

RESOLUTION NO. 32406

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHATTANOOGA APPROVING POLICIES AND PROCEDURES FOR PAYMENT-IN-LIEU-OF-TAX TRANSACTIONS FOR THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

WHEREAS, the City Council (the “Council”) of the City of Chattanooga, Tennessee (the “City”), has met pursuant to proper notice; and

WHEREAS, there has been presented to the Council Policies and Procedures for Payment-in-lieu-of-Tax Transactions (the “Policies and Procedures”), a copy of which is attached hereto as Exhibit A, relating to certain types of projects described in the Policies and Procedures; and

WHEREAS, pursuant to and subject to the limitations of the Policies and Procedures, after negotiation, a public hearing, and approval by the Council, the Industrial Development Board of the City of Chattanooga (the “Board”) will be authorized to accept from lessees payments in lieu of ad valorem taxes; and

WHEREAS, acceptance by the Board of payments in lieu of ad valorem taxes from lessees is in furtherance of the public purposes of the Board as defined in Tennessee Code Annotated Section 7-53-305(b); and

WHEREAS, the Council desires to approve the Policies and Procedures in order to provide a framework for applicants seeking to enter into a transaction involving payments in lieu of ad valorem taxes with the Board.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chattanooga, Tennessee, as follows:

1. The Council hereby finds that the acceptance by the Board of payments in lieu of ad valorem taxes from lessees consistent with the Policies and Procedures is in furtherance of the public purposes of the Board as defined in Tennessee Code Annotated Section 7-53-305.
2. The Council hereby approves the Policies and Procedures.
3. The Board shall not enter into any agreement that provides for payments in lieu of ad valorem taxes without negotiation, a public hearing, and approval by the Council pursuant to and subject to the limitations of the Policies and Procedures.
4. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed, and this resolution shall be in immediate effect from and after its adoption.

ADOPTED: February 18, 2025

EXHIBIT A
POLICIES AND PROCEDURES
(See attached)

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

**Policies and Procedures for
Payment-in-lieu-of-Tax Transactions**

Section I. General Purpose and Eligible Projects^{*}

1. Purpose. The City of Chattanooga, Tennessee (the “City”) is committed to improving the local business environment and economy. In furtherance of this objective, the City has previously formed The Industrial Development Board of the City of Chattanooga (the “IDB”). The IDB is a public nonprofit corporation established pursuant to the Tennessee Industrial Development Corporation Act (the “Act”), Tenn. Code Ann. §§7-53-101 et seq. The IDB’s statutory purposes include financing, owning and leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade in Tennessee and in particular, in the City.

In furtherance of such purposes and in order to promote economic growth in the City, the City has caused to be prepared these Policies and Procedures (these “Policies”) in order for the City and the IDB to consider and approve certain requests from Applicants to make payments in lieu of taxes (“PILOTs”) to the IDB instead of paying property taxes to the relevant taxing authority. Additionally, these Policies will inform potential Applicants for PILOT incentives of the specific criteria that the City and the IDB will consider in evaluating Applications for PILOT incentives and the process that will be undertaken with respect to such incentives. PILOTs are generally less than regular property taxes and lower the property tax expense for a business that is locating or expanding in the City. For purposes of these Policies, an incentive provided by the IDB through a PILOT that results in a PILOT that is less than the property taxes that otherwise would be payable with respect to the applicable property is referred to herein as a “PILOT incentive.”

The City will not negotiate any PILOT incentive that would result in a reduction of the amounts that Hamilton County, Tennessee (the “County”) would otherwise receive as property taxes unless (i) the County has approved the terms of the particular PILOT incentive with respect to property taxes that otherwise would be payable to the County or (ii) the County Commission of the County has approved a resolution authorizing the IDB to negotiate PILOT incentives on the terms provided in these Policies. While the decision as to PILOT incentive as to County taxes will ultimately be made by County Commission, it is not expected that any PILOT incentive would affect the payment of amounts equal to the school portion of County property taxes.

These Policies shall not be construed to require the City or the IDB to approve a PILOT incentive for any Person. Granting a PILOT incentive as to City property taxes, whether such PILOT incentive is within the parameters of these Policies or beyond the scope of these Policies, is solely within the discretion of the City Council and the IDB.

2. Eligible Projects. The Act defines the types of projects as to which the IDB is authorized to undertake and for which the IDB is legally authorized to enter into a PILOT transaction.

^{*} Capitalized terms used in these Policies and Procedures that are not otherwise defined shall have the meanings given to such terms in Section VIII.

Notwithstanding the broad list of such projects in the Act, the City will only approve PILOT incentives for the IDB to undertake for the following types of projects:

- a. Industrial facilities that manufacture, assemble, process or fabricate agricultural, mining or other products.
- b. Distribution facilities that receive and distribute goods.
- c. Office buildings and service facilities.

In addition to the foregoing limitation, any project must also be in a target industry sector as defined by the current five-year strategic plan of the Chattanooga Area Chamber of Commerce (the “Chamber”) or as defined by the Tennessee Department of Economic and Community Development (the “State ECD”). The current lists of target industry sectors, as of the approval of these Policies, of the Chamber and State ECD are collectively attached hereto as **Exhibit D**.

Additionally, structured parking facilities that support an otherwise eligible project or support a development project in areas designated by the City as focus areas for redevelopment will also be eligible projects under these Policies.

Section II. Overview of PILOT Structure

Property tax abatement in Tennessee cannot be achieved solely by legislative or administrative action of the City because of certain limitations in the Tennessee Constitution. In other words, the City Council cannot unilaterally grant tax abatement. In order to implement tax abatement for a specific project, and to permit an Applicant to reduce its property taxes by making PILOTs, the Project (as such term is defined in Section VIII) must be conveyed to the IDB and leased back to the Applicant. The following is a general description of the terms of a typical PILOT transaction.

1. Conveyance to the IDB. To implement a PILOT transaction, the IDB must take title to the Project. The conveyance to the IDB is usually consummated by the Applicant’s execution and delivery to the IDB of a deed conveying any real property to the IDB and a bill of sale conveying any personal property to the IDB.

2. Lease and PILOT Agreement. Upon the conveyance of property, the IDB simultaneously enters into a lease agreement and an agreement with respect to PILOTs (the “PILOT Agreement”) with the Applicant whereby the Applicant leases the conveyed property from the IDB and the Applicant agrees to make PILOTs to the IDB. The lease will be a “triple net lease” whereby the Applicant is responsible for all maintenance, repair, taxes, and insurance. Other than such commitments and the PILOTs, the rent under such a lease is nominal, and the lease is generally not considered a true lease for federal tax purposes (i.e. tax ownership remains with the lessee). The lease and the PILOT Agreement will contain specific provisions as to a number of matters including the following:

- a. **Payment-in-Lieu Taxes** — Because the property is exempt from property taxation while owned by the IDB, the IDB and the Applicant will agree upon a schedule of PILOTs to be paid under the PILOT Agreement. Such schedule will be determined in the manner shown in **Exhibit A**.
- b. **Purchase Option** — In the lease, the IDB will grant to the Applicant the right to purchase the Project at any time during the term of the lease by payment of a nominal sum. Upon such a purchase, the PILOT incentive and the lease shall terminate.

- c. **Additional Improvements and Equipment** — The PILOT incentive will only be applicable to the initial Project as described in the Lease and not to additional improvements made (such as expansions) or equipment added after the initial Project is placed in service. Any PILOT incentive as to an expansion or equipment acquired after the Project is placed in service would be considered by the City under a separate Application made by the lessee.
- d. **Adjustments to PILOTs** — The PILOT Agreement will provide that if the Applicant does not achieve the employment, capital investment and average wages projected in the Applicant’s Application, the Applicant’s PILOT will be increased on an annual basis to reflect Applicant’s actual results as described in more detail in Section V.
- e. **Indemnity/Insurance** — The lease will require the Applicant to indemnify the IDB for all matters relating to the Project (except matters resulting from the gross negligence or willful misconduct of the IDB) and maintain certain insurance (including commercial liability insurance, casualty insurance and workers’ compensation insurance) with respect to the Project. If the Applicant typically self insures as to certain risks, the IDB may consider allowing the Applicant to self insure those same risks, but the IDB, in its discretion and upon the advice of its counsel, may require insurance.
- f. **Limited liability of IDB** — Any liability of the IDB under the lease shall be limited to its interest in the leased Project.
- g. **Assignment and Subletting** — The Applicant will not have the right to sublet the Project or any part thereof or assign or otherwise transfer its rights under any PILOT incentive except with the prior written consent of the IDB upon the terms provided in the lease and PILOT Agreement.
- h. **Stormwater Fees** — In no event shall any PILOT incentive affect the payment of stormwater fees to the City relating to any Project.

3. Financing — In many cases, the Applicant will need to use the property leased from the IDB as collateral for financing. The lease will provide that the IDB will cooperate with the Applicant and its lender in assuring the lender that the lender has a first priority lien on the leased property provided that the documentation does not place any obligation or liability on the IDB beyond its interest in the Project.

4. Ground Leases — If the Project is located on property that is the subject of a ground lease, a PILOT incentive can still be achieved, but the documentation will need to include a sublease to the IDB of the ground lease.

5. Personal Property — The IDB can offer tax abatements for personal property as well as real property for eligible Projects through a PILOT incentive. Any personal property can be leased pursuant to the same lease as any real property or pursuant to a separate lease. If the real property and personal property that constitute a Project would otherwise be owned by separate entities, separate leases will be used, and both such entities should jointly be the Applicant for the PILOT incentive. The lease will require the Applicant to clearly identify the personal property that is included under the lease and to provide annual bills of sale under which personal property is conveyed to the IDB. Personal property shall not include inventory or other similar assets.

6. Requirement of Economic Inducement — A PILOT incentive is intended to be an inducement for a new or existing business to commence or expand its business operations, and to induce businesses to create jobs in the City. If a business has already made a decision to undertake a Project without the City’s adopting a delegation resolution relating to the PILOT incentive, then, in such event, the PILOT incentive did not constitute an inducement or incentive for the Applicant’s decision to undertake the Project. If an Applicant has already contracted for or made binding arrangements to accomplish any of the foregoing prior to submitting its Application to the City, and there is no condition in any such contract related to the granting of the PILOT incentive, then a PILOT incentive will not be available for the Project. Additionally, for real estate development projects where the incentive is intended to assist the developer in obtaining a minimum projected rate of return so that the project is viable, the City or IDB may require an analysis by an independent third party confirming that the requested incentive does not exceed the amount necessary for the developer to achieve a reasonable rate of return based upon market conditions.

7. Expansions of Existing Facilities. If the Applicant’s proposed Project relates to the expansion of a facility (an “Expansion”), the PILOT incentive will apply only to the Expansion. If the Expansion is on the same tax parcel as an existing facility, the entire tax parcel will need to be conveyed to the IDB, and the lessee will agree to make PILOTs equal to the taxes that would otherwise have been assessed on the existing facility plus the PILOT payment, if any, related to the Expansion. For purposes of clarification, existing businesses operating in City are eligible to apply for a PILOT incentive under these Policies with respect to any Expansion of the existing business. For purposes of the information provided in an Application for an Expansion, the information provided therein as to the projections requested therein shall relate only to the Expansion and not the existing business, although Applicants for Expansion are encouraged to provide additional information regarding the Applicant’s existing business.

8. Commencement of Lease Term; Project Completion. The term for a PILOT incentive relating to each Project determined in accordance with **Exhibit A** shall commence not later than the first full calendar year after completion of the Project. A Project shall generally be deemed completed when it is placed in service for the purposes for which the Project is being undertaken. The PILOT lease will establish an outside date for the completion of the Project based upon an Applicant’s anticipated completion date, subject to excusable delay, provided that the completion date shall not exceed three years unless the Applicant demonstrates unusual factors as to a Project that require an extended completion date.

Section III. Criteria for Determining Term and Amount of PILOT

The term of a PILOT incentive will be determined by reference to the factors listed in **Exhibit A** attached hereto. **Exhibit A** generally provides that each eligible project will be evaluated based upon three factors described below and that points will be awarded (or deducted) as to each factor. In most cases, unless otherwise determined by City Council, the term of the PILOT will equate to a year for each point awarded. The maximum amount of points that can be awarded will be 15 points, and therefore the maximum term of a PILOT will generally be 15 years. However, additional points, up to 5 may be awarded for the special factors described below and in **Exhibit A**. With such special factor points, the maximum term of the PILOT would be 20 years. The percent of tax abatement achieved through the use of the PILOT is also set forth on **Exhibit A**.

As more particularly described in **Exhibit A**, the three general factors to be considered in determining the term of PILOTs for eligible Projects are:

- a. Jobs. An important factor will be the number of jobs that are created due to the proposed Project. The Applicant must anticipate creating at least 100 new jobs to be considered for a PILOT incentive.
- b. Wages. Another important factor to be considered will be the average wages to be paid by the Applicants and whether such average wage encourages economic mobility. An Applicant's projected average wage for the additional jobs created by a Project must be no less than 80% of the current annual Hamilton County average wage as reported by the US Bureau of Labor Statistics.
- c. Capital Investment. The capital investment made by an Applicant in the land, building, site preparation, equipment and any other capital assets relating to the Project will be another factor considered by the IDB. An Applicant for a PILOT incentive for a manufacturing or distribution facilities must project at least a \$20 million capital investment, and an Applicant for a PILOT incentive for office or service facilities must project at least a \$5 million capital investment.

In addition to these three general factors, and after the establishment of the base term of the PILOT incentive, the City and IDB may, in their discretion, give special consideration to, and award additional incentive points to, an Applicant under **Exhibit A** attached hereto, if the Applicant clearly demonstrates that any of the following special factors should be considered: (a) construction or renovation in connection with the Project results in building design and equipment that significantly reduces energy consumption as supported by evidence of commitment to obtain LEED Certification or an equivalent standard of attainment; (b) the proposed Project will be located in or directly adjacent to a specially designated economic development area (as described below) identified or certified by the federal or state government or the City or County; (c) community benefit commitments as described in **Exhibit A**; (d) the Applicant agrees to provide a specific and measurable community benefit commitment by providing career pathways and upskilling opportunities for employees, creating apprenticeships or workforce development programs in partnership with the local community, utilizing contractors and suppliers from economically disadvantaged backgrounds, or supporting talent and education initiatives through partnerships with Hamilton County Schools and local higher-education institutions; and/or agrees to provide apprenticeship programs for project construction or agrees to a program to promote local hiring; (e) the Applicant agrees to provide to its employees at the Project unique substantive work benefits (health care services, extraordinary paid sick leave, childcare services, etc.); or (f) an Applicant demonstrates industry leading or otherwise exceptional performance in promoting the rights and welfare of employees and local communities. A demonstrated pattern of poor corporate and environmental practices and/or violations of law by an Applicant or any of its principal owners or similar considerations shall be grounds for not approving or recommending any Application. A specially designated economic development area includes a renewal community zone as defined by HUD; federal empowerment zone; state enterprise zone; opportunity zone; new markets tax credit eligible census tracts; such other similar zones indicating economic distress or disadvantage as may be designated by the federal, state or local governments; or a remediated Brownfield site identified by the Environmental Protection Agency or Tennessee Department of Environment and Conservation.

Section IV. PILOT Application

1. Application. Any person desiring that the City and the IDB consider a PILOT incentive shall complete and submit the Application to the IDB, through the staff of the City Designee, for a PILOT incentive in the form attached hereto as **Exhibit B**. The Application shall be filed with the City Designee no later than 30 days prior to the date on which a Public Hearing is requested to be held

concerning the Application and the proposed Project. A summary of the process for PILOT Applications is outlined in **Exhibit C**.

After submitting its Application, the Applicant should expect completion of a preliminary review of the Application by staff of the City Designee and the City (and the County if County taxes will be affected by the PILOT incentive) within two weeks after submitting same. Upon completion of the preliminary staff review, and upon the Applicant responding to any additional requests for information from staff, staff shall submit the Application to the City Council for consideration. The Economic Development Committee of City Council will hold a public Hearing during its next regularly scheduled meeting (or a special called meeting if the City Council desires) relating to the Application and the Project. Following such public Hearing, at the next scheduled meeting of City Council, City Council may approve or disapprove the Application, and if approved, adopt a delegation resolution authorizing the IDB to implement the PILOT incentive. City staff will then advise the IDB that it may proceed with documentation relating to the incentive. The IDB will then instruct an attorney designated by it to prepare the lease, PILOT Agreement and other documentation relating to the incentive. An Applicant should retain its own legal counsel in connection with the documentation of the PILOT incentive. No PILOT incentive shall be effective until the IDB and the Applicant have approved all documentation and such documentation has been executed.

2. No Obligation. Nothing within these guidelines shall imply or suggest that the City, the IDB or any political subdivision of the State of Tennessee is under any obligation to provide a PILOT incentive in any amount or value to any Applicant.

Section V. Post-Closing Monitoring and Non-Compliance Payments

Through the use of the PILOT incentive, the IDB intends to produce measurable improvements to the economy of the City. Accordingly, each PILOT Agreement with an Applicant will contain certain provisions to assure that the PILOT incentive is consistent with the job creation, wage levels and capital expenditures actually accomplished, and not just projected, by the Applicant. The IDB will annually evaluate each Project receiving a PILOT incentive to measure whether levels of job creation, wages and capital investment projected in the Applicant's Application have been achieved.

In order to assist the IDB in such evaluation, the Applicant shall agree in the PILOT Agreement to provide to the IDB and the City administration certain information annually in the manner described in the PILOT Agreement, which information shall include, but not be limited to, the information regarding the Applicant's then current number of jobs, wages and capital investment. The form of an annual report to be filed with the IDB and the City will be attached as an exhibit to the PILOT Agreement. Failure to maintain at least 50% of projected job levels for two consecutive years shall also be an event of default under the PILOT lease. The City administration will report to City Council at least annually on compliance with PILOT Agreements based upon such reports and will provide a copy of such report to the County.

If any such report or other information obtained by the IDB reveals that the Applicant has not met the projections in the Applicant's Application, the IDB will have such remedies as are provided in the PILOT Agreement. The specific remedies will be set out in the PILOT Agreement, but, generally, if an Applicant fails in any year to meet the 90% of its job or capital expenditure projections or 100% of its average wage projections as submitted in its Application for a Project and upon which the PILOT term and amount was determined, the Applicant should expect that the Applicant's PILOT incentive would be proportionately reduced in that year.

The Applicant's lease and PILOT Agreement may provide for phased-in compliance consistent with the Applicant's projections, if approved by the City and the IDB, provided that the Applicant's projections must be fully met by the fifth full calendar year after the completion of any Project.

If an Applicant is awarded any incentive points pursuant to **Exhibit A** for the special factors described in Section III, the Applicant will be deemed in default under the PILOT Agreement if the Applicant does not achieve the such special factors to the extent such special factors can be objectively monitored. Such a default could result in the termination of the PILOT Agreement and/or the term of the PILOT Agreement may be shortened as described in **Exhibit A**.

A representative of each Applicant that receives a PILOT incentive shall be required to provide an in-person presentation to City Council at least annually regarding the status of the project as to which the incentive relates and such other matters as may be requested by City Council. Such presentation shall be at a strategic planning session designated by City Council for such purpose.

Section VI. Fees Payable to the IDB for Projects Requesting Incentives

1. Application Fee. An Application fee of \$1,000 must accompany any Application. The Application fee is non-refundable.

2. Expenses. The Applicant will pay any and all costs related to Applicant's Application of PILOT incentive including, but not limited to, the IDB's attorney fees and any recording fees. The IDB's approved attorney shall prepare the necessary documentation for the PILOT incentive. The IDB's attorney's fees shall be paid at closing, provided, however, in the event a PILOT incentive closing does not occur for any reason or is delayed for an extended period, the Applicant agrees to pay all of the above mentioned fees and expenses of the IDB at such time.

3. Economic Development Payments. For each calendar year in which an Applicant makes a PILOT as to a Project that is less than the taxes that would otherwise be payable with respect to the Project, the Applicant shall also pay a fee, which is referred to herein as the "Economic Development Payment." The Economic Development Payment shall be calculated in the manner provided in the PILOT Agreement but shall generally equal 15% of the amount that would otherwise be payable as taxes with respect to the Project to the City's general fund if the PILOT incentive was not in effect (with a commensurate payment to the County if the County's property taxes are affected by the PILOT incentive).

4. Amendments. Applicant shall be responsible for any and all costs associated with amendments to any PILOT incentive documents or to any other documents or agreements associated with the PILOT incentive, including any documents relating to Applicant's financing.

Section VII. Conflicts of Interest and Ethical Standards

Each member of the City Council and director of the IDB shall be responsible for disclosing any material interest which he or she may have in or with an Applicant or any proposed Project. Any member of the City Council or director of the IDB having any material interest in a project or a financial or family relationship with an Applicant or sponsor or financing source for a Project shall submit to the City Attorney a representation of that interest, and the City Attorney shall make a preliminary determination of whether the City Council member or IDB director should recuse himself/herself from consideration of the Application. In the event the City Council member or IDB director disagrees with the decision of the City Attorney, then the City Attorney shall submit the potential conflict of interest to the City Council or IDB, as the case may be, for final determination, which shall be made in accordance with the applicable laws regarding conflicts of interest. If recusal is deemed appropriate, the City Council or IDB, as the case

may be, will then consider the Application without participation from the City Council member or IDB director who has been recused.

No City Council member or director of the IDB shall disclose confidential information acquired by him or her in the course of his or her official duties as a City Council member or director of the IDB nor use such information to further his or her personal interests.

Section VIII. Definitions

For purposes of these Policies, the following terms shall have the following meanings:

“**Applicant**” means the Person applying to the City and the IDB to enter into a lease with the IDB that would include a PILOT incentive with respect to a Project.

“**Application**” means the Application submitted to the City and the IDB by an Applicant to receive a PILOT incentive.

“**City Designee**” means the Chattanooga Area Chamber of Commerce or such other entity as is designated from time to time by City Council to undertake the duties of the City Designee under these Policies. All references in **Exhibit C** to these Policies to the Chamber shall be deemed to be references to the City Designee.

“**Economic Development Payment**” means the payments described in Section VI(3), which will be made to the IDB on behalf of the City and, if applicable, to the County if County property taxes are affected by the PILOT incentive.

“**Payment-In-Lieu-of Taxes**” or “**PILOT**” means payments established by the IDB to be made in lieu of ad valorem taxes with respect to a Project.

“**Person**” means any individual or entity.

“**Project**” means buildings, structures, machinery, equipment, or land identified in the Application and described in the lease from the IDB to the Applicant. The Project may include the addition of the buildings, structures, machinery, or equipment that is committed by the Applicant to be started within three years (or such later date as may be approved by the City upon special circumstances demonstrated by the Applicant not to exceed five years) of the PILOT Agreement. Any expansion undertaken beyond the approved implementation period will require a new Application to be filed at the time said expansion is planned as is described in Section II above.

“**Public Hearing**” for the PILOT incentive means a hearing conducted at a publicly-noticed time-certain meeting of the City Council or a committee thereof with applicable documents posted on the City’s and/or IDB’s website for review and comment by the general public.

Section IX. Miscellaneous

These Policies shall not be construed to create any type of contract or agreement between the City or the IDB and any third party, including any Applicant. Notwithstanding any provision of these Policies to the contrary, the City and the IDB retain the right, in their sole discretion, to not approve any Application for a PILOT incentive. If any Applicant does not enter into a lease with respect to a proposed Project within one year of the initial approval by City Council of the Applicant’s Application for a PILOT incentive, that Applicant’s Application shall be deemed to be withdrawn, and the Applicant

shall be required to resubmit a new Application if the Applicant wants the City to continue to consider the Applicant's Project for a PILOT incentive.

Section X. Modifications and Reconsideration

Any modification or amendment of these Policies must be approved by the City and by the IDB. The City Council will conduct a full review and reassessment of these Policies and their effectiveness and impact on the City not later than three years (3) years from the approval of these Policies, and upon such review and reassessment, City Council and the IDB may amend or rescind these Policies or leave these Policies in effect.

EXHIBIT A

CRITERIA USED TO DETERMINE ELIGIBILITY FOR AND TERM AND AMOUNT OF PILOT INCENTIVE

Overview. The term and amount of a PILOT incentive for any Project will be based upon the number of incentive points for a particular Project in accordance with Section III of these Policies and this Exhibit. A minimum of four incentive points is required to be eligible for a PILOT incentive for a Project, and each Project must be projected to create at least 100 jobs and have average annual wages not less than 80% of average annual wage in Hamilton County. The term and amount of a PILOT will be based on the amount of points awarded with one point representing one year of abatement. Special factors may also be considered pursuant to Section III of the Policies and Procedures and pursuant to the chart below that may result in up to five additional points (and five additional years of a PILOT term). The maximum period for a PILOT incentive as to any portion of a Project, prior to any extension based upon special factors, is fifteen (15) years unless otherwise approved by the City Council. The factors that will be used in determining the number of incentive points and the term and amount of the PILOT incentive are shown on the chart and information on the following page.

MATRIX FOR DETERMINING INCENTIVE POINTS

Jobs	Points	Wages	Points	Investment	Points
Projected number of new jobs that will be created by Applicant.		Projected average annual wage for full-time employees at Project (rounded to nearest percentage) as percentage of the US Bureau of Labor Statistics for Hamilton County, TN. ¹		Projected real and personal property investment for Project	
100	1.0	80 – 90%	-2.0	\$5,000,000+	0.5
150	1.5	90 – 94%	-1.0	\$10,000,000+	1.0
200	2.0	95 – 99%	-0.5	\$15,000,000+	1.5
250	2.5	100 – 104%	1.0	\$20,000,000+	2.0
300	3.0	105 – 109%	1.5	\$30,000,000+	3.0
350	3.5	110 – 114%	2.0	\$40,000,000+	3.5
400	4.0	115 – 119%	2.5	\$50,000,000+	4.0
450	4.5	120 – 124%	3.0	\$75,000,000+	5.0
500+	5.0	125 – 129%	3.5		
		130 – 134%	4.0		
		135 – 139%	4.5		
		140 – 144%	5.0		
		145 – 149%	5.5		
		150 – 159%	6.0		
		160%+	7.0		

¹US Bureau of Labor Statistics – Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>); Hamilton County’s 2023 average annual wage for private industry was \$64,959.

Term and Amount of PILOT Incentive Based Upon General Factors Described Above – The term of the PILOT incentive shall be based upon the number of incentive points awarded as described above with each incentive point equating to one year of abatement. The PILOT incentive shall effectively provide for a percentage of property tax abatement (excluding County school taxes) consistent with the following schedule:

- Year 1: 100% abatement
- Year 2: 75% abatement
- Year 3: 60% abatement
- Year 4 and beyond: 50% abatement

This schedule is subject to the PILOT agreement that sets forth the actual terms of the PILOT incentive, including the payment by the Applicant of economic development fees.

The term of the PILOT incentive may be extended up to an additional five (5) years after the term is otherwise established based upon the general factors set forth above. So, for example, if an Applicant would receive a 13-year term of a PILOT based upon the general factors set forth above, the Applicant may receive up to an additional five (5) years of PILOT incentive based upon the special factors set forth below, with each point equating to an additional year in the term of the PILOT incentive.

Special Factors to Determine PILOT Duration	
Special consideration factors identified in Section III of the Policies (the following factors are intended to align with such Section). ²	Available Points
Meeting Energy Efficiency and Sustainability Standards <ul style="list-style-type: none"> • LEED Silver (or equivalent as determined by City Engineer) • LEED Gold (or equivalent as determined by City Engineer) • LEED Platinum (or equivalent as determined by City Engineer) (a) Construction or renovation in connection with the Project results in building design and equipment that significantly reduces energy consumption. Documentation of LEED Certification or an equivalent standard of attainment shall be required	Maximum Points 1.5 0.5 1.0 1.5
Location in a Specially Designated Economic Development Zone (b) The proposed Project will be located in or directly	Maximum 3 Points 1 Point: Federal Empowerment Zones, HUB Zones,

<p>adjacent to a specially designated economic development area (as described below) identified or certified by the federal or state government or the City or County; A specially designated economic development area includes a renewal community zone as defined by HUD; federal empowerment zone; state enterprise zone; opportunity zone; new markets tax credit eligible census tracts,; such other similar zones indicating economic distress or disadvantage as may be designated by the federal, state or local governments; or a remediated Brownfield site identified by the Environmental Protection Agency or Tennessee Department of Environment and Conservation.</p>	<p>NMTC, Opportunity Zones, and other similar disadvantaged zones, Urban Renewal Communities, remediated Brownfield site</p> <p>2 Points: Brownfield Site, Active Brownfield with a voluntary cleanup agreement</p> <p>3 Points:</p> <ul style="list-style-type: none"> • Targeted Local Sites • EDA Recompete Census Tracts • Enterprise South Industrial Park • City/County Industrial Parks • Eastgate/Airport/Airport Road • Rossville Blvd Corridor
<p>Community Benefit Commitments</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • Participation in a third party executed Community Benefits Agreement. • Documented agreed-upon Community Benefits included in the PILOT Agreement
<p>Local Community Cooperation</p> <p>(c) the Applicant agrees to provide a specific and measurable community benefit commitment by providing career pathways and upskilling opportunities for employees, creating apprenticeships or workforce development programs in partnership with the local community, utilizing contractors and suppliers from economically disadvantaged backgrounds, or supporting talent and education initiatives through partnerships with Hamilton County Schools and local higher-education institutions; and/or agrees to provide apprenticeship programs for project construction or agrees to a program to promote local hiring</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • Partnership with Hamilton County Schools career and technical education, and workforce development programs. • Demonstration of a hiring plan to promote the local hiring of construction workers for the Project
<p>Unique Employee Benefits and Apprentice Programs</p> <p>(d) the Applicant agrees to provide to its employees substantive work benefits to local employees (health, paid sick leave, childcare services, etc.)</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • On-site childcare • On-site health clinic
<p>Exceptional Corporate Stewardship</p> <p>(e) an Applicant demonstrates industry leading or otherwise exceptional performance in promoting the rights and welfare of employees and local communities</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • Certified B Corporation

If an Applicant is awarded any incentive points based upon the foregoing special factors and fails to comply with the commitments that were the basis for the award of those incentive points, (a) if the failure

occurs prior to the completion of the Project, the term of the PILOT incentive will be shortened to reflect that the special factor(s) are not applicable and (b) if the failure occurs after the completion of the Project, a default shall be deemed to have occurred under the PILOT Agreement.

EXHIBIT B

Application for PILOT Incentive

The Industrial Development Board of the City of Chattanooga

1. Company name (Applicant): _____
Mailing address: _____

Website: _____
Federal Employer ID Number: _____
Legal status: Sole Proprietorship ____ Corporation ____ Partnership ____ LLC ____
If entity, state of formation: _____
2. Contact for this project: _____
Title: _____
Mailing address: _____

Phone: _____
Fax: _____
E-mail address: _____
3. Provide a narrative description of the proposed project, including activities to be performed and a list of products to be produced and/or services to be provided:

4. Does the Application currently own the real property on which the proposed project will be located?

Yes: _____ No: _____

If the answer is yes, please provide a copy of the deed to the property.

If Applicant is not the owner, what is the relationship between owner and Applicant?

If the Applicant has a contract to purchase the property, please provide a copy of the contract. Any proprietary terms can be redacted.

Street Address of the proposed project: _____

Tax Parcel ID Number (s): _____

5. Does the Applicant's project and requested PILOT incentive comply in all respects with the Policies and Procedures relating to Payment-in-lieu-of-Tax Transactions that have been approved by the IDB and the City?

Yes: _____ No: _____

If the answer is no, please attach a detailed explanation as to why the project or requested incentive does not comply with such Policies and Procedures.

6. Is the real estate located within corporate limits of the City of Chattanooga?

Yes: _____ No: _____

7. What is the projected amount of real estate capital investment and personal property capital investment for the project?

Real property: _____ Personal Property: _____

Please provide a budget for the project showing in reasonable detail the items to be included in the capital investment for the project.

8. Is the Applicant aware of any environmental conditions affecting the proposed project location?

Yes: _____ No: _____

If yes, please attach a description of such environmental condition. If an environmental site assessment has been prepared with respect to the project site, please provide a copy of such assessment.

9. Has the Applicant been fined or entered into a judgment or consent decree with respect to any violation of any environmental law or regulation during the past 36 months?

Yes: _____ No: _____

If yes, please attach a description of the circumstances resulting in such fine, judgment or decree.

10. Does the Applicant expect to finance all or a portion of the costs of the project?

Yes: _____ No: _____

If yes, will the lender have a lien on the project?

If yes, please identify the lender: _____

Address: _____

Contact: _____

11. Does Applicant know of any proposed or pending mergers or acquisitions by or affecting Applicant or of any other materially significant event in any way affecting Applicant?

____ Yes ____ No

If yes, please provide brief description: _____

12. Is Applicant currently considering any layoffs or employment reductions or has the Applicant undertaken any layoffs or employment reductions during the previous 12 months?

____ Yes ____ No

If yes, please provide brief description of the scope of the layoffs and reason for the occurrence of such layoffs or the consideration thereof: _____

13. Is the Applicant in full compliance with all terms of any grant or other economic development incentive that Applicant has received?

Yes: _____ No: _____

If no, please attach a description of such noncompliance and the reasons therefor.

14. Is the Applicant considering other locations for its Project outside the City of Chattanooga?

Yes: _____ No: _____

15. Provide a brief description of any building being constructed as part of the Project including size and construction type:

(Attach any site plans, building plans and architectural renderings that are available.)

16. If Applicant is requesting the award of incentive points for any of the special factors described in Section III of the Policies and Procedures, please provide such information as the Applicant deems relevant to substantiate such request. Applicant may attach such additional information as Applicant deems appropriate:

17. Estimated start date for construction: _____

Estimated completion date for construction: _____

Estimated date for start-up of operations: _____

18. Job Creation – How many new jobs are projected to be created by the proposed project? _____. If the jobs to be created at the project are not expected to all be created as of the time of completion of the project, please attach a chart showing how many jobs are expected to be created upon the completion of the project and as of the end of the three calendar years after completion of the project.

19. Average Annual Wage – Please provide the projected average annual wage for the full-time employees at the project: \$_____.

20. Types of Jobs Created – Please attach a chart to this Application showing the types of jobs expected to be created by classification and the expected wages for such job classification in substantially the format shown below.

Position Title	# Positions	Hourly \$ Rate	Position \$ Total

EXHIBIT C

Summary of PILOT Application Process

1. Before submitting an Application, an Applicant should arrange a pre-application conference with the Chattanooga Area Chamber of Commerce to discuss the Application process and whether the Applicant's Project may qualify for a PILOT incentive. If the Applicant's Project may qualify for a PILOT incentive, the Applicant may submit the Application and supporting documentation to the Chamber's staff.
2. The Chamber's staff will perform all necessary due diligence and prepare a report to the economic development staff representatives of the City (and the County if the County's property taxes will be affected by the requested PILOT incentive). The Chamber's staff will provide the City and the County, if applicable, the recommended terms of the PILOT incentive based on these Policies. If the Chamber's staff determines that an economic impact analysis would be helpful to its analysis of a Project, the Chamber may procure an economic impact analysis from a firm with recognized expertise in public sector economic analysis.
3. Prior to submitting an Application to the City Council and IDB for consideration, the Chamber's staff shall consider input from the City Mayor and staff (and the County Mayor and staff if the County's property taxes will be affected by the requested PILOT incentive). Also, prior to submitting an Application to the City Council and the IDB for consideration, the Chamber's staff shall provide to the Applicant a term sheet setting forth the Chamber's recommendation as to the proposed PILOT incentive, if any, to be submitted to the City Council.
4. If the proposed PILOT incentive is acceptable to the Applicant, the Chamber's staff shall submit the Application and a proposed PILOT Agreement to the City Council for initial consideration. Such information shall be submitted to City Council not less than 7 days prior to the Public Hearing on the Application.
5. The City Council will consider the Application and an appropriate delegation resolution at a duly called meeting. Prior to such consideration, the City Council, through its Economic Development Committee, will conduct a Public Hearing with respect to the Application, thereby providing members of the public an opportunity to comment on the proposed Application and the proposed PILOT incentive. The City staff shall give notice to the directors of the IDB of such hearing and shall provide electronic access to the directors of the IDB to all materials being presented to the City Council. The directors of the IDB, following such hearing, are encouraged to provide any comments any such director may have related to the PILOT incentive to the director's designated City Council member prior to City Council taking action on the PILOT Incentive. After the Public Hearing, the City Council may either (i) accept the Application and adopt a delegation resolution that will specify the term of the PILOT incentive consistent with these Policies or (ii) decide to not proceed further with the requested PILOT incentive.
6. Once the City Council provides a delegation resolution relating to a PILOT incentive to the IDB, the IDB will retain counsel to draft the relevant PILOT documentation. Such documentation, in substantially final form, shall be submitted to the IDB at a subsequent meeting of the IDB for consideration and, if appropriate, approval.
7. If the Applicant's request for a PILOT incentive does not comply in all respect with the Policies to which this Exhibit is attached, the Chamber's staff shall submit the Application, along with a report and recommendation, to the City Council for consideration. Such submission shall include (i) all supporting documentation; (ii) an explanation as to why the requested PILOT incentive does not comply with the Policies; and (iii) a report of the Chamber's staff and the City's

economic development staff as to the potential economic impact of the Project, whether the PILOT incentive is an inducement for the Project, and a recommendation as to whether to approve the Application. If the County's property taxes would be affected by the proposed PILOT incentive, the Application will also be submitted to the County Commission as is set forth in the Policies. As with all Applications, the City Council or a committee thereof will hold a Public Hearing as to the Application. City Council may then decide whether to waive the terms of these Policies, as requested, and adopt a delegation resolution.

8. If after the approval of an Application but before the final PILOT documentation is executed, (i) the Project's scope, location, or purpose changes, (ii) the Applicant receives tax incentives from another governmental entity that were not disclosed when the Application was considered, or (iii) any other change occurs that would materially affect the information in the Application, the City Council or IDB may reconsider the Application after notice to the Applicant and modify or revoke its prior approval.
9. A diagram showing the various steps described above as well as more details regarding the PILOT approval process is attached hereto.

Exhibit C: City of Chattanooga PILOT Approval Process

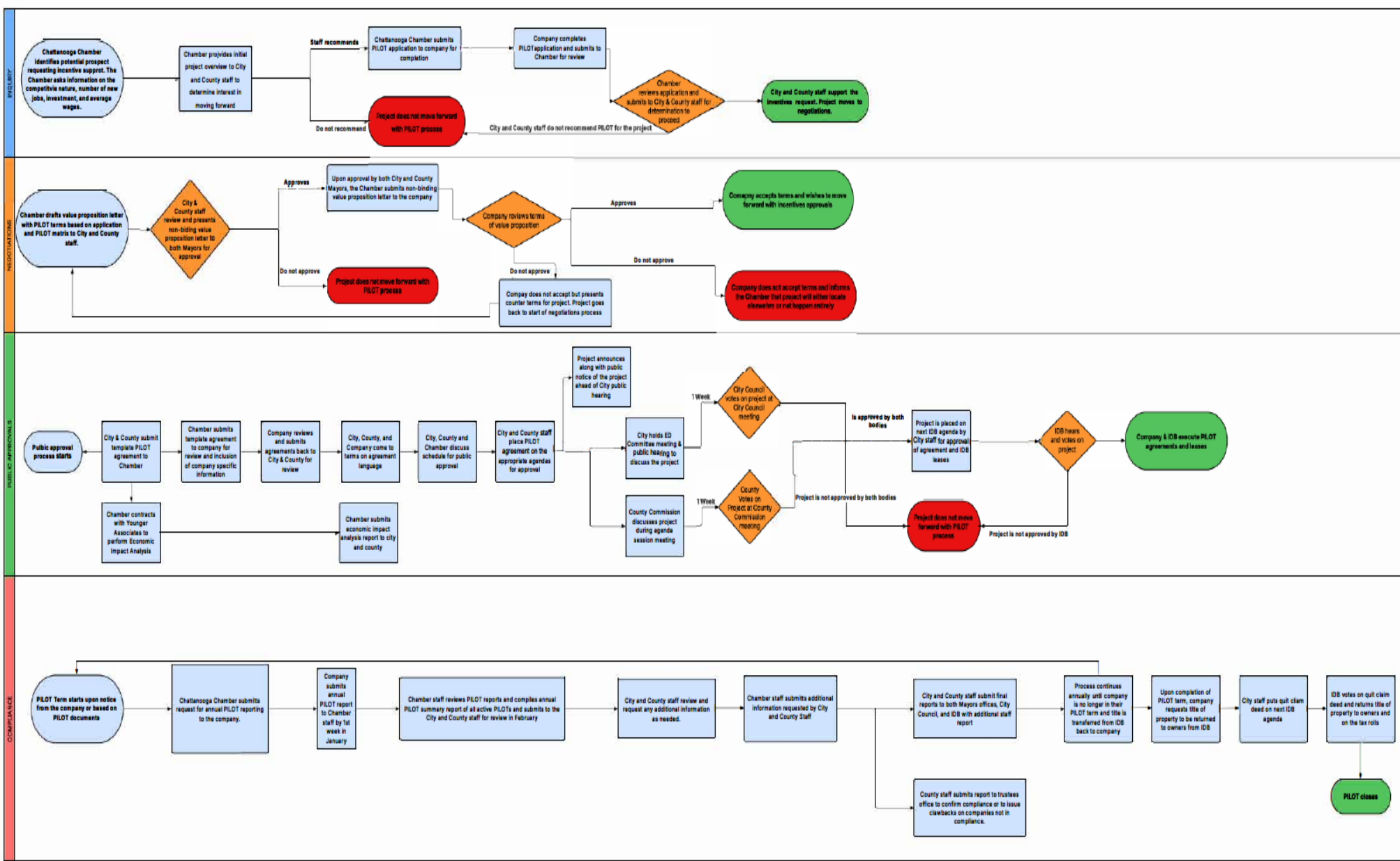


EXHIBIT D

Target Industries

TARGET INDUSTRIES

Chattanooga Area Chamber of Commerce Climbs Higher Strategic Plan – July 1, 2024 – June 30, 2029

- Advanced Manufacturing
 - Electric vehicles
 - Machinery manufacturing
 - Outdoor products
 - Specialty food
- Professional Services
 - Freight Services
 - Headquarters
 - Back Office
 - Creative Media
- Future Technology
 - Quantum computing
 - Biomedical Devices
 - Circular economy/clean tech
 - Smart City technology
 - Industrial design, engineering & robotics
- Software & Information Technology



TARGET INDUSTRIES

Tennessee Department of Economic & Community Development

- Advanced Manufacturing
- Aerospace & Defense
- Appliances & Electrical
- Automotive
- Chemicals
- Distribution & Logistics
- Food & Beverage
- Healthcare & Life Sciences
- HQ, Finance & Tech
- Rubber, Ceramics, & Glass



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