

TAX INCREMENT AMENDMENT TO THE GAY STREET REDEVELOPMENT & URBAN RENEWAL PLAN

Knoxville's Community Development Corporation ("KCDC") has previously prepared a redevelopment and urban renewal plan (the "Plan") for the Gay Street Redevelopment area (the "Plan Area"). After a public hearing held by KCDC, the Plan was approved by the City Council of the City of Knoxville and the County Commission of Knox County, Tennessee. KCDC has received a request from a developer for a redevelopment project within the redevelopment area to utilize tax increment financing in connection with its project. The purpose of this amendment to the Plan is to permit the use of tax increment financing for such purpose.

TAX INCREMENT FINANCING PROVISION

The Plan is hereby amended to provide that, subject to the limitations herein:

(a) Property taxes, if any, that were levied by the City of Knoxville (the "City") and/or Knox County, Tennessee (the "County") (the City and the County are hereinafter referred to collectively or sometimes individually, as a "taxing agency") and payable with respect to the property within the Plan Area (other than any portion of such taxes that is a debt service amount) for the year prior to the date the amendment of this redevelopment plan was approved ("base taxes") and that portion of property taxes, if any, designated by a taxing agency to pay debt service on the taxing agency's debt ("dedicated taxes") shall be allocated to and shall be paid to the respective taxing agencies as taxes levied by such taxing agencies on all other property are paid; provided, that in any year in which the taxes on any property are less than the base and dedicated taxes, there shall be allocated and paid to the respective taxing agencies only those taxes actually imposed and collected; and

(b) Subject to the specific constraints of applicable law, any excess of taxes levied by a participating taxing agency, over the base and dedicated taxes, shall be allocated to and shall be paid to KCDC (a "tax increment agency") for the purpose of paying principal of and interest on bonds, loans or other indebtedness incurred or to be incurred by KCDC to finance or refinance, in whole or in part, the redevelopment project contemplated by the amendment of this redevelopment plan or as otherwise provided in applicable law or reserved for purposes permitted by applicable law, provided (i) a portion of the excess taxes may be allocated for administrative purposes as provided by applicable law, and (ii) excess taxes beyond amounts necessary to fund or reserve for eligible expenditures under applicable law, may be applied to principal and interest of debt incurred to finance such eligible expenditures, or shall revert to the taxing agency general fund.

Pursuant to applicable law and this redevelopment plan, up to five percent (5%) of incremental tax revenues generated by the redevelopment project may be set aside for administrative expenses as provided by KCDC's policies.

By approving this amendment to the Plan, KCDC, the City and the County confirm that the Uniformity in Tax Increment Financing Act of 2012 shall apply to any financing authorized by this amendment to the Plan.

Notwithstanding the foregoing, this tax increment financing provision shall only apply to a redevelopment project that is approved by the City Council of the City of Knoxville and the

County Commissioners of Knox County, Tennessee pursuant to a subsequent amendment to the Plan, provided, however, that this amendment shall apply without any further approvals to the real property located in the redevelopment area at 316 & 350 South Gay Street and designated as tax parcel numbers 095IA039, 095IA040 and 095IA041.

ECONOMIC INFORMATION RELATING TO TAX INCREMENT

The redevelopment project is known as the Hatcher Hill Development Project and is expected to include the redevelopment of the property located at 316 & 350 South Gay Street (the "Tax Increment Area") to include approximately 10,000 square feet of commercial space, 88 residential condos rising 8-10 stories from Gay Street and a two level parking garage with capacity for 88 vehicles (the "Project"). The estimated cost of the Project is approximately \$36,000,000. The sources that are expected to be used to pay the costs of the Project are: a construction loan of \$24,000,000.00, tax increment financing of \$4,500,000 and owners' equity of \$7,500,000. The tax increment financing for the Project is expected not to exceed \$4,500,000, and the allocation of tax increment revenues with respect to the property located at 316 & 350 South Gay Street for repayment of said debt shall be for a period of not more than twenty (20) tax years (the "Allocation Period"). The initial tax year of the Allocation Period shall be designated by KCDC and shall commence no later than three (3) years from the date of the last approval of this amendment.

The tax increment financing provision in this amendment is expected to have a positive impact on the City of Knoxville (the "City") and Knox County (the "County"). The ad valorem real property taxes for the Tax Increment Area for the year 2016 were \$6,737 for the City and \$5,735 for the County, which are the base taxes relating to the Tax Increment Area. The redevelopment of the Tax Increment Area is expected to increase the value of the real property within the Tax Increment Area, leading to an increase in ad valorem real property taxes. Upon completion of the Redevelopment Project, the ad valorem real property taxes for the Tax Increment Area are expected to be \$266,429 for the City and \$226,815 for the County. Of this total, the base taxes described above plus approximately \$71,483 in taxes as to the City and \$46,905 in taxes as to the County that are allocable to paying debt service on the City's and the County's general obligation debt (calculated using the City and County's current debt service allocation rate) would be allocated to the City and the County each year. These additional taxes will immediately benefit the City and the County. After the tax increment financing is fully paid, the entire increased property tax revenues will be payable to the City and the County. Furthermore, the Redevelopment Project and the additional taxes accruing to the City and the County described above would not be expected to occur but for the tax increment financing described above.

CERTAIN TAXES EXCLUDED

Notwithstanding anything to the contrary in this section, taxes levied by or for the benefit of the State of Tennessee, shall not be subject to allocation as provided in subsection (a), but shall be levied against such property and, when collected, paid to such taxing agency as taxes levied by such taxing agency on all other property are paid and collected.