

**KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
TAX INCREMENT FINANCING PROGRAM
POLICIES AND PROCEDURES**

Section 1. General Purpose and Objectives

Knoxville's Community Development Corporation ("KCDC") is committed to assisting with qualified redevelopment and urban renewal projects in the City of Knoxville, Tennessee (the "City"). In furtherance of this objective, KCDC is establishing a program to outline the process under which KCDC will consider and implement the use of tax increment financing for a specific redevelopment and/or urban renewal project (a "Project").

KCDC is the housing and redevelopment authority of the City organized under the Tennessee Housing Authorities Law, Tenn. Code Ann. §§ 13-20-101, et seq. (the "Act"). Pursuant to the Act, KCDC is authorized to issue tax increment debt to finance certain qualifying costs relating to a Project. Such debt would be secured solely by incremental taxes generated by the Project and would otherwise be non-recourse to KCDC.

KCDC has adopted these Policies and Procedures to provide guidance to applicants for tax increment financing as to the procedure KCDC intends to use in the consideration and administration of tax increment financing transactions described in redevelopment and urban renewal plans prepared at the request of the City. In no event shall these Policies and Procedures be construed to create any contractual right in any individual or entity or to limit KCDC's discretion to decline to issue any tax increment debt.

These Policies and Procedures only apply to any tax increment financing with respect to a specific Project being undertaken by a private developer and that will be secured by the incremental tax revenues from that Project. If KCDC considers the issuance of tax increment debt under other circumstances, such as at the request of the City to finance public improvements in a redevelopment area, KCDC shall follow such procedures as KCDC deems appropriate under the circumstances.

These Policies and Procedures are in addition to any other rules and procedures applicable to KCDC. From time to time, these Policies and Procedures may be amended by KCDC, and new policies may also be adopted by KCDC.

Section 2. Procedures for Tax Increment Financing

2.1. Application to the City. To initiate a tax increment financing transaction to finance qualifying costs relating to a specific Project, a private developer (the "Applicant") must submit an Application for Development Assistance and any other required application materials to the City's Department of Policy and Communications (the "Department"). The application and additional information may be found at <http://www.cityofknoxville.org/development/incentives.asp>. After consideration of an Application for Development Assistance by the Department and any other applicable agencies, the Department will determine whether to recommend that tax increment financing be made available in connection with the Project, prepare a redevelopment plan with tax increment financing to include the Project or to add a tax increment financing provision with respect to the Project to an existing redevelopment plan if the Project is located within an existing redevelopment area. If the Department recommends that tax increment financing be made available in connection with the Project, the Department will request KCDC to prepare a redevelopment and urban renewal plan or an amendment to an existing redevelopment and urban renewal plan (if the Project is within an existing redevelopment plan area) authorizing a tax increment financing transaction with respect to the Applicant's Project.

2.2. Redevelopment and Urban Renewal Plan. If the Department requests KCDC to prepare a redevelopment and urban renewal plan that includes tax increment financing or an amendment to an existing redevelopment and urban renewal plan authorizing tax increment financing with respect to a Project, KCDC shall prepare such redevelopment and urban renewal plan or amendment to an existing redevelopment and urban renewal plan and shall hold a public hearing in connection with the plan as required by the Act. After the public hearing, the redevelopment and urban renewal plan or amendment to existing redevelopment and urban renewal plan shall be submitted to KCDC's Board of Commissioners and to City Council and the County Commission of Knox County for consideration.

2.3. Financing Documents. If the redevelopment and urban renewal plan or amendment to existing redevelopment and urban renewal plan is approved by both City Council and County Commission, KCDC will then have the legal authority to issue tax increment financing in connection with the Project. KCDC will not commence the preparation of documents to authorize the issuance of the tax increment financing until the Applicant provides a written commitment from a financing institution acceptable to KCDC (a "Lender") to purchase the tax increment financing. Upon receipt of such a commitment, KCDC's counsel will prepare the primary documentation required for the issuance of the tax increment financing for review and approval. Such documentation will generally include the tax increment note, the loan agreement with the Lender, the assignment of the tax increment revenues to the Lender and a development and financing agreement between KCDC and the Applicant. The development and financing agreement will, among other things, provide for the expenditure of the proceeds of the tax increment financing for eligible costs in compliance with the redevelopment and urban renewal plan and provide for such other covenants as KCDC deems necessary to protect the interests of KCDC, the City and the County. Any tax increment financing shall be non-recourse as to KCDC and payable solely from incremental property tax revenues, and all financing documents shall be subject to the review and approval of KCDC's counsel. The Lender or its counsel shall prepare such other documentation as the Lender deems necessary, such as guaranties of the Applicant, to secure the tax increment financing. Once all documents have been finalized and the particular tax increment financing has been authorized by the Board of Commissioners of KCDC, the tax increment financing will be closed.

2.4. Post-Closing. No later than sixty (60) days after the closing of the tax increment financing, the Applicant shall coordinate with the Knox County Property Assessor to provide KCDC and the Lender with a letter from the Knox County Property Assessor confirming the amount of the base assessment of the Project (the "Base Assessment Letter") as such term is defined in the Act. Also no later than sixty (60) days after the closing of the tax increment financing transaction, the Applicant shall complete and submit to KCDC, the City Finance Department and the County Trustee an informational form in the form attached hereto as Exhibit A. Within sixty (60) days of the time any information initially submitted on such form changes, the Applicant shall submit an updated form to KCDC, the City Finance Department and the County Trustee.

Section 3. Policies for Tax Increment Financing

The following policies shall apply with respect to the issuance of tax increment financing by KCDC.

3.1. Maximum Term. The maximum maturity for any tax increment financing will be the maximum term provided for in the redevelopment and urban renewal plan or amendment to existing redevelopment and urban renewal plan as approved by City Council and County Commission.

3.2. Eligible Costs. The proceeds of the tax increment financing shall only be used for eligible costs under state law relating to the Project or to reimburse the Applicant for such costs, including

costs incurred for the acquisition of land and existing improvements, site preparation costs, public improvements necessary for carrying out the Project and such other costs as are approved by KCDC and its counsel.

Section 4. Fees and Expenses of KCDC

4.1. Plan Preparation Fee. The Applicant will pay a Plan Preparation Fee to KCDC in an amount equal to \$10,000 with respect to the preparation of any redevelopment and urban renewal plan that authorized tax increment financing for Applicant's Project and in an amount equal to \$5,000 with respect to the preparation of an amendment to any existing redevelopment and urban renewal plan that authorizes tax increment financing for Applicant's Project. The Applicant may request that such fee be paid at the closing of the tax increment financing transaction, however, KCDC reserves the right to require payment of the Plan Preparation Fee prior to the preparation of the Plan.

4.2. Expenses relating to Preparation of the Plan. KCDC shall pay all third-party expenses, incurred by KCDC in connection with the preparation of a redevelopment and urban renewal plan or any amendment to an existing redevelopment and urban renewal plan, whether or not such plan or amendment is approved. KCDC may require a deposit to secure the payment of these expenses.

4.3. Expenses Relating to Tax Increment Financing. The Applicant shall pay all third-party expenses, including attorney's fees, incurred by KCDC in connection with any proposed tax increment financing, whether or not such financing is closed. The Applicant may request that such expenses be paid at the closing of the tax increment financing transaction, however, KCDC reserves the right to require payment of such expenses as they are incurred.

4.4. Annual Administrative Fee. To reimburse KCDC for its administrative expenses in connection with administering the tax increment financing, KCDC shall retain an annual Administrative Fee in an amount equal to five percent (5%) of the tax increment revenues allocated to KCDC with respect to such financing; provided, however, such annual Administrative Fee shall be not less than \$2,000 nor more than \$5,000 for each year in which tax increment revenues are allocated to KCDC with respect to such financing. The tax increment financing documents shall provide that such fee shall be payable each year, beginning the first year in which any tax increment revenues are payable to KCDC, before any amounts are paid to the Lender to be applied to debt service or the tax increment financing.

4.5. Fee and Expense Letter. Prior to the commencement by KCDC of the preparation of a redevelopment and urban renewal plan or amendment thereto with respect to a particular Project, the Applicant shall execute a letter agreement for the benefit of KCDC acknowledging Applicant's responsibility for the payment of the fees and expenses provided for above.

EXHIBIT A TO TAX INCREMENT FINANCING PROGRAM

TAX INCREMENT FINANCING INFORMATION

Party Completing Form and Relationship to Financing: _____

Project Name: _____

CLT #(s) for Project (If the property has been subdivided since approval of the tax increment financing, please include the CLT # of the original parcel as well as all available CLT #s for the subdivided parcels/condos): _____

Base Assessment of Project*: _____

Amount of TIF Note: _____ Maturity of TIF Note: _____

Lender: _____

Name of Contact at Lender: _____ Phone #: _____

Name of Bank Account to Receive Tax Increment Revenues : _____

Account # of Bank Account to Receive Tax Increment Revenues: _____

ABA Routing # for Lender: _____

The undersigned certifies that, to the best of the undersigned's knowledge, the information set forth above is true and correct.

By: _____

Title: _____

*The base assessment is determined as of the date of the most recently determined valuation prior to the date on which the redevelopment plan or urban renewal plan or amendment thereof was approved by the applicable municipality or municipalities. For example, if the redevelopment plan for a project was approved by the city council and county commission in June 2007, then the valuation of the project as of January 1, 2007 is the base assessment for that project.