessor any administrative problems or concerns arising in or related to the Lease Premises during design or construction as soon as practicable to the Chief Financial Officer for the City, who shall be the designated contact person for such problems or concerns. Notice shall be given at the address set forth in Section 10.

6. **RENT.** In consideration for the use of the Lease Premises during the design and construction of all facilities, Lessee shall pay Lessor rent in the amount of One Dollar (\$1.00) per year. The rent shall be due on the Effective Date of this Agreement and thereafter on the first day of each succeeding year (with rentals for portions of a month, if any, being prorated). Any changes in the rent shall be set in advance and specified in writing prior to each Renewal Term by addendum to this Agreement.

7. **RELATIONSHIP OF PARTIES.**

7.1 **STATUS AS AN INDEPENDENT CONTRACTOR.** Lessee and Lessor are independent parties. Both parties (and their respective employees and agents) at all times will act as independent contractors and not as partners, agents, shareholders, members, or employees of each other. Neither party shall hold itself out to third parties as a partner, employee, shareholder, member or agent of or joint venturer with the other party in the leasing of space and equipment under this Agreement. Each party shall have the exclusive responsibility for the payment of all sales and use taxes, business taxes, payroll (employment) taxes, or income taxes in the Lessor's Premises, including the Space.

7.2 **COMPLIANCE WITH LAWS.** Lessee shall act at all times in compliance with all federal, state, and local laws. It shall be deemed a material breach of this Agreement if Lessee shall fail to observe this requirement, and, in such event, Lessor may terminate this Agreement immediately.

- (a) Lessee covenants to comply with all state, county, and city laws and ordinances, including those regarding nuisances insofar as the Leased Premises are concerned, and that the Lessee will not by any act of its agents or officers render the Lessor liable therefor. Further, Lessee covenants to comply with all federal, county, and city laws and ordinances in regard to discrimination due to handicap, age, race, color, religion, sex, national origin, or any other classification protected by said laws.
- (b) Notwithstanding any unanticipated effect of any provisions of this Agreement, neither party will intentionally conduct itself in such a manner as to violate the applicable federal state laws.

7.3 **INCURRING FINANCIAL OBLIGATIONS.** Lessee shall be responsible for all personal and professional expenses of its own employees or agents, including but not limited to, professional liability insurance premiums, and personal and professional expenses.

8. **PROHIBITION ON ASSIGNMENT BY LESSEE.** The benefits conferred under this Agreement may not be assigned by Lessee without the express written consent of Lessor or as provided for in Section 2;

9. **CHANGES IN LAW.** In the event that either party (i) due to its involvement in activities relating to this Agreement, becomes the subject of governmental regulatory action, the purpose of which is to enforce federal or state fraud and abuse or self-referral laws, or (ii) becomes aware of a new written interpretation released by a governmental regulatory body involving federal or state laws, then Lessor and Lessee shall use reasonable efforts to revise this Agreement in a manner that would appropriately reduce or eliminate such substantial risk and if such revision is not agreed to by Lessee and Lessor, then either party may terminate this Agreement upon written notice to the other party.

10. **NOTICES**

Any notice required or desired to be served by either party hereto upon the other shall be deemed to have been properly given if such notice shall be in writing and either personally delivered, delivered by messenger or overnight courier, transmitted by a telefacsimile device, or sent certified mail, with postage prepaid, and addressed as follows:

City of Chattanooga  
Attn: Mark Heinzer, Administrator  
Wastewater Department  
1250 Market Street  
Chattanooga, TN 37402

Industrial Development Board of the City of Chattanooga  
Attn: Phillip A. Noblett, Counsel  
100 E. 11<sup>th</sup> Street, Suite 101  
Chattanooga, TN 37402

Unless otherwise provided herein, the date which is five (5) days after the date of mailing, or the date of written confirmation of transmission if sent by facsimile, or the date of delivery if sent by messenger or overnight courier shall be deemed to be the date on which such notice was given. Either party may change its address for purposes of this Agreement by providing written notice to the other.

11. **MISCELLANEOUS.**

11.1 **NO THIRD PARTY RIGHTS.** This Agreement has been made and is made solely for the benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns. Nothing in this Agreement is intended, to relieve or discharge the obligation or liability of any third persons to any party to this Agreement.

11.2 **FORCE MAJEURE.** Neither party hereto shall be liable for any delay or failure in the performance of any obligation under this Agreement (excluding Lessee's payment obligations hereunder) or for any loss or damage (including indirect or consequential damage) to the extent that such nonperformance, delay, loss, or damage results from any contingency which is beyond the control of such party, provided such contingency is not caused by the fault or negligence of such party. Such contingencies for the purposes of this Agreement shall be acts of God, fires, floods, earthquakes, explosions, storms, wars, hostilities, blockades, public disorders, quarantine restrictions, embargoes, strikes or other labor disturbances, and compliance with any law, order, or control of, or insistence by any governmental or military authority. The party claiming to be affected by such contingency shall give immediate notice to the other party, giving full particulars thereof, and all such contingencies shall, as far as is reasonably possible, be remedied with all reasonable efforts and dispatch. The existence of such contingencies shall justify the suspension of performance hereunder by either party and shall extend the time for such performance for a period equal to the period of delay; provided, however, that if such period of delay shall exceed sixty (60) days from the date of such notice, either party shall have the right to terminate this Agreement.

11.3 **NO WAIVER.** Any waiver by the parties of any default or breach of any of one or more of the terms, conditions, or covenants of this Agreement shall be in writing and shall not be construed to be a waiver of any subsequent or other breach or default of the same or of any other term, condition, or covenant of this Agreement. No delay, failure, or omission of Lessor to re-enter the Space, to insist on strict

enforcement of any term, covenant, or condition, or to exercise any right, privilege or option arising from any breach or default shall impair any such right, privilege or option or be construed as a waiver or acquiescence in such breach of default.

- 11.4 **SEVERABILITY.** The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provisions, which shall remain in full force and effect.
- 11.5 **TITLES AND CAPTIONS.** All section or subsection headings used herein are for convenience only and shall not be taken into consideration in any construction or interpretation of this Agreement or any of its provisions.
- 11.6 **GOVERNING LAW.** This Agreement shall be governed by and construed according to the laws of the State of Tennessee.
- 11.7 **SURVIVAL.** Any provisions of this Agreement extending beyond the term hereof shall survive the expiration or termination of this Agreement, regardless of the reason for such termination.
- 11.8 **AMENDMENTS.** This Agreement may not be changed orally, but only by an amendment to this Agreement in writing and signed by both Lessor and Lessee.
- 11.9 **ENTIRE AGREEMENT.** This Agreement, together with its Exhibits attached hereto, sets forth the entire agreement and understanding of the parties relating to the subject matter contained herein and merges all prior discussions between them, and neither party shall be bound by any definition, condition, warranty or representation other than as expressly stated in this Agreement. This Agreement represents all of the premises and equipment leased between the parties for the term of this Agreement.
- 11.10 **AUTHORIZATION FOR AGREEMENT.** The execution and performance of this Agreement by both parties have been duly authorized by all necessary and applicable laws, resolutions, and partnership action, and this constitutes valid and enforceable obligations of both parties in accordance with its terms.

**[signatures on the following page]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement through their duly authorized representatives.

LESSOR:

City of Chattanooga

By: \_\_\_\_\_

Name: \_\_\_\_\_

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

LESSEE:

Industrial Development Board of the City of Chattanooga

By: \_\_\_\_\_

Name: \_\_\_\_\_

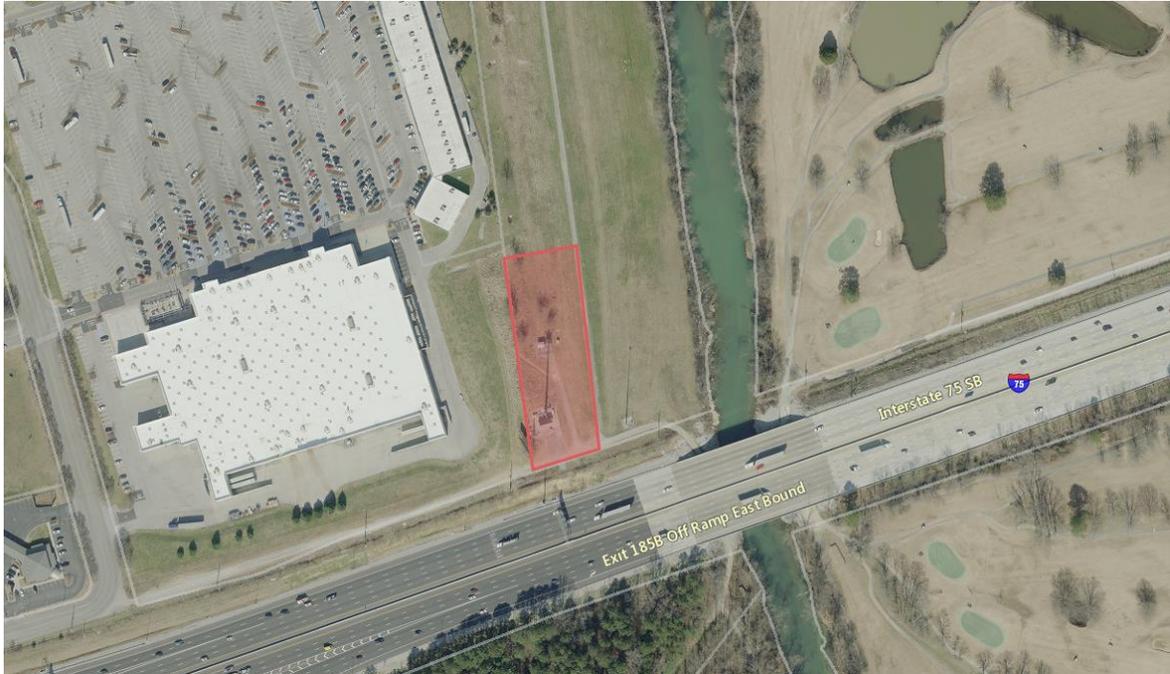
Title: \_\_\_\_\_

## EXHIBIT A

### Lease Premises Description

#### Site #1 - West Chickamauga EQ Station

#### **Parcel #2 (220 Cornelison Road, Chattanooga, TN, 37411)**



#### **SURVEYOR'S DESCRIPTION**

##### **LEASE AREA**

##### **A portion of Tax Parcel 157M A 009.03**

Land located in the City of Chattanooga, Hamilton County, Tennessee. Being a portion of the Property of the City of Chattanooga, Tennessee, of record in Deed Book 2514, Page 310, Register's Office, Hamilton County, Tennessee, (ROHC), which is a portion of Hamilton County Tax Parcel 157M A 009.03, and being more particularly described as follows, relative to the Tennessee State Plane Coordinate System, North American Datum of 1983 (NAD83):

COMMENCE at a 5/8in Rebar found, which lies in the West Line of aforesaid Property of the City and at the Southeast Corner of "Parcel 2" as recorded in Plat of Bright Par 3 Associates LP, Plat Book 75, Page 102, ROHC, and said Rebar located at Tennessee State Plane Coordinates: North: 246,940.23 feet, East: 2,207,005.39 feet, NAD83;

Thence S 07°40'46" E, along the West Line of aforesaid Property of the City, a distance of 12.23 feet to the POINT OF BEGINNING of the Lease Area described herein, which is located at Tennessee State Plane Coordinates: North: 246,928.11 feet, East: 2,207,007.02 feet, NAD83;

Thence N 78°59'31" E, a distance of 151.00 feet;

Thence S 07°49'36" E, a distance of 455.00 feet to a point on the Northern Right-of-Way Line of State of Tennessee Right-of-Way of Interstate Highway 75, as shown by Tennessee Department of Transportation Plans I-75-1(70)0;

Thence S 70°52'15" W, along said Right-of-Way Line a distance of 155.00 feet to the point said Right-of-Way Line intersects with the West Line of aforesaid Property of the City of Chattanooga;

Thence N 07°40'46" W, along said Line, a distance of 477.00 feet to the POINT OF BEGINNING.

The LEASE AREA described herein contains 1.62 Acres (70,531 Square Feet), more or less.

LESS AND EXCEPT a tract designated within a land lease agreement for wireless utility infrastructure being particularly described as follows:

BEGINNING at a point as the southwest corner of the Lease Area Boundary, said point being located North 13 degrees 58 minutes 00 seconds East a distance of 40.12 feet from the existing iron rod on the line common with the Osborne and City of Chattanooga Property.

Thence, North 18 degrees 29 minutes 35 seconds West a distance of 114.22 feet to an iron rod;

Thence, North 71 degrees 30 minutes 25 seconds East a distance of 75.00 feet to an iron rod;

Thence, South 18 degrees 29 minutes 35 seconds East a distance of 117.55 feet to a point located on the northerly side of a 15 foot ingress/egress easement;

Thence, continuing with said proposed easement South 72 degrees 13 minutes 16 seconds West a distance of 32.59 feet to a point;

Thence, South 75 degrees 27 minutes 38 seconds West a distance of 42.51 feet to the POINT OF BEGINNING.

Containing 0.20 acres or 8730 square feet more or less.

Being part of that property conveyed by deed recorded in Book 2514, Page 310, in the Register's Office, Hamilton County, Tennessee.

The foregoing description was taken from survey drawing No. 9517422S, dated July 25, 1995, made by Tysinger, Hampton & Partners, 3248 Bristol Highway, Johnson City, Tennessee 37605.

## Site #2 - South Lee Hwy EQ Station

### **Parcel #3 (7148 Lee Hwy, Chattanooga, TN, 37421)**



### **SURVEYOR'S DESCRIPTION**

#### **TAX PARCEL 139P C 008.01**

Property of the City of Chattanooga, Tennessee

Land lying in the City of Chattanooga, Tennessee. Being the property the City of Chattanooga, Tennessee, a municipal corporation of the State of Tennessee, of record in Deed Book 11148, Page 73, Register's Office, Hamilton County, Tennessee, (ROHC), and also known as being the "Webster Tract", as shown on Plat of James Webster's Subdivision, recorded in Plat Book 65, Page 52, ROHC, and being more particularly described relative to the Tennessee State Plane Coordinate System, as follows:

BEGINNING at a five-eighths-inch Rebar found at the Southwest Corner of aforesaid Webster Tract and Southwest Corner of the property described herein, and said Rebar lying in the Southeast Right-of-Way line of Lee Highway, and said rebar located at Tennessee State Plane Coordinates: North: 261,689.24 feet, East: 2,221,357.42 feet, North American Datum of 1983;

Thence North 52 degrees 25 minutes 26 seconds East, along said Right-of-Way line, a distance of 355.28 feet to the Northwest Corner of the property described herein, said point lies in an asphalt driveway;

Thence South 62 degrees 56 minutes 01 seconds East, leaving said Right-of-Way line, a distance of 526.08 feet to and Iron Spike found;

Thence South 50 degrees 52 minutes 20 seconds East, a distance of 91.15 feet to a point in a 28-inch Hickory Tree;

Thence South 83 degrees 51 minutes 15 seconds East, a distance of 30.61 feet to a point in a 24-inch Hickory Tree;

Thence South 57 degrees 25 minutes 36 seconds East, a distance of 158.68 feet to a five-eighths-inch Rebar found;

Thence South 65 degrees 13 minutes 29 seconds East, a distance of 151.89 feet to a one-half-inch Open-Top Pipe found;

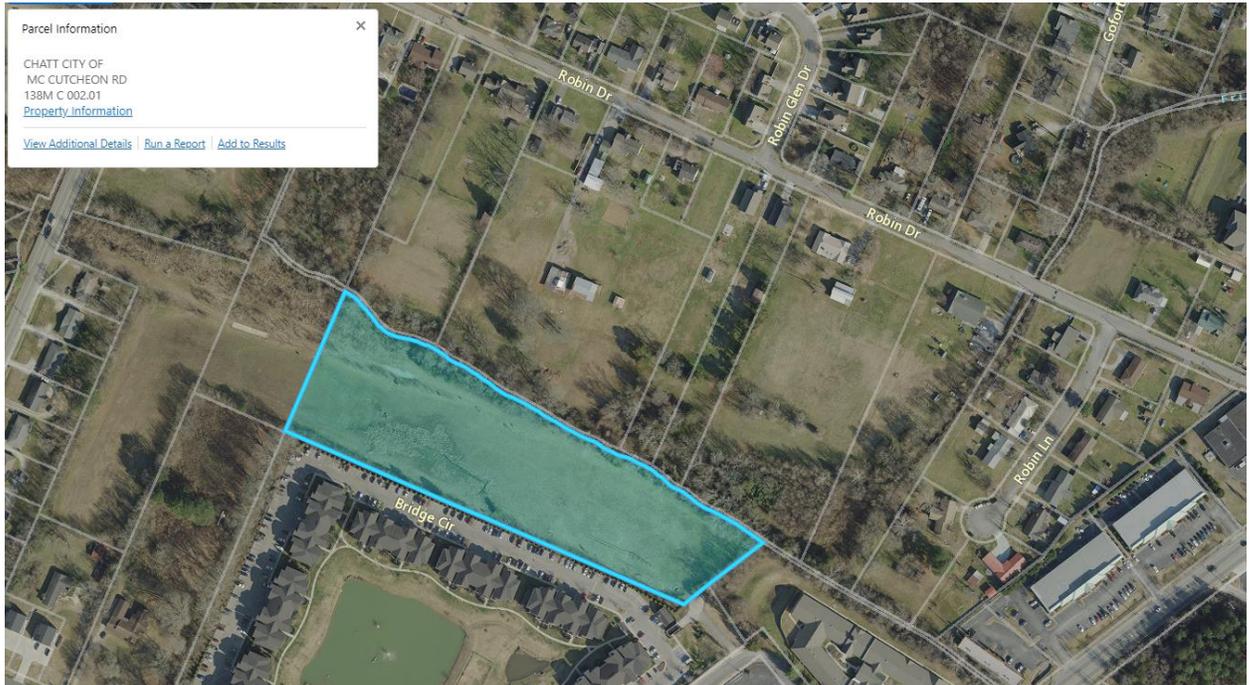
Thence South 74 degrees 06 minutes 58 seconds East, a distance of 293.65 feet to a five-eighths-inch Rebar found, same marking the Northeast Corner of the property described herein;

Thence South 24 degrees 09 minutes 28 seconds West, a distance of 360.99 feet to a one-half-inch Iron Rod found marking the Southeast Corner of the property described herein, which lies in the Northwest Right-of-Way line of Interstate Highway 75;

Thence North 62 degrees 56 minutes 31 seconds West, a distance of 1412.08 feet the POINT OF BEGINNING

Said Property described herein contains 9.70 Acres, more or less.

**Parcel #4 (7148 Lee Hwy, Chattanooga, TN, 37421)**



**SURVEYOR'S DESCRIPTION  
TAX PARCEL 138M C 002.01**

Land located in the City of Chattanooga, Tennessee. Being the property of the City of Chattanooga, Tennessee, of record in Deed Book 5515, Page 504, Register's Office, Hamilton County, Tennessee, (ROHC), and being more particularly describe, relative to the Tennessee State Plane Coordinate System, as follows:

BEGINNING at a Capped Iron Rod found at the Northwest Corner of Lot 1, Bridgeway Apartments, of record in Plat Book 99, Page 166, ROHC, located at Tennessee State Plane Coordinates: North: 262,257.30 feet, East: 2,219,526.30, North American Datum of 1983;

Thence North 23 degrees 24 minutes 38 seconds East, a distance of 344.32 feet to a point in the centerline of Friar's Branch;

Thence Eastwardly with and along the meanders of the centerline of said Branch, a chord bearing of South 59 degrees 00 minutes 38 seconds East, for a chord distance of 1099.23 feet to a point on said centerline of Friar's Branch;

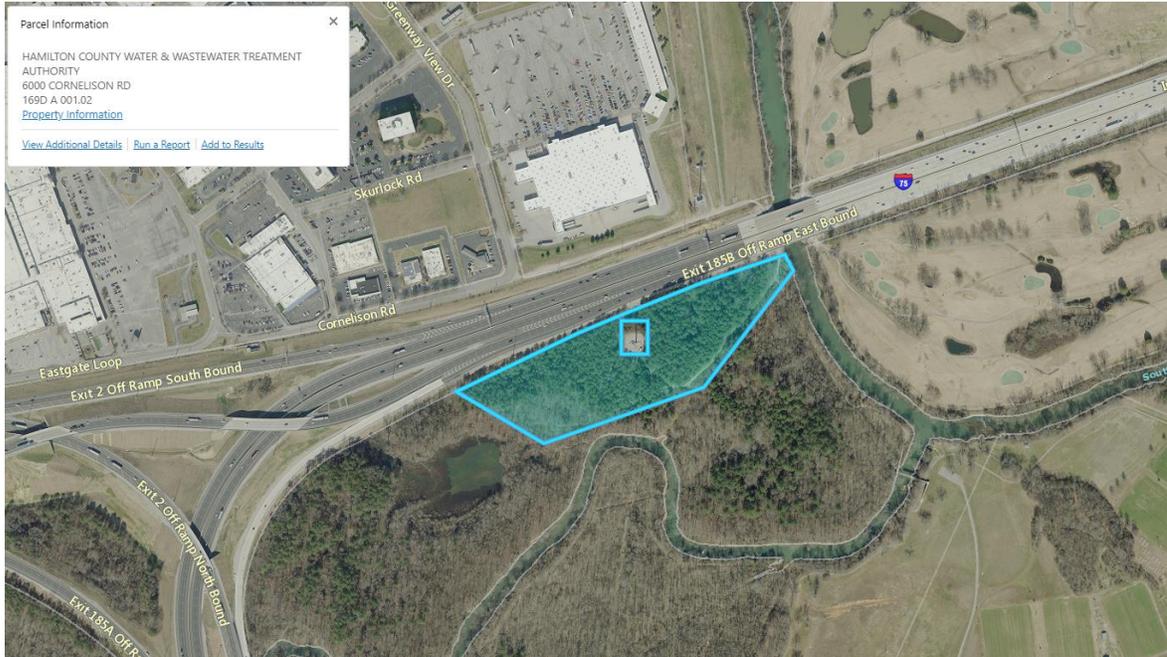
Thence South 52 degrees 21 minutes 37 seconds West, a distance of 227.94 feet to Capped Iron Rod found at a Northeastern Corner of aforesaid Lot 1, Bridgeway Apartments;

Thence North 66 degrees 34 minutes 57 seconds West along the principal Northeast line of said Lot 1, a distance of 979.29 feet to the POINT OF BEGINNING.

Property described herein contains 6.51 Acres, more or less, subject to variations in the route of Friar's Branch as may occur over time as a result of natural factors.

## EXHIBIT B

### Site #1 - West Chickamauga EQ Station **Future Parcel #1 (6000 Cornelison Road, Chattanooga, TN, 37411)**



#### **LAND DESCRIPTION**

#### **TAX PARCEL 169D A 001.02**

#### **Property of Hamilton County Wastewater Treatment Authority**

Ref: Deed Book 13105, Page 421, Register's Office, Hamilton County, Tennessee

A tract or parcel of land located in Hamilton County, Tennessee and being Lot 1 as shown on Revised Plat Lots 1 & 2, HCWWTA on I-75 Subdivision Plat, recorded in P3 124, Page 183, Instrument No. 2022081100165, in the Register's Office of Hamilton County, Tennessee, and being more particularly described as follows:

A parcel of land situated in Hamilton County, Tennessee being a part of Deed Book 10366, page 170 of the Register's Office Hamilton County (R.O.H.C.). To find the true point of beginning begin at the remote point of beginning which is the South right of way of U. S. Interstate 75 and the West boundary of Chickamauga Creek; thence with and along the West boundary of said creek 91.3 feet more or less to a point; said line is subtended by a chord South 27 degrees 43 minutes 13 seconds East 91.17 feet; thence leaving said boundary and with a series of bearings and distances as follows: South 37 degrees 32 minutes 18 seconds West 720.63 feet to a point, South 70 degrees 36 minutes 54 seconds West 830.77 feet to a point, North 59 degrees 06 minutes 20 seconds West 499.14 feet to a point in the South right of way of U. S. Interstate 75; thence leaving said lines and with and /along the South right of way of said Interstate with a series of bearings and distances as follows: North 64 degrees 43 minutes 21 seconds East 371.13 feet to the point of curve and marked by a concrete

monument found, with a curve measured to the right an arc distance of 603.07 feet to a point of compound curve marked by a concrete monument found, said curve has a radius of 11,339.16 feet a tangent of 301.60 feet and is subtended by a chord North 66 degrees 13 minutes 06 seconds East 603.00 feet with a curve measured to the right an arc distance of 616.93 feet to the point of tangent, said curve has a radius of 11,339.16 feet a tangent of 308.54 feet and is subtended by a chord North 69 degrees 18 minutes 02 seconds East 616.86 feet, North 70 degrees 12 minutes 14 seconds East 153.29 feet to the point of beginning.

LESS AND EXCEPT Lot 2 as shown on Revised Plat Lots 1 & 2, HCWWTA on I-75 Subdivision Plat, recorded in P3 124, Page 183, Instrument No. 2022081100165, in the Register's Office of Hamilton County, Tennessee, and being more particularly described as follows:

A parcel commencing at an iron pin; beginning South 66 degrees 14 minutes 20 seconds East a distance 818.33 feet from the termination of Cornelison Road at Tennessee State Plane Coordinates (N 245797.9841, E 2206706.4819), said iron pin being the Southwest corner of the tract herein described and also the POINT OF BEGINNING;

Thence North 00 degrees 00 minutes 00 seconds East a distance of 150 feet to an iron pin;

Thence South 90 degrees 00 minutes 00 seconds East a distance of 150.00 feet to an iron pin;

Thence North 90 degrees 00 minutes 00 seconds West a distance of 150.00 feet to the POINT OF BEGINNING.

Containing 0.52 acres more or less.

The above legal description of property taken from Exhibit 1 to Memorandum of Lease recorded in Deed Book GI 5377 Page 43.

**EXHIBIT C**  
**Progressive Design-Build Process**

**Procure Design-Builder**

The City has established criteria for solicitation of a design-build team for the project. Such criteria was published on the City's procurement website and which included such items as the prospective proposer's:

- licensure/bonding amount
- work history including size of recent projects completed as well as experience
- qualifications of the design-build organization(s)
- collaborative delivery approach
- past performance
- small business enterprise and local preference
- project understanding and delivery
- personnel qualifications and team approach
- oral communication
- costs of the 60% design professional services

The list of items above is not comprehensive.

**Design**

The design of the project will be completed in accordance with the design-builder contract. All Project components will be designed by a professional engineer (P.E.) licensed in the State of Tennessee. A guaranteed maximum price (GMP) will be provided at an interim design milestone. Based on its review of the GMP, it may become more economical to receive construction bids for the Project. The City reserves the right to deviate from the design-build of the project and solicit construction bids. If the design-build method remains the most economical option, the design-builder will be permitted to begin construction while finalizing the design for the project.

**Construction**

The construction of the project will be completed as described in the design-builder contract and design documents developed by a licensed professional engineer. Construction will be permitted to begin once the GMP is approved by the IDB.

**Startup**

Once construction of the Project components is substantially complete, the design-builder will implement the startup of Project components. Once the startup is approved by the City, the design-builder will provide the City with final project operational manuals and allow the City to begin operating the Project components.

RESOLUTION

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO EXECUTE AN ACKNOWLEDGEMENT OF EXPIRATION OF LEASE, QUITCLAIM DEED, AND BILL OF SALE, IN SUBSTANTIALLY THE FORMS ATTACHED, RELATIVE TO THE PILOT AGREEMENT WITH JARNIGAN ROAD II, LLC AND EMJ CORPORATION.

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BE IT RESOLVED, that the Industrial Development Board of the City of Chattanooga is hereby authorizing the Chair or Vice-Chair to execute an Acknowledgement of Expiration of Lease, Quitclaim Deed, and Bill of Sale, in substantially the forms attached, relative to the PILOT Agreement with Jarnigan Road II, LLC and EMJ Corporation.

ADOPTED: July 10, 2023

THE INDUSTRIAL DEVELOPMENT  
BOARD OF THE CITY OF CHATTANOOGA

Attest:

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KERRY HAYES, Chair

---

GORDON PARKER, Secretary

This Instrument Prepared By:  
Stanley W. Hildebrand, Esquire  
CBL Center, Suite 500  
2030 Hamilton Place Boulevard  
Chattanooga, Tennessee 37421

**ACKNOWLEDGEMENT OF EXPIRATION OF LEASE**

THIS ACKNOWLEDGEMENT is made and entered as of this \_\_\_\_ day of \_\_\_\_\_, 2023, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, a public corporation duly created and existing under the laws of the State of Tennessee, having a mailing address of: Suite 400, Pioneer Building, 801 Broad Street, Chattanooga, Tennessee 37402 (the "IDB"), and **JARNIGAN ROAD II, LLC**, a Tennessee limited liability company, having an address of 2030 Hamilton Place Boulevard, Suite 500, Chattanooga, Tennessee 37421, Attention: Senior Vice President - Finance ("Jarnigan"), and **EMJ CORPORATION**, a Tennessee corporation, having an address of 2200 Hamilton Place Boulevard, Chattanooga, Tennessee 37421 ("EMJ") (Jarnigan and EMJ collectively referred to herein as the "Tenants").

**RECITALS:**

WHEREAS, on April 23, 2008, IDB and the Tenants entered into that certain Lease Agreement (the "Lease") for land and improvements located in Chattanooga, Tennessee being more particularly described on Exhibit "A" attached hereto (the "Real Property", which Real Property was leased to Jarnigan), and for all personal property used by EMJ in connection with the Real Property (the "Personal Property", which Personal Property was leased to EMJ), and which Lease had an expiration date of December 31, 2020; and

WHEREAS, the parties caused a Memorandum of Lease with respect to the Lease to be recorded in Book 8647, Page 838 of the Register's Office of Hamilton County, Tennessee, and the parties now desire to memorialize that the Lease has expired in accordance with the terms thereof;

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the term of the Lease has expired, and that such Lease is of no further force and effect.

IN WITNESS WHEREOF, this Acknowledgement has been executed as of the date first above written.

[SIGNATURE BLOCKS ON FOLLOWING PAGE]

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE CITY OF CHATTANOOGA**

ATTEST

By: \_\_\_\_\_  
Gordon Parker, Secretary

By: \_\_\_\_\_  
Kerry Hayes, Chairman

**JARNIGAN ROAD II, LLC**

By: Jarnigan Road Limited Partnership, its  
Sole Member and Chief Manager

By: Development Options, Inc., its  
Sole General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EMJ CORPORATION**

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

STATE OF TENNESSEE  
COUNTY OF HAMILTON

Personally appeared before me, \_\_\_\_\_, Notary Public, \_\_\_\_\_ and \_\_\_\_\_, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained, and who further acknowledged that they are the Chairman and Secretary of the Maker, **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, and are authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this \_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_

STATE OF TENNESSEE  
COUNTY OF HAMILTON

Personally appeared before me, \_\_\_\_\_, Notary Public, \_\_\_\_\_, with whom I am personally acquainted, and who acknowledged that he executed the within instrument for the purposes therein contained, and who further acknowledged that he/she is the \_\_\_\_\_ of **Development Options, Inc.**, which is the sole general partner of **Jarnigan Road Limited Partnership**, the sole member and chief manager of the Maker, **JARNIGAN ROAD II, LLC**, and is authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this \_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Personally appeared before me, \_\_\_\_\_, Notary Public, \_\_\_\_\_, with whom I am personally acquainted, and who acknowledged that he executed the within instrument for the purposes therein contained, and who further acknowledged that he/she is the \_\_\_\_\_ of the Maker, **EMJ CORPORATION**, and is authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this \_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_

## **EXHIBIT "A"**

Land located in the City of Chattanooga, County of Hamilton, State of Tennessee, more particularly described as follows:

All of Lot 2, CBL's Addition to the Hamilton Place Area as shown on plat recorded in Plat Book 85, Page 13 in the Register's Office of Hamilton County, Tennessee.

Prepared by:  
Stanley W. Hildebrand, Esq.  
CBL & Associates Management, Inc.  
CBL Center, Suite 500  
2030 Hamilton Place Blvd.  
Chattanooga, Tennessee 37421

<u>New Owner's Address:</u>	<u>Send Tax Bills To:</u>	<u>Map &amp; Parcel:</u>
Jarnigan Road II, LLC CBL Center, Suite 500 2030 Hamilton Place Blvd. Chattanooga, TN 37421	Jarnigan Road II, LLC CBL Center, Suite 500 2030 Hamilton Place Blvd. Chattanooga, TN 37421	148M-G-005.01

**QUIT-CLAIM DEED**

**IN CONSIDERATION** of One Dollar (\$1.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, a Tennessee public corporation, ("Grantor"), does hereby transfer, convey and quitclaim unto **JARNIGAN ROAD II, LLC**, a Delaware limited liability company, certain real property located in the City of Chattanooga, Hamilton County, Tennessee, more particularly described on Exhibit "A" attached hereto and made a part hereof.

**IN WITNESS WHEREOF**, Grantor has executed this conveyance this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE CITY OF CHATTANOOGA,**  
A Tennessee public corporation

By: \_\_\_\_\_  
Name: Kerry Hayes  
Title: Chair

STATE OF TENNESSEE )  
COUNTY OF HAMILTON )

Before me, \_\_\_\_\_, of the state and county aforesaid, personally appeared \_\_\_\_\_, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the Chairman of The Industrial Development Board of the City of Chattanooga, and being authorized so to do, executed the foregoing instrument for the purpose therein contained by signing his or her name in such capacity.

**WITNESS** my hand and seal at office in Chattanooga, Tennessee, this \_\_\_\_ day of \_\_\_\_\_, 2023.

My commission expires:  
\_\_\_\_\_

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

[Affix Notarial Seal]

STATE OF TENNESSEE )  
COUNTY OF HAMILTON )

I hereby swear or affirm that the actual consideration for this transfer is \$-0-.

**AFFIANT—GRANTEE**

JARNIGAN ROAD II, LLC

By: Jarnigan Road Limited Partnership, its  
Sole Member and Chief Manager

By: Development Options, Inc., its  
Sole General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Subscribed and sworn to before me on  
this \_\_\_\_ day of \_\_\_\_\_, 2023.

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

My Commission Expires: \_\_\_\_\_

**EXHIBIT "A"**

**LEGAL DESCRIPTION**

Land located in the City of Chattanooga, County of Hamilton, State of Tennessee, more particularly described as follows:

All of Lot 2, CBL's Addition to the Hamilton Place Area as shown on plat recorded in Plat Book 85, Page 13 in the Register's Office of Hamilton County, Tennessee.

Reference for prior title is made to Deed recorded in Book 8647, Page 833 in the Register's Office of Hamilton County, Tennessee.

The foregoing description is the same description as in the prior Deed.

**BILL OF SALE**

**KNOW ALL MEN BY THESE PRESENTS**, that **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, a public corporation duly created and existing under the laws of the State of Tennessee ("**Assignor**"), in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby assign and transfer unto **EMJ CORPORATION**, a Tennessee corporation (the "**Assignee**"), all of Assignor's right, title interest, if any, in and to the all personal property used by Assignee in connection with the office building known as CBL Center II, located in Hamilton County, Tennessee, with the location of such office building being more particularly described on Exhibit "A".

**PROVIDED, HOWEVER**, the above described property is conveyed and transferred in its "AS IS" condition, and this assignment and transfer is made without representation or warranty of any kind, including without limitation any warranty of title, merchantability or fitness for a particular purpose.

**IN WITNESS WHEREOF**, Assignor has executed this Assignment as of the \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**ASSIGNOR:**

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE CITY OF CHATTANOOGA**

**ATTEST**

By: \_\_\_\_\_  
Gordon Parker, Secretary

By: \_\_\_\_\_  
Kerry Hayes, Chairman

**ASSIGNEE:**

**EMJ CORPORATION**

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

**EXHIBIT A**

**LEGAL DESCRIPTION**

Land located in the City of Chattanooga, County of Hamilton, State of Tennessee, more particularly described as follows:

All of Lot 2, CBL's Addition to the Hamilton Place Area as shown on plat recorded in Plat Book 85, Page 13 in the Register's Office of Hamilton County, Tennessee.

## **City of Chattanooga and Hamilton County**

### **Payment In Lieu of Tax Agreement**

#### **Policies and Procedures**

##### **Introduction**

It is the policy of the City of Chattanooga (“City”) and Hamilton County (“County”) to enhance the development of the local economy and to promote job creation and job retention via business investments within the area. To advance economic development, the City and County partner with the Chattanooga Area Chamber of Commerce to recruit, expand, and retain business entities. The City and County Mayors, with the assistance of the Chamber of Commerce, periodically identify broad economic goals for the City and County. The Mayors, or their designees, annually communicate the key objectives necessary to achieve those goals to their respective Legislative Bodies.

To promote attainment of high priority businesses, investments and stimulate job creation, the City and County have established a business incentive program for abatement of ad valorem taxes known as Payments-In-Lieu-of-Tax Agreements (PILOTs). The Chamber uses PILOTs as a business recruitment and retention tool, to enhance employment opportunities, investments, community improvement, and provide the financial impact needed by the City and County and their citizens. The PILOT program is administered for the City and County by their Industrial Development Boards.

##### **PART I**

###### **Objective**

This document is a guide for application and consideration of certain economic and business development opportunities which may merit consideration for property tax abatement. In accordance with the objectives of all parties involved, each proposed project must be in the public interest and clearly demonstrate economic benefit to the City. This is established by, but not limited to, those criteria found in Part IV of this document. Additionally, to avoid unnecessary distortion of the local economic environment, projects must convincingly satisfy the “but for” test: “But for” the tax incentive offered, the project would not otherwise be located in Chattanooga.

## **Property Taxes for Education**

Successful public education systems are essential to the prosperity of any community. The demand for a qualified workforce requires high quality educational systems to provide potential employees with the foundation for workforce readiness. Therefore, that portion of property taxes dedicated to funding the Hamilton County Department of Education shall not be abated under a PILOT agreement.

## **Conflicts of Interest**

In order to sustain public trust in the use of PILOT incentives, all City officials, to include the Mayor, Legislative Bodies, staff, and contracted agents of the City, performing a role in the facilitation, review, and/or approval of projects shall be responsible for disclosing any material interest which he or she may have in or with an Applicant, Sponsor or financing source. Any official having any material interest in a Project or a financial or family relationship with an Applicant, Sponsor or financing source shall submit to the Legislative Body's Counsel a representation of that interest, and the Counsel shall advise both the respective body and official whether the official needs to recuse himself or herself from consideration of the Application. Such recommendation of Counsel shall be conclusive. If recusal is recommended, the body will then consider the Application without participation from the official or officials who recuse themselves. In the event of a conflict involving Legislative Body Counsel, the City, County, or IDB will retain special counsel to represent it in connection with the particular Project being considered. In like manner as above, public officials shall disclose any campaign contributions or other material support received or anticipated from an Applicant or project affiliated party and recuse themselves if so advised by the Legislative Counsel.

## **PART II**

### **Definitions**

- A. **"Applicant"** means the qualified business enterprise applying for the incentive or their representative, consultant, or counsel acting on behalf of the Qualified Business Enterprise. May also be referred to as the "Lessee."
- B. **"Application"** means the application for property tax incentives submitted in the form designated by the Chamber and as amended from time to time.
- C. **"Chattanooga Area Chamber of Commerce"** is the organization designated by the City and County as their primary point of contact on economic development matters

pertaining to the recruitment, expansion, and retention of business within their jurisdiction. May also be referred to as the Chamber.

D. **“Economic Impact Matrix”** incorporates the factors set forth in Part IV.

E. **“Expansion”** means the addition of buildings, structures, machinery, or equipment for the purpose of expanding a project. An Expansion shall mean valuated independently from the original Project and shall require a new Application be made unless included in the original Application or economic development agreements with the City including a PILOT or Lease Agreement.

F. **“Industrial Development Board”** means the nonprofit quasi-governmental corporations established by the City and the County pursuant to the Tennessee Industrial Development Corporation Act, TCA §7-53-101 et seq. The Industrial Development Boards’ statutory purpose includes financing, owning, and/or leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade. May also be referred to as the “board” or “IDB.”

G. **“Lease Agreement”** means the formal contract between the Lessee and the Industrial Development Board containing the terms and conditions of the agreement and property tax incentives. May also be referred to as PILOT agreement.

H. **“Mayors”** mean the Mayor of the City and Mayor of Hamilton County, Tennessee. As chief executive officers of their respective governments, the Mayors are a primary point of contact for negotiations on behalf of the City and County.

I. **“Payment-in-Lieu-of-Taxes”** means payments established in lieu of ad valorem taxes on the property involved in the Project. Generally, for real property, such amounts are to be based on the taxes being generated at the time the board takes title to the property considering only the value of the unimproved property. Generally, for tangible personal property, such amounts are to be based on the taxes being generated at the time the Board takes title to the property. Subsequent re-evaluation shall occur at intervals consistent with re-appraisals as required by State law. Payment-in Lieu of Taxes may also be referred to as “PILOTS”.

J. **“Legislative Bodies”** mean the Chattanooga City Council and the Hamilton County Commission.

**“Project”** means buildings, structures, machinery, equipment, land, new employees and applicable wages defined in the application. This may include the addition of buildings,

structures, machinery, or equipment that is committed by the applicant. Any phase or expansion planned beyond five (5) years of the initial Project and not included in the initial Application or economic development agreements will require a new application to be filed at the time that the expansion is planned. Each Project must comply with the definition of “Project” cited in Tenn. Code Ann. §7-53-101.

K. **“Qualified Business Enterprise”** means any person, corporation or other business entity engaged in the active conduct of a trade or business. For the purposes of applying for this incentive, a qualified business enterprise is classified under an appropriate North American Industry Classification System code primarily in the manufacturing, non-retail commercial, and distribution sectors. Headquarters or office relocation, expansion, or retention projects are also included. Other projects may be considered if determined that the economic benefits are to an extent that warrants extraordinary consideration.

### **PART III**

#### **Eligible Projects**

Projects in the following business sectors represent the Qualified Business Enterprises that this program targets for consideration, so long as the proposal meets the other criteria:

- A. Manufacturing Projects constructed to manufacture, assemble, process, fabricate and distribute agricultural, mining or manufactured products
- B. Headquarters or Office Projects representing the relocation, expansion or retention of international, national, or primary regional headquarters or offices of established companies
- C. Distribution Facilities constructed to receive and forward final goods to various locations.
- D. Non-Retail Commercial Office Buildings and Service Facilities constructed for a specific tenant who will occupy the facility for at least the term of the property tax incentive.

Projects in other sectors such as retail, housing, speculative developments, etc. may be considered if it is determined that the overall economic benefits are to an extent that warrants extraordinary consideration such as redevelopment of a blighted or abandoned property.

### **PART IV**

#### **PILOT Evaluation Criteria**

Projects are evaluated according to an Economic Impact Matrix, which incorporates the factors listed below over a five-year period from the date of the Lease Agreement. A number of points for each of these categories are determined. The terms and conditions of the property tax

incentive are based on the final score attributed to the Project. (See Economic Impact Matrix Appendix A)

A. Capital Investment: The Qualified Business Enterprise shall describe the minimum capital investment it will make in real and personal property such as machinery, land, equipment, structures, buildings, and any other tax producing improvements for consideration. Investment capital cannot be transferred between real and personal property categories once the Board has approved the Applicant's Application. If an Applicant reassigns investment capital, the Board may require that the Applicant submit another Application for Board approval. Monthly or annual rental payments during the Lease Term are not to be construed as part of the leasehold property improvement or increasing the value of the Applicant's capital investment.

B. Number of New Jobs Created: The Qualified Business Enterprise shall include the number of net new jobs directly created. Part-time jobs (defined as less than 35 hours per week) may not be factored for the purposes of calculating terms of the Lease Agreement.

C. Average Annual Wages: The Qualified Business Enterprise shall describe the average annual wages to be paid to employees in the newly created jobs. The baseline shall be 100% of the existing average annual wage of Hamilton County (as reported by the United States Department of Labor/Bureau of Labor Statistics). Points are added or subtracted based on a percentage above or below the baseline.

**Bonus Factors:**

A. Construction or renovation which results in building design and equipment that significantly reduces energy consumption. Documentation of LEED Certification or an equivalent standard of attainment shall be required.

B. Exceptionally High Average Wages: The average annual wage of all jobs created as a result of the Project that exceeds 200% of the average annual industrial wage of Hamilton County.

C. Location: The Project locates in a Renewal Community Zone defined by HUD or a remediated Brownfield site identified by the Environmental Protection Agency or the Tennessee Department of Environment & Conservation.

D. Community Benefit: Specific and measurable Community Benefits commitments by the Applicant to endeavor to hire local citizens, utilize local minority contractors and suppliers and support talent and education initiatives through partnerships with Hamilton County

Schools and local higher-ed institutions. Additional commitments include cooperating with local communities impacted by projects, agreeing to provide substantive work benefits to local employees (Health, Paid Sick leave, Childcare services, etc.) and/or utilizing local contractors and apprenticeship programs for project construction.

E. Corporate Leadership and Environmental Sustainability: Demonstration of industry leading or otherwise exceptional performance in promoting the rights and welfare of employees and local communities; analogously, exceptional environmental performance demonstrating consequential contributions to local environmental quality, well in exceedance of regulatory minimum standards

**Special circumstances** or conditions may be considered in granting or refusing a specific property tax incentive term. During the Project negotiation process, the Applicant may be required to provide additional commitments demonstrating a significant impact upon the economic and physical plans and policies of the City and County.

**Tax Abatement Term:** Scores for projects must achieve minimum terms of at least 5 years. Maximum abatement terms shall not exceed 10 years, irrespective of points, unless compelling reasons are presented and adopted justifying an extension or Project's Capital Investment exceeds \$150 million or the Project results in more than 500 jobs. Projects must clearly satisfy the "but for" test and provide convincing economic advantages to the City and its residents.

**Standard Percentages of Incentive** – the percentage of property taxes waived are as follows:

**Year 1:** 100% abated

**Year 2:** 75% abated

**Year 3:** 60% abated

**Year 4 and beyond:** 50% abated

## **PART V**

### **Application Process**

The Applicant will arrange a pre-application conference with the Chattanooga Area Chamber of Commerce, on behalf of the Mayors, to determine what level of incentives, if any, may be provided. The Applicant shall be informed that tax incentives should not be considered final

until approved by the Mayors and the Legislative Bodies. Being that the sole authority to determine the public interest resides in the City, the decision, to grant or not grant a PILOT, does not rest with the Chamber.

A. The Applicant shall submit the application and supporting documentation to the Chamber's staff. Applicants are advised to retain legal counsel. The following information must be part of the application:

1. Application form;
2. Project description;
3. Main points of contact of the applicant;
4. Projected capital investment estimates in real and personal property;
5. Employment - current and/or projected;
6. Wages – current and/or projected;
7. Other documentation necessary to support the request.

B. The Chamber will perform all necessary due diligence and prepare a report to the Mayors specifying the proposed terms of the property tax incentive based on the Economic Impact Matrix. An economic impact analysis shall be performed by professionals with recognized expertise in public sector economic analysis, finance, and accounting methodologies and be presented to the IDB and/or Legislative Bodies considering the PILOT for approval.

C. The Mayors shall offer conditional approval or rejection of the proposed terms of the property tax incentive, subject to further negotiation.

D. If approved by the Mayors, the Chamber will send the Applicant a conditional letter of commitment outlining the proposed terms of the incentive and reminding the applicant that final approval is subject to approval by the Legislative Bodies.

If the property tax incentive offer is agreeable to the applicant and the Mayors a written City staff report, PILOT Application documentation, and draft Lease Agreement shall be provided to IDB board members not less than 7 days prior to the public hearing. The hearing will begin with a staff presentation of the project describing how the project meets the purposes and interests of the City and complies with policy requirements before opening for public comment. Material issues, questions, and/or concerns raised shall be recorded in a memorandum and transmitted to the Legislative Bodies, not less than 7 days prior to hearings before such.

F. Upon IDB acceptance of the application, the Applicant, working through the Chamber, the application and agreements shall be placed on the next regular meeting of the IDB for approval if the Board determines that the Applicant meets all requirements of this policy and the term of the PILOT is 10 years or less.

G. If the proposed PILOT has a term of more than 10 years or does not conform to this policy, the Legislative Bodies will each meet to discuss the merits of the proposed Lease Agreement and resolution. The Legislative Bodies will determine, each by majority vote, if the proposal is in the best interests of the City and County and meets the goals and objectives for economic development.

H. Upon approval of the Legislative Bodies, the Lease Agreement will be presented to the IDB for approval and execution. Signatories to the Lease Agreement are the Mayors, Chairman of the IDB, the Applicant's representative, the Hamilton County Trustee, and the Hamilton County Assessor of Property.

If after the approval of an Application, (i) the Project's scope, location, or purpose changes, (ii) the Applicant receives tax incentives from another Governmental Authority that the Bodies consider to be in conflict with their own action, or (iii) any other change occurs that is considered material or adverse, the City, County, or IDB may notify Applicant, reconsider the Application, and modify or even revoke the property tax incentive that had been previously approved.

## **PART VI**

### **Application Duties and Stipulations**

**Project Expansions:** If the Project expands during the term of the Lease Agreement, such expansion shall be considered as a separate Project for the purpose of seeking a property tax incentive unless otherwise stated in the Lease or PILOT agreement. Project Expansions shall be subject to the same review and criteria as contained in the original Lease Agreement and shall require a new Application be made unless otherwise stated in the Lease or PILOT agreement.

**Periodic Reports:** As a condition of PILOT approval, applicants must agree to send signed copies of the annual update of the Economic Impact Matrix and annual attesting to the compliance or non-compliance status of those items identified in the original agreement and other periodic reports as required by the Lease Agreement to the IDB and the Chamber of Commerce.

**Stormwater Fees:** Stormwater fees will be paid in full and not otherwise deducted from Education or other taxes due.

**Effect of Sale, Assignment or Lease of Property:** No rights to a property tax incentive approved by the Board may be sold assigned, or leased unless otherwise specified in the Lease Agreement or approved by the Board. Any sale, assignment or lease of the property which is not permitted in the Lease Agreement results in a forfeiture of all property tax incentive rights on the property. If a recipient of a property tax incentive vacates, abandons or ceases operations on the Property,

which is the subject of a Real Property Lease Agreement, the property owner has twelve (12) months to obtain a new Applicant. All renewals for Projects with property tax incentives are granted at the sole discretion of the board.

**Economic Development Fees:** For each year in which the in Lieu Payment percentage to the city and county is less than 100%, an economic development payment equal to 15% of the project's respective general fund property taxes (excluding the school portion) shall be collected by the Treasurer and Trustee. However, in no event shall the total of the economic development payment and the Payment in Lieu of Taxes exceed 100% of the respective city and county general fund taxes if the property were subject to general fund taxes.

## **PART VII**

### **Reporting; Notification Requirements; Audit**

A. Economic Impact Matrix Report and Annual Report. Lessee shall send an annual update of the Economic Impact Matrix and Annual Report to the City Finance Officer, the Hamilton County Finance Administrator, the IDB, and the Chamber at the end of the Lessee's corporate tax year.

The Annual Report Form, not limited to the following, shall include:

1. Capital Investment – Real Property/Tangible Personal Property
2. Employee Report - The total number of employees, their total salaries and the starting wage. These jobs shall be reported in job classifications as required by the IDB.
3. Vendor Support Report - The gross dollars spent locally on supplier and professional service contracts, to demonstrate the amounts by contract awarded and performed by Chattanooga Persons if points were awarded per the matrix for a commitment to utilize local vendors.
4. 4. Minority/Small Businesses - The dollar amount of contracts awarded to local Minority/Small Businesses if points were awarded per the matrix for a commitment to utilize minority/small business vendors.

B. State Board of Equalization Report. The Lessee shall file reports with the State Board of Equalization as required by the State of Tennessee as set forth in T.C.A. § 7-53-305. A copy of the report and a copy of the transmittal letter to the State of Tennessee shall be filed with the County Assessor of property upon filing report with the State

C. Required Notification. The Applicant shall make timely notification to the IDB, Mayors, and the Chamber of any mergers, acquisitions, bankruptcies, company relocation, change in corporate structure or organization.

D. Audit. As information warrants, the City and County shall have the right to audit pertinent data, and, if necessary, visit and inspect the Projects, during the term of the property tax incentive to determine project Applicant. [Audit provision needs to be fleshed out here. Audit report back mechanism to Mayors, Legislative Bodies & IDB needs to be described.]

## **PART VIII**

### **Chamber's Project File**

The Chamber shall maintain a current checklist and file copies of all documents received as required by the State of Tennessee and the City and County as outlined in the Lease Agreement and this Part VIII, including, but not limited to, Lease Agreement, Economic Impact Matrix, Annual Report, and original Economic Impact Matrix and annual update to Economic Impact Matrix.

## **PART IX**

### **Compliance and Remedies**

Applicants have five (5) years to reach compliance levels for investment, employment, wages, and other factors committed by the Applicant in the Lease Agreement and to maintain those levels throughout the term of the Lease Agreement unless otherwise agreed to in the Lease Agreement. Each Applicant will provide an Annual Report inclusive of supporting documents, signed by an accountable administrative officer, to certify the Applicant's actual performance as more fully set forth in Part VII.A. Failure to provide the appropriate initial or annual follow-up documentation to the State of Tennessee, the City or the County shall be a violation of the Lease Agreement.

The Chamber will review the Annual Reports to determine the status of original goals versus actual performance reports and report these findings annually to the IDB. Any changes that prevent PILOT goal achievement may necessitate more frequent reporting. IDB will review the findings annually to determine the status of committed benefits by the applicant.

If audit findings or pertinent information reveals that the Applicant has not met the projections of the factors serving as the basis for the final calculation of the property tax incentive, the IDB, City or County shall have the right to audit data pertinent to determine compliance with the

Lease Agreement. [Audit provision needs to be fleshed out here. Audit report back mechanism to Mayors, Legislative Bodies, & IDB needs to be described.]

The IDB, City or County may exercise one or more of a number of remedies contained in the Lease Agreement, including:

- A. termination of the Lease Agreement;
- B. adjustment of the property tax incentive based upon the Lessee's performance in meeting their investment, jobs, and wage commitments;
- C. compel payment of amounts approximating the taxes that would have been due if the incentive had been determined in accordance with the Lessee's actual performance; or
- D. take other legal action.

Every situation shall be considered on a case-by-case basis. One factor to consider is if the Applicant has made a good faith effort to comply with its employment, wage, and capital investment commitments, but extraordinary circumstances prevent it from achieving those goals. Another factor that may be considered is that the applicant may have met or exceeded one or more of its commitments without meeting others.

The Chamber of Commerce, shall assess compliance with the terms of all active Lease Agreements and make an annual status report to the Mayors and the Board. This Annual Report shall include compliance levels for investment, employment, wages, and other factors agreed to by the applicants, as stated in the Lease Agreements. The presentation of the report shall be accompanied by a summary of aggregated PILOT metrics, discussion of proposed changes, if any, to PILOT policy or procedures, and invite public comment. The Mayors and the Legislative Bodies shall work in a collaborative effort to ensure PILOT criteria compliance and the ad valorem tax abatement program functions to preserve and enhance the best economic interests of City and County residents.