

**STATE OF TENNESSEE  
COUNTY OF HAMBLLEN  
CORPORATION OF MORRISTOWN  
MAY 21, 2013**

The City Council for the City of Morristown, Hamblen County, Tennessee, met in regular session at the regular meeting place of the Council in the Morristown City Center at 5:00 p.m., Tuesday, May 21, 2013 with the Honorable Mayor Danny Thomas presiding and the following Councilmembers present; Bob Garrett, Chris Bivens, Kay Senter, Dennis Alvis, Paul LeBel and Gary Chesney.

Mark Burford, Chaplain Morristown Police Department led in the invocation and Councilmember Alvis led in the "Pledge of Allegiance".

Councilmember Alvis made a motion to approve the May 5, 2013 minutes as circulated. Councilmember Senter seconded the motion and upon roll call; all voted "aye".

Councilmember Senter made a motion to approve the May 13, 2013 Sine Die minutes as circulated. Councilmember Bivens seconded the motion and upon roll call; all voted "aye".

A Public Hearing was held on Ordinance No. 3472.

Councilmember Alvis made a motion to approve Ordinance No. 3472 on second and final reading. Councilmember Bivens seconded the motion and upon roll call; all voted "aye".

**Ordinance No. 3472**

**An Ordinance Amending Section 16-112 of the Morristown Municipal Code by deleting same in its entirety and Substituting Therefore the Following Section 16-112 [Littering streets, sidewalks, etc., prohibited].**

A Public Hearing was held on Ordinance No. 3473. The following spoke during the Public Hearing: Betsy Stibler.

Councilmember LeBel made a motion to approve Ordinance No. 3473 on second and final reading. Councilmember Alvis seconded the motion and upon roll call; all voted "aye".

**Ordinance No. 3473**

**An Ordinance Amending Section 9-14 of the Morristown Municipal Code by deleting same in its entirety and Substituting Therefore the Following Section 9-14 [Minimum Standards for Fixed Base Operators].**

A Public Hearing was held on Ordinance No. 3474.

Councilmember Bivens made a motion to approve Ordinance No. 3474 on second and final reading. Councilmember Alvis seconded the motion and upon roll call; all voted “aye”.

**Ordinance No. 3474**

**An Ordinance to Establish an Updated Occupational Safety and Health Program Plan, Devise Rules and Regulations and to Provide for a Safety Director and the Implementation of Such Program Plan.**

Industrial Board Chairman R. Jack Fishman and Vice Chairman James Craine presented Tax Increment Financing (TIF) program and the Economic Impact Plan for Masengill Springs. Discussion ensued.

Councilmember Bivens made a motion to approve Resolution No. 10-13. Councilmember Alvis seconded the motion. Councilmember LeBel made a motion to amend the original motion and delay Resolution No. 10-13. Councilmember Senter seconded the amended motion and upon roll call; Councilmembers Garrett, Senter and LeBel voted “aye”: Councilmembers Bivens, Alvis, Chesney and Mayor Thomas voted “no”, amended motion failed.

Upon roll call for original motion to approve Resolution No. 10-13; Councilmembers Bivens, Alvis, Chesney and Mayor Thomas voted “aye”: Councilmembers Garrett, Senter and LeBel voted “no”, motion passed.

**RESOLUTION NO. 10-13**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRISTOWN, TENNESSEE APPROVING AN ECONOMIC IMPACT PLAN FOR MASENGILL SPRINGS ECONOMIC DEVELOPMENT AREA.**

WHEREAS, The Industrial Development Board of the City of Morristown, Tennessee (the “Board”) has prepared an economic impact plan (the “Economic Impact Plan”) regarding the development of an area known as Masengill Springs (the “Plan Area”); and

WHEREAS, the development of the Plan Area would include K-VA-T Food Stores, Inc. and other related retail shopping facilities, restaurants, and outparcel development (the “Project”); and

WHEREAS, the Economic Impact Plan would permit certain tax increment financing (“Tax Increment Financing”) to be provided through the issuance of the Board’s bonds, notes and other obligations in the total amount not to exceed \$2,500,000 pursuant to Chapter 53, Title 7 of the Tennessee Code Annotated; and

Whereas, the Board has approved the Economic Impact Plan at a meeting on May 8, 2013 after a public hearing; and

WHEREAS, the proceeds of the Tax Increment Financing would be used to pay the costs of utility improvements and road, and traffic improvements, storm water and drainage improvements (the “TIF Eligible Costs”) relating to the development of the Project; and

WHEREAS, the incremental property tax revenues (the “TIF Revenues”) that result from the development of the Plan Area under the Economic Impact Plan will be allocated to the Board to be used to pay debt service of the Tax Increment Financing; and

WHEREAS, in accordance with the Economic Impact Plan, the Board would issue the Tax Increment Financing to a lender or lenders to finance the TIF Eligible Costs and would pledge the TIF Revenues to such lender or lenders to apply to the debt service on the Tax Increment Financing; and

WHEREAS, the Tax Increment Financing shall not represent or constitute a debt or pledge of the faith and credit or the taxing power of the Board, the City of Morristown, or Hamblen County, Tennessee; and

WHEREAS, the Board has approved and submitted the Economic Impact Plan to the City Council of the City of Morristown, Tennessee for approval in accordance with *Tennessee Code Annotated § 7-53-312*;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Morristown, Tennessee:

That the Economic Impact Plan, in the form attached hereto as Exhibit A, being in the interests of the citizens of the City of Morristown, Tennessee is hereby approved by the City Council; and

That the officers of the City are hereby authorized to take all appropriate action to carry out the terms of the Economic Impact Plan.

PASSED THIS 21<sup>ST</sup> DAY OF MAY, 2013

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MAYOR

ATTEST:

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CITY ADMINISTRATOR

**EXHIBIT A**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF MORRISTOWN, TENNESSEE**

**ECONOMIC IMPACT PLAN**

**F O R**

**MASENGILL SPRINGS ECONOMIC DEVELOPMENT AREA**

**I. Authority for Economic Impact Plan**

Industrial development corporations ("IDBs") are authorized under Tenn. Code Ann. § 753-312 to prepare and submit to cities and counties an economic impact plan with respect to an area that includes an industrial park within the meaning of Tenn. Code Ann. § 7-53-312 or a project within the meaning of Tenn. Code Ann. § 7-53-101 and such other properties that the IDB determines will be directly improved or benefited due to the undertaking of such industrial park or project. Tennessee Code Annotated § 7-53-312 also authorizes cities and counties to apply and pledge new incremental tax revenues, which arise from the area subject to the economic impact plan, to the IDB to promote economic development, to pay the cost of projects or to pay debt service on bonds or other obligations issued by the IDB to pay the costs of projects.

**II. The Project**

B B & J Holdings ("Developer") has purchased certain tracts of real property both fronting and contiguous with West Andrew Johnson Hwy beginning with street number 2280 in Hamblen County, Tennessee. The Developer expects to lease a portion of such property to K-VA-T Food Stores, Inc. ("Food City") and to construct thereon a retail shopping store and related improvements including a Food City "Gas-n-Go" to be leased to Food City. The Developer expects to develop retail shopping facilities adjoining Food City that include Dollar Tree and a newly designed concept for TCBY.

Given the size of the development and available acreage, the Developer is also in current negotiations with a well-known casual dining restaurant along with two well-known fast food chains. Recruitment for the remaining acreage will include a large non-food retailer and additional restaurants. The development of the Food City store, the retail shopping center and the restaurants will be in an area designated as Masengill Springs and is collectively referred to herein as the "Project." The Project is an eligible project within the meaning of Tenn. Code Ann. § 7-53-101(13).

In order to make the Project financially feasible, Developer has requested that Hamblen County, Tennessee (the "County") and the City of Morristown, Tennessee (the "City") approve, as part of this Economic Impact Plan, a plan for tax increment financing through The Industrial Development Board of the City of Morristown, Tennessee (the "Board") pursuant to Title 7, Chapter 53 of Tennessee Code Annotated to provide funds to pay a portion of the costs of the improvements that are needed to permit the construction and operation of the Project and the development of adjacent areas. The proceeds of the tax increment financing would be used exclusively to pay for public improvements including, but not limited to, road and traffic improvements, storm water and drainage improvements and utility improvements that will permit the development of the Project area and adjacent areas.

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

The Project is generally located on West Andrew Johnson Highway just below McDonalds and includes where the old Co-Op tobacco warehouse once stood and a portion of the Masengill farm within the County and the City. The Project is located within an area that has the highest traffic count in the City and unlocks undeveloped farm land and land with a long-standing history of drainage issues. The area subject to this Economic Impact Plan, and to the tax increment financing provisions described below, includes the property on which the Project will be located and certain adjacent properties to the Project (not owned by the developer) and the public improvements, all or a portion of the cost of which will be financed with the tax increment financing that is authorized by this Economic Impact Plan. The area that will be subject to this plan (the "Plan Area") is shown on Exhibit K of the Developer's TIF application. The Plan Area is hereby declared to be subject to this Economic Impact Plan, and the Project is hereby identified as being included in the Plan Area. All parcels within the Plan Area will directly and materially benefit from the development and construction of the Project.

### **IV. Financial Assistance to Project**

The Board will provide financial assistance to the Project by applying the proceeds of the tax increment financing described herein to pay a portion of certain costs that will be incurred in connection with the development of the Project. These costs relate to the acquisition of property for and the construction and installation of public improvements to be made upon and/or adjacent to the Project Area. Those public improvements include, but are not limited to, the following:

- Development of an internal road with sidewalks connecting West Andrew Johnson Highway and Walters Drive and providing access to the Food City, restaurants and surrounding retail shopping center.
- Installation of a synchronized traffic signal at the main entrance to the development on West Andrew Johnson Highway.
- Extension of the turn lane on Walters Drive from West Andrew Johnson Highway.

- Improvement of utilities and the creation of drainage facilities that are currently needed to make a large portion of this land suitable for commercial development and that will appropriately manage the storm water runoff presently occurring from businesses both outside of the Plan Area and within the Plan Area.

The Board will pay and/or reimburse the Developer for all or a portion of the cost of such public improvements upon receipt of adequate documentation of such costs. Once design work for the Project is substantially finalized, the Board and the Developer will enter into a development agreement specifying the scope and the cost of the public improvements to be reimbursed, not exceeding \$2,500,000. The maximum amount that will be made available by the Board for such financial assistance shall be \$2,500,000.

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

Generally, the benefits to the County and the City from the development of a retail shopping center will not be substantial enough to necessitate the use of an economic impact plan and tax increment financing. The County and the City already have many retail shopping centers, and most of such centers were developed without the assistance of tax increment financing. For the Board to submit to the County and the City an economic plan that includes a retail shopping center as the primary qualifying project, the proposed project should provide a unique benefit to the public in order to merit the assistance available through an economic impact plan and tax increment financing.

As noted, Masengill Springs fronts the transportation artery with the City's highest traffic count. According to the Developer, retailers and restaurateurs have made numerous inquiries regarding appropriately developed properties within this area to locate businesses to take advantage of the traffic count. By acquiring common ownership of land fronting West AJ and adjacent farm land, the Developer has unlocked the farm land for commercial use and commensurate taxation. Also, part of the land being developed contained an older tobacco warehouse not being fully utilized and not fitting the desired type of business within this area while another large portion of the land has acted as a holding pond for storm water runoff making it non-usable for building. Furthermore, the proposed traffic signal will allow for safer access to existing businesses (e.g. Pal's and Cookout). Unlike other local developments, the Developer plans to provide sidewalks and landscaping commensurate with developments in larger cities in order to provide a suitable location for larger casual dining establishments not presently located in Morristown. By providing the aforementioned access, this will also promote development of the properties in the Plan Area and in adjacent areas, which, while not the primary benefit of adopting this Economic Development Plan, is an ancillary benefit.

The County and the City are expected to receive substantial additional ad valorem real and personal property taxes as a result of the development of the Project and Plan Areas. The anticipated increase in the Project Area is shown in detail in the following chart (note these numbers are net of the newly generated debt portion in which the County and City will collect

and retain - the County would collect approximately \$109,364 and the City \$61,171 over the first five years):

| <u>Year</u> | <u>Current Taxes</u> | <u>Forecasted Real Estate Taxes (City)</u> | <u>Forecasted Real Estate Taxes (County)</u> | <u>Forecasted Personal Property Taxes (City)</u> | <u>Forecasted Personal Property Taxes County</u> | <u>Change</u> |
|-------------|----------------------|--|--|--|--|---------------|
| 2013        | \$22,770             | \$49,687                                   | \$75,878                                     | \$8,677  | \$13,237   | \$124,701     |
| 2014        | 22,770               | 68,470                                     | 104,532                                      | 9,348  | 14,262   | 173,833       |
| 2015        | 22,779               | 69,228                                     | 105,689                                      | 7,523  | 11,477   | 171,139       |
| 2016        | 22,779               | 73,735                                     | 112,564                                      | 6,599  | 10,067   | 180,186       |
| 2017        | 22,779               | 85,203                                     | 130,060                                      | 7,702  | 11,749   | 211,935       |

The tax increment revenues resulting from the development of the Project (the "TIF Revenues") will be applied during a maximum period described below to the debt service on debt incurred by the Board to pay the costs described herein. However, following the payment of such indebtedness, the County and the City will benefit from the increase in the real property taxes. The County (via school system allocation) and the City are also expected to receive additional sales tax revenues as a result of the development of the Project. Most certainly there are existing sales tax dollars that will either be transferring from Food City's present location or being spent at other groceries or other restaurants; however, there will be a significant portion of new sales within the Project Area due to anticipated retailers and casual dining establishments not currently located in Hamblen County being successfully recruited. Their location will eliminate the necessity of driving to other communities.

Development of the Project will also create a significant number of jobs within the County and the City. Initially, during the construction phase of the Project, the development will generate a substantial number of construction jobs. After completion of the Project, long-term employment opportunities will exist at the Project. The Developer estimates that the number of new jobs at Food City to be approximately 50 while Bojangles expects to hire 45 employees. Total new jobs for the remainder of the Project are expected to exceed 200 once the Project is fully developed. The average wage including benefits for these jobs is expected to be \$10.00 per hour.

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

a. Distribution of Taxes. Property taxes, including personal property taxes, imposed on the property located within the Plan Area shall be allocated and distributed as provided in this subsection. The taxes assessed by the County and the City on the real and personal property within the Plan Area will be divided and distributed as follows in accordance with Tenn. Code Ann. § 7-53-312(c) and Title 9, Chapter 23 of the Tennessee Code Annotated, being the Uniformity in Tax Increment Financing Act of 2012 (the "Tax Increment Act"):

i. The portion of the real and personal property taxes payable with respect to the Plan Area equal to the year prior to the date of approval of this Economic Impact Plan (the "Base Tax Amount") shall be allocated to and, as collected, paid to the County and the City as all other taxes levied by the County and the City on all other properties; provided, however, that in any year in which the taxes on the property within the Plan Area are less than the Base Tax Amount, there shall be allocated and paid to the County and the City only the taxes actually imposed.

ii. The excess of real and personal property taxes over the Base Tax Amount (the "TIF Revenues") shall be allocated and, as collected, paid into a separate fund of the Board, created to hold such payments until the tax proceeds in the fund are to be applied to pay debt service on the obligations expected to be issued by the Board that are described to pay the costs of the public improvements described above.

This allocation is subject to the provisions of Tenn. Code Ann. §7-53-312(j) and Tax Increment Act, which requires that taxes levied upon property within the Plan Area for the payment of debt service of the County and the City shall not be allocated to the Board. The Board is authorized to make all calculations of TIF Revenues on the basis of each parcel within the Plan Area instead of on an aggregate basis as permitted by the Tax Increment Act. If the Board opts to have such calculations made based upon each parcel, the Board shall give notice to the City and the County that such methodology will be used prior to the first allocation date of any TIF Revenues.

As permitted by the Tax Increment Act, the Board is hereby authorized to separately group one or more parcels with the Plan Area for purposes of calculating and allocating the TIF Revenues, and in such case, the allocation of TIF Revenues shall be calculated and made based upon each such parcel or group of parcels, and not the entire Plan Area. The Board is specifically authorized to undertake such grouping of parcels at any time that this Plan is effective as of the beginning of any year, and the Board may reserve the right in any development agreement with the Developer to reserve such right to regroup one or more parcels for purposes of making the calculations of TIF Revenues hereunder. The Board shall give notice of any such grouping of parcels to the City and the County. The Board is also authorized to designate, by notice to the City and the County, that the allocation of TIF Revenues from any parcel or group of parcels shall begin in different years in order to match TIF Revenues with the application of TIF Revenues for the purposes provided herein, subject to the time limitation on allocations provided below.

Allocations of TIF Revenues by the City and the County shall be made within the time periods provided within the Tax Increment Act but, in any event, not later than sixty days from when such TIF Revenues are collected by the City or the County.

b. TIF Obligations. In order to pay for the costs of the public improvements needed for the Project, the Board intends to use the incremental tax revenues that it would receive as a result of the adoption of the Economic Impact Plan to pay debt service on obligations incurred to finance such costs. This tax increment financing will be structured as follows:

i. The Board will borrow not to exceed \$2,500,000 through the issuance and sale of notes, bonds or other obligations of the Board. The Board shall pledge any and all TIF Revenues allocated to the Board pursuant to this Economic Impact Plan to the payment of such notes, bonds or other obligations. In no event will the obligations issued by the Board be considered a debt or obligation of the County or the City in any manner whatsoever, and the source of the funds to satisfy the Board's payment obligations thereunder shall be limited solely to the TIF Revenues.

ii. The proceeds of the notes, bonds or obligations shall be used to pay the costs of the public improvements described above together with expenses of the Board in connection with the Project and the tax increment financing and capitalized interest on the notes, bonds or other obligations for a maximum period of two (2) years from the date of completion of the Project.

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

d. Qualified Use. The Board, the County and the City, by the adoption of this Plan, find that the use of the TIF Revenues as described herein, is in furtherance of promoting economic development in the County and the City and that costs to be financed as described herein are costs of the Project.

## **VII. Approval Process**

Pursuant to Tenn. Code Ann. § 7-53-312, the process for the approval of this Economic Impact Plan is as follows:

a. The Board holds a public hearing relating to the proposed Economic Impact Plan after publishing notice of such hearing in a newspaper of general circulation in the County and the City at least two (2) weeks prior to the date of the public hearing. The notice must include the time, place and purpose of the hearing as well as notice of how a map of the subject area may be viewed by the public. Following such public hearing, the Board may submit the Economic Impact Plan to the County and the City for their approval.

b. The governing bodies of the County and the City must approve the Economic Impact Plan. The Economic Impact Plan may be approved by resolution of the County Commission or City Council, whether or not the local charter provisions of the governing bodies provide otherwise.

c. Once the Economic Impact Plan has been approved by the governing bodies of the County and the City, the clerk or other recording official of the governing bodies shall transmit the following to the appropriate tax assessor and taxing agency affected: (a) a copy of the description of the property within the Plan Area, and (b) a copy of the resolution approving the Economic Impact Plan. A copy of the Economic Impact Plan and the resolutions approving the Plan shall be filed with the Comptroller of the State and annual statements of incremental tax revenues allocated to the Board shall be filed with the State Board of Equalization as required by the Tax Increment Act. The Board will also comply with all other procedural requirements of the Tax Increment Act and other applicable laws.

Councilmember Senter made a motion to approve Ordinance No. 3475 on first reading and schedule a public hearing relative to final passage of said Ordinance for June 4, 2013. Councilmember Bivens seconded the motion and upon roll call; all voted "aye".

**Ordinance No. 3475**

**An Ordinance of the City of Morristown, Tennessee to Amend Section 8-207(1) of the Morristown Municipal Code [Permit required for engaging in beer business].**

Councilmember Alvis made a motion to Award a Bid to Whaley & Sons for Fall Creek ETVID South Drainageway Project in the amount of \$496,701.00. Councilmember LeBel seconded the motion and upon roll call; all voted "aye".

Councilmember Chesney made a motion to award a bid to Morgan Contracting for Willow Springs and MAID I Pump Station Upgrades in the amount of \$2,260,739. Councilmember Alvis seconded the motion and upon roll call; all voted "aye".

Councilmember Senter made a motion to award a bid to Thomas Construction Company for Storm Drainage Improvements Sulphur Springs Road MRC-304 SE06SW12 in the amount of \$284,380.

Councilmember Alvis made a motion to approve a TDOT Grant Contract PIN#118144.00 Safe Route to School Project, Lincoln Heights Elementary and Middle Schools. Councilmember Bivens seconded the motion and upon roll call; all voted "aye".

Mayor Thomas appointed Gary Chesney to the Finance Committee as Member and Chair of the Committee.

Mayor Thomas appointed Wayne NeSmith to the Morristown Regional Planning Commission to fill the remaining term of Kelley Hinsley, term expiring March 1, 2016.

City Administrator Tony Cox advised Council of the following budget appropriate line item transfers:

- Transfer of \$4,000 from Permits Electric 110-32620 (Electrical Permits) to 110-32640 (Gas Permits).
- Transfer of \$14,000 from Permits Electric 110-32620 (Electrical Permits) to 110-32630 (Plumbing Permits).
- Transfer of \$102,200 from Permits Electric 110-32620 (Electrical Permits) to 110-32610 (Building Permits).
- Transfer of \$4,800 from Permits Electric 110-32620 (Electrical Permits) to 110-32610 (Building Permits).
- Transfer of \$35,000 from Bonds 110-49100-731 (Debt Interest) to 110-41530-359 (Other Professional Services).
- Transfer of \$26,000 from Bonds 110-49100-731 (Debt Interest) to 110-41640-417 (ADP Parts & Components).
- Transfer of \$1,500 from Bonds 110-49100-731 (Debt Interest) to 110-41650-345 (Telephone Services).
- Transfer of \$54,000 from Bonds 110-49100-731 (Debt Interest) to 110-41660-352 (Legal Services).
- Transfer of \$16,100 from Bonds 110-49100-731 (Debt Interest) to 110-41700-921 (Building & Improvements).
- Transfer of \$6,800 from Bonds 110-49100-731 (Debt Interest) to 110-42120-433(Veh Parts/Oil/Fluid/Tires)
- Transfer of \$1,300 from Bonds 110-49100-731 (Debt Interest) to 110-42230-429 (General Operating Supplies).
- Transfer of \$24,500 from Bonds 110-49100-731 (Debt Interest) to 110-43110-944 (Automotive Equipment).
- Transfer of \$3,200 from Bonds 110-49100-731 (Debt Interest) to 110-43130-419 (Small Tools & Equipment).
- Transfer of \$41,458 from Bonds 110-49100-731 (Debt Interest) to 110-43140-465 (Asphalt).
- Transfer of \$10,600 from Bonds 110-49100-731 (Debt Interest) to 110-43140-971 (Motor Equipment).
- Transfer of \$11,000 from Bonds 110-49100-731 (Debt Interest) to 110-44430-221 (Unemployment Insurance).
- Transfer of \$5,000 from Bonds 110-49100-731 (Debt Interest) to 110-44430-465 (Asphalt).
- Transfer of \$9,700 from Bonds 110-49100-731 (Debt Interest) to 110-42140-949 (Patrol-Other Machinery & Equipment).

Mayor Thomas adjourned the May 21, 2013 meeting.

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MAYOR

ATTEST:

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CITY ADMINISTRATOR