

To all Industrial Development Board members,

I want to thank you for all the work that you do. I would also like to welcome the new members of the board; I look forward to working with you to improve our current TIF Policy.

I have already proposed some changes to the policy at an earlier meeting, but most importantly what needs to be revised are the definitions of blighted, and under-developed. If the policy had a more precise definition of those two terms it would help everyone know what could qualify on a case-by-case basis. I have seen other states TIF Policies that have those terms precisely defined. That could also help the IDB Board do their job better.

I had mentioned in an email to Mrs. Shriver that I was researching what cities and counties in Tennessee have adopted the use of TIF's. That has become a very painstaking job, and I have not gotten very far on that. The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) has been a great help to me, but even they do not have a compiled list of cities and counties that have adopted the use of TIF's. I will still try my best.

The following pages contains out takes of sections of the TIF Policy, with my recommendations for much needed improvements.

I would hope that you would take these recommendations under review, and carefully consider them. I do realize they will need to pass legal evaluation before being adopted, but I just wanted to contribute to the process of making revisions to our current TIF Policy.

I look forward to sitting in on any workshops that you will schedule to bring the new commissioners, and board members up to speed on TIF's. And also would like to be able to sit in on any policy revision meetings.

Thank you,
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The following section of the current TIF Policy contains terms that need to be defined to alleviate confusion, and to clarify those terms. See highlighted and underlined text below.

Section 1. General Policy

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

The benefits of TIF transactions include the following:

(i) TIF transactions can be effective as “off balance sheet” financing of components of public infrastructure such as utilities and road and traffic improvements. TIF bonds and notes are not included in the municipality’s general debt obligations. The structure of these transactions allows the municipality to utilize the new incremental revenue streams to accelerate funding of municipal improvements. This enables a municipality to complete public infrastructure that it otherwise could not afford at the time.

(ii) TIFs provide financing for projects that are not otherwise economically feasible. For instance, TIF transactions may contribute to the redevelopment of blighted and under-utilized property selected by the municipality.

(iii) Because of the accelerated development of public infrastructure improvements, the ad valorem property tax base from associated properties often increases, which produces even greater benefits for the municipality.

(iv) TIF projects are financed from increases in tax revenues that the development itself generates and not from tax subsidies from other areas of the municipality.

(v) TIF projects may attract significant new jobs, businesses, and investment to the community, or to retain jobs and businesses, that otherwise would be missed or lost without the investment made possible through tax increment financing.

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

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

**The bold print in the section on the next page are my
recommendations for additions to the definition section of the
TIF Policy...**

Section 9. Definitions

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

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

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

“Blighted” means an area that has three (3) or more of the following conditions:

- 1. Substantial loss of residential, commercial, or industrial activity or use;**
- 2. Forty percent (40%) or more of the households are low-income households;**
- 3. More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;**
- 4. Substantial abandonment of residential, commercial, or industrial structures;**
- 5. Substantial presence of environmentally contaminated land;**
- 6. Inadequate public improvements or substantial deterioration in public infrastructure; or**
- 7. Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county; impedes the provision of adequate housing; impedes the development of commercial or industrial property; or adversely affects public health, safety, or general welfare due to the development area's present condition and use.**

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

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

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

“Plan Area” means the real property designated in the Application as the property from which the incremental tax revenues will be generated in order to finance the Public Infrastructure constituting a part of the Project.

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

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

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

“Under-utilized” means an area that does not contain adequate commercial or residential development.

The following are previous recommendations for revisions to the current TIF Policy that I presented to the IDB during a previous meeting.

The bold print in the sections below are my recommendations for additions to the two following sections of the TIF Policy...

3.3. Economic Impact Plan

*(i) a list of tax parcels composing the plan area, including owners and parcel numbers, from which the incremental tax revenues will be generated. **Written notice is to be given, and signed permission is to be collected from all property owners in the plan area by the applicant.***

*3.5. Notice and Hearing of IDB. After the Application Review Committee and the Board's staff and counsel determine the economic impact plan to be complete, the Board will hold a public hearing related to the proposed plan at a regular or special meeting. Notice of the public hearing shall be published in a newspaper of general circulation in Knox County at least two weeks prior to the date of the public hearing, as required by Section 7-53-312(g) of the Act. **Written notice is to be sent to all property owners in the proposed plan area by the applicant, this notice would inform them personally of the public hearing.** If the IDB determines that the economic impact plan substantially complies with the Act, it will submit the economic impact plan to Knox County Commission and/or Knoxville City Council for consideration and approval. The submission shall include a summary of any comments from the public hearing on the proposed plan.*