



## SECTION I. GENERAL PURPOSE AND OBJECTIVES\*

Anderson County and Roane County, Tennessee (the "Counties") and the City of Oak Ridge, Tennessee (the "City," and together with the Counties, the "Local Governments") have adopted Policies and Procedures to guide the Boards in considering and evaluating on a case-by-case basis whether particular projects in the Local Governments will be eligible for an payments in lieu of taxes ("PILOT") incentive. The Policies and Procedures should not be construed to require the Local Governments or the respective Industrial Boards to approve a PILOT incentive for any Person.

Granting a PILOT incentive is solely within the discretion of the Boards acting within the parameters of their Policies and Procedures. In order, however, to inform potential applicants for PILOT incentives of the specific criteria that the Boards will consider in evaluating applications for PILOT incentives, the Local Governments and the Boards adopted Policies and Procedures to provide guidelines for evaluating requests for PILOT incentives.

The PILOT program is administered for the Local Governments by the Boards. Each Board is a public nonprofit corporation that was established pursuant to the Tennessee Industrial Development Corporation Act ("Act"), Tenn. Code Ann. §§7-53-101 et seq. The Boards' 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, the Local Governments. The Boards will conduct their activities consistent with the provisions of the Act and the intent of the Local Governments as set forth in these Policies and Procedures.

These Policies and Procedures are intended to apply only to Projects that are within the respective applicable county portion of the City. The County and the Roane County Industrial Development Board will apply these Policies and Procedures to Projects that are located within the County but outside the boundaries of the City, except all references to the City in these Policies and Procedures will not be applicable in those cases. For example, in applying the Evaluation Matrix described herein to a Project that is in the County but outside the boundaries of the City, all references to residency requirements in the City will not be applicable. These Policies and Procedures will be applied by the applicable Industrial Development Board. The County reserves the right to modify these Policies and Procedures as to Projects outside the boundaries of the City.

Any Applicant for a PILOT shall only be required to submit an Application to one of the Boards, and only one of the Boards shall be required to consider and/or approve an Application. Any reference in these Policies and Procedures to a "Board" shall be deemed to refer to the Board to which an Application has been submitted. Only one Board shall consider an Application at one time, and if one Board takes action on an Application, the other board shall not consider an



Application for the same or substantially similar Project for a period of one year. An Applicant should submit its Application to the Board that is affiliated with the Chamber of Commerce with which the Applicant has had the primary contact in connection with its Project.

In evaluating Applications to participate in the Local Governments' PILOT program, each Board will apply the following general guidelines:

1. Public Interest/Increased Employment. In accordance with the objectives of the Act, the Board must find that each proposed Project will be in the public interest and will increase employment within the Local Governments.
2. Eligible Projects. The Board will only approve PILOT incentives for the following types of Projects:
  - a. Industrial facilities that manufacture, assemble, process or fabricate.
  - b. Distribution facilities that receive and distribute goods.
  - c. Office buildings and service facilities.
  - d. Retail businesses that the Board determines will materially increase sales taxes for the Local Government.

If a proposed Project would otherwise not be eligible for a PILOT incentive because it does not meet this guideline but the Board determines that, based upon unique factors in the particular case, a PILOT incentive would be appropriate for the Project, the Board shall not approve such PILOT incentive without obtaining the prior approval of the applicable Local Government entity.

3. Evaluation Matrix. Provided a Project satisfies the first two guidelines stipulated above, the Board shall determine the term, if any, of the PILOT incentive by applying the Evaluation Matrix attached hereto as Appendix A and Appendix C. The implementation of the Evaluation Matrix is described in more detail in Section IV. The term of any PILOT incentive shall be the same with respect to payments to both the City and County.

If a proposed Project would be eligible for a certain PILOT Term under the Evaluation Matrix but the Board determines that, based upon unique factors in the particular case, a longer PILOT Term would be appropriate for such Project, the Board shall not approve a longer PILOT Term without obtaining the prior approval of the applicable Local Government entity.

## SECTION II. CONFLICTS OF INTEREST

Each Board member shall be responsible for disclosing any material interest which he or she may have in or with a Project or an Applicant or any financing source for a Project.



Any Board member having any material interest in or with a Project or an Applicant or financing source for a Project shall submit to the Board's counsel an explanation of that interest, and the Board's counsel shall advise both the Board and Board member whether the member should recuse himself or herself from consideration of the Application. Such recommendation of the Board's counsel shall be conclusive. If recusal is recommended, the Board will then consider the Application without participation from the member or members who recuse themselves.

To avoid conflicts of interests, the Board's counsel will disclose to the Board if he has a professional legal relationship with or material interest in a Project or an Applicant or any financing source for the Project, and in the event of such a conflict involving the Board's counsel, the Board will retain special counsel to represent it in connection with the particular Project being considered. The Board, however, may waive any such conflict in appropriate circumstances.

### SECTION III. DEFINITIONS

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

"Applicant" means the Person applying to a Board to enter into a Lease Agreement that would include a PILOT incentive with respect to a Project.

"Application" means the application submitted to a Board by an Applicant to receive a PILOT incentive.

"Brownfield" means (a) any property that has a prior history of industrial use and potentially has some environmental contamination as indicated by a Phase I Environmental Assessment and (b) any property that was formerly used by the U.S. Department of Energy.

"Expansion" means the addition of buildings, structures, machinery and/or equipment for the purpose of expanding a Project.

"FTZ" means Foreign Trade Zone #148.

"Governmental Authority" means the United States, the State of Tennessee, any political subdivision of either, and any agency, department, commission, board, bureau or instrumentality of any of them.



"Lease Agreement" means the lease agreement between the Applicant and a Board pursuant to which the Board leases a Project to the Applicant and agrees upon the terms of a PILOT incentive.

"Local Company" is a company which (i) has its principal office within both the Local Governments, (ii) operates one of its principal facilities in both the Local Governments, or (iii) has a significant executive and management presence in both the Local Governments.

"National Corporate Headquarters" means a Project that meets the following criteria as determined by the Board:

- (i) The entity occupying the Project must be a business of regional or national significance;
- (ii) A significant percentage as determined by the Board, of the decision-making officers or employees of such entity must work and maintain their primary offices at the proposed Project;
- (iii) The Project will be the office location of a majority of the management employees of such entity; and
- (iv) The entity must make a significant financial commitment, as determined by the Board, to construct or improve the Project.

"Payment-in-Lieu-of Taxes" or "PILOT" means payments established by a Board to be made in lieu of ad valorem taxes with respect to a Project.

"Person" means any individual, sole proprietorship, corporation, limited liability company, association, partnership (general, limited, or limited liability partnership), organization, business, trustee, individual or government or political subdivision thereof or any governmental agency.

"PILOT Term" means the period of time, in years, during which a PILOT incentive is in effect pursuant to a Lease Agreement.

"Project" means the acquisition, construction and/or improvement of land, buildings, structures, machinery, equipment and related improvements as described in an Application. A Project may include any Expansion that an Applicant commits to commence within three (3) years of the execution of the Applicant's Lease Agreement. Any Expansion undertaken after such date will require a new Application to be filed with the Board with respect to the Expansion. A Project must be located on a single tract of property or contiguous tracts of property.



## SECTION IV. PILOT AMOUNT AND APPLICATION OF EVALUATION MATRIX

### PILOT AMOUNT

If an Applicant is approved for a PILOT incentive, the amount of the PILOT for the PILOT Term shall be equal to a negotiated percentage of the taxes imposed by all taxing authorities on the property that is the subject of the Project for the most recent tax year prior to the execution of a Lease Agreement with an Applicant (or if the property was previously exempt from taxation, an amount no less than the taxes that would have been imposed on the property if the property had not been so exempt).

For example, if an Applicant intends to acquire an undeveloped tract of real property and to build and equip a manufacturing facility thereon, the PILOT amount for the PILOT Term shall be no less than the amount of taxes imposed during the prior tax year on the undeveloped property by all local taxing authorities. If an Applicant intends to acquire and rehabilitate an existing facility, the PILOT amount would be no less than the taxes imposed for the most recent tax year on the existing facility prior to its rehabilitation. If the Applicant requests a PILOT incentive only with respect to new equipment to be acquired, the PILOT amount with respect to such equipment could be as low as \$0, depending on negotiations.

If a Project will be used as a National Corporate Headquarters, the Board, in its discretion, can agree to reduce the PILOT amount to \$0 for the PILOT Term.

### APPLICATION OF EVALUATION MATRIX

The Evaluation Matrix attached as Appendix A and Appendix C is intended to provide objective criteria for the Boards to assist in determining the length of the PILOT Term, if any, with respect to a Project. The maximum PILOT Term shall be 14 years.

### PERCENTAGE OF ABATEMENT

The percentage of abatement will be negotiated and based on economic factors. Typically, in Roane County the abatement would not exceed 50% per year; with the exception of those projects deemed 'High Impact' by the Industrial Board or scoring well above the maximum of 150 (see Appendix A).

The schedule of abatement is also negotiable. For example, a company that qualifies for and successfully negotiates a 50% abatement over a five-year period can choose to enjoy that 50%



abatement equally throughout each year of the five-year term, or negotiate a schedule so that a larger percentage is taken during the earlier years, decreasing over time (for example, year one: 75%, year two: 50%, year three: 30%, year four 15%, etc.), as long as the total value of the abatement over the declining term does not exceed the total value of equal-percentage-every-year schedule.

#### INDUSTRIAL MATRIX (APPENDIX A)

The Evaluation Matrix contains five criteria to be considered by a Board in establishing a PILOT Term. The following is a brief discussion of each criterion, which discussion is intended to provide guidance as to how each criterion will be applied by the Boards:

1. Jobs. The number of jobs will be based upon estimates to be provided by the Applicant and such other information as may be obtained by the Board. The estimate of jobs will be based upon the number of jobs that are anticipated to exist at the Project site three years after completion of the Project. Permanent full-time, full-time equivalent, seasonal, and contract jobs will be considered by the Board, but part-time employment will be appropriately weighted by the Board.
2. Wages. The average annualized wage that is expected to be paid by an Applicant, as compared to the existing per capita income published by the Tennessee Department of Employment Security for the Local Governments will be a relevant factor in the Board's consideration of an Application.
3. Capital Investment. Capital expenditures made by an Applicant in a Project will be considered by the Board. To be eligible for a PILOT incentive, an Applicant must agree to make at least \$1,000,000 in capital expenditures. Capital expenditures for specifics items, such as land, building and equipment, must be made by an Applicant in substantially the manner represented to the Board in the Applicant's Application unless the Board otherwise consents.
4. Bonus Points. Certain facets of a Project within any of the following areas will be a favorable factor:

Designated Brownfield  
The FTZ  
Any vacant existing business facility  
LEED Certification  
Corporate Headquarters

5. Residency of new employees. The expected location of the residences of the employees at the Project site, as represented by the Applicant, within the Local Governments will be a



favorable consideration. For purposes of applying this factor, residency at any location within the applicable city or

#### RETAIL MATRIX (APPENDIX C)

The Boards use the Retail Matrix as a guide along with other criteria in determining the feasibility of incentive requests. Consideration for Retail incentives includes, in addition to the Retail Matrix, (1) Economic Leakage, (2) Return on Investment, (3) Enhancement of Quality of Life, and (4) Economic Analysis.

#### SECTION V. POST-CLOSING MONITORING

Through the implementation of the PILOT program, the Board intends to produce substantial and measurable changes and improvements to and for the economic and commercial environment of the Local Governments. Accordingly, each Lease Agreement with an Applicant will contain, in the manner determined by the Board, certain commitments relating to job creation, wage levels, and capital expenditures. The Board will annually (or at such other times as it deems appropriate) evaluate each Project receiving a PILOT incentive to ensure compliance with the Lease Agreement applicable to the Project.

In order to assist the Board in determining compliance with the Board's Lease Agreements and in gathering information to help the Board evaluate the effectiveness of its PILOT program, each Person who is a party to a Lease Agreement with the Board shall provide to the Board certain information in the manner described in the Lease Agreement, which information shall include, but not be limited to, the following:

1. Capital Expenditures. A list of all capital expenditures made with respect to the Project during the prior year.
2. Employee Report. The total number of employees of such Person, their total salaries, the number of employees who reside in the applicable city or county. The Applicant shall also provide a list of jobs with job classifications in such form as is required by the Board.
3. Vendor Support Report. The gross dollars spent locally on supplier and professional service contracts during the prior year.
4. Comparison Criteria Report. A comparison of the Applicant's actual job creation, wages and capital expenditures with the Applicant's initial projections for job creation, wages and capital expenditures as shown in the Applicant's Application.



If any such report or other information obtained by the Board reveals that the Applicant has not complied with the Lease Agreement with respect to its employment, wage or capital expenditure commitments, the Board will have such remedies as are provided in the Lease Agreement. The specific remedies will be set out in the Lease Agreement, but, generally, if an Applicant fails in any year to meet the employment, wage or capital expenditure estimates provided in its Application and upon which the Evaluation Matrix was applied, the Applicant should expect that the Applicant's PILOT incentive would be proportionately reduced in that year in addition to any other remedies that may be available under the Lease Agreement.

For example, if an Applicant was awarded 100 points based upon the application of the Evaluation Matrix and the report filed by an Applicant in any year shows that the Applicant would only have been awarded 80 points for the relevant year based upon the actual facts, the Applicant would not receive 20% of its PILOT incentive for such year.

Each Board will develop on an annual basis a compilation of the information that that Board receives from these reports. This compilation will be provided within thirty (30) days of its completion to the County Mayor and County Trustee of the County and the Mayor and City Manager of the City.

The County Mayor will make such compilation available to the County Commission of the County, and the City Manager will make such compilation available to the City Council of the City. In addition, each Board will notify the County Mayor and County Trustee of the County and the Mayor and City Manager of the City of any Lease Agreement that provides for a PILOT within fourteen (14) days of entering into such Lease Agreement.

## SECTION VI. APPLICATION

Any Person desiring that a Board consider providing a PILOT incentive shall submit an Application to the appropriate Board in a form approved by both Boards. The completed application with associated fee and appendix documents must be submitted to the appropriate Board prior to the issuance of a building permit. Any Applicant shall also follow the procedures set in applying for a PILOT incentive.

## SECTION VII. FEES

### 1. APPLICATION FEES

An Application fee must be submitted with each completed Application. The Application fee is not refundable. The Application Fee shall be calculated using the following chart:



#### Estimated Project Capital Expenditures (At the Time of Application) | Application Fee

\$1,000,000 - \$2,500,000 | \$ 2,000

\$2,500,001 - \$5,000,000 | \$ 3,000

\$5,000,001 - \$10,000,000 | \$ 4,000

\$10,000,001 - \$25,000,000 | \$ 8,000

greater than \$25,000,000 | \$15,000

#### 2. CLOSING FEES

A closing fee computed as described in this paragraph will be paid to the Board prior to or at the execution of the Lease Agreement. Closing fees for PILOT incentives are based on the benefits that an Applicant will receive (i.e., value of the tax savings over the applicable PILOT Term) rather than on the total Project investment. The closing fee for a PILOT incentive transaction with the Board will be 5% of the expected tax savings for the Applicant, as estimated by the Board, with a minimum closing fee of \$1,500 and a maximum fee of \$300,000. The Applicant receiving the PILOT incentive will also be responsible for paying expenses of the Board relating to the transaction (i.e. extraordinary attorney's fees if any modification to the standard lease agreement is required, copies, postage, long distance telephone calls, etc).

#### 3. LEASE AMENDMENTS

If an Applicant requests an amendment to an existing Lease Agreement, the Applicant will pay a fee of \$1,000 at the time of the request.

#### 4. ASSIGNMENT FEE

If the Board approves the assignment of a Lease Agreement, the Applicant shall pay an assignment fee of 1% of the tax savings for the assignee following such assignment, as estimated by the Board, up to \$1,000,000 with a minimum fee of \$4,000 and 1/2% of such savings over \$1,000,000 with a maximum fee of \$25,000. The Applicant shall also be responsible for all expenses, including attorney's fees incurred by the Board, in connection with such assignment.

20% of all fees received by a Board pursuant to this Section shall be paid to the other board promptly upon receipt. Fee sharing will be between the City of Oak Ridge and the applicable county of origin.

#### SECTION VIII. ASSIGNMENT OF LEASE AGREEMENT



Lease Agreements will not be assignable without the prior consent of the Board. An Applicant seeking an assignment of an Agreement shall confer with the Board to determine the proper procedure in the specific transaction. The Board will then determine whether the assignment will be approved or whether a new Application should be filed by the assignee.

## SECTION IX. ENVIRONMENTAL REPORT REQUIREMENT

Each Applicant shall submit with its Application a Phase I Environmental Site Assessment Report (unless the Project consists only of new equipment) with respect to the proposed Project site. The report should be dated no more than three (3) months prior to its submission to the Board. All such reports must grant to the Board the right to rely on such reports. All Phase I Environmental Site Assessments submitted to the Board should substantially conform to the ASTM standards.

An Environmental Assessment or Environmental Impact Statement performed by or on behalf of the U.S. Department of Energy may substitute for an Environmental Site Assessment. The environmental contamination of a Project site may be a basis for rejecting an Application if the Board's counsel advises the Board that the Boards or the Local Governments would have any obligation to remediate the contamination if the Board acquires the Project site.

## SECTION X. MISCELLANEOUS

These Policies and Procedures shall not be construed to create any type of contract or agreement between the Board or the Local Governments and any third party, including any Applicant. Notwithstanding any provision of these Policies and Procedures to the contrary, the Boards retain the right, in their sole discretion, not to enter into any Lease Agreement with any Applicant and not to approve any Application for a PILOT incentive.

If any Applicant does not enter into a Lease Agreement with respect to a proposed Project within one year of the initial approval by the Board 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 Board to continue to consider the Applicant's Project for a PILOT incentive.

## SECTION XI. PROGRAM TERM

Each Board is authorized to negotiate PILOT incentives pursuant to these Policies and Procedures for a period of three years from the date these Policies and Procedures are approved by the respective local government entity.

## APPENDIX B: PILOT INCENTIVE PROGRAM PROCEDURES



1. An Applicant should first arrange a pre-application conference with a representative of the Board to discuss the PILOT incentive procedure as it relates to the Applicant's Project.
2. The Applicant shall file its Application (which shall be in the form of Appendix B) and all documentation pertaining to the Application with the Board no less than 14 days prior to a scheduled meeting regarding the proposed PILOT. The following information must accompany the Application unless waived by the Board.
  - a. Financial Statements - preferably audited statements, at least statements reviewed by CPA
  - b. Phase I Environmental Audit Addressed to the Board or equivalent
  - c. Application Fee
3. Based upon the Application, the Board will determine whether to give preliminary approval for a PILOT incentive. If preliminary approval is given, the Board's counsel will prepare the form of Lease Agreement and negotiate the form of such Lease Agreement with the Applicant's designated representative.
4. If the Applicant and the Board's counsel agree on the proposed form of a Lease Agreement, such Lease Agreement shall be submitted to the Board for its approval. If the Applicant's matter is to be considered at a meeting of the Board, a representative of the Applicant should attend such meeting.
5. Upon Board approval of the Lease Agreement, a date for the closing can be scheduled immediately. The following documents are needed at closing:
  - a. Lease Agreement
  - b. Special Warranty Deed (if real property is involved)
  - c. List of Encumbrances on the Property
  - d. Bill of Sale (if personal property is involved and has been acquired)

All closing fees must be paid at the time of execution of the Lease Agreement. Only a certified or cashier's check or other collected funds will be accepted.

6. Upon closing, appropriate documentation will be filed with the County Register's Office. Originals of all documents will be held by the Board or its counsel. The Board's counsel will file a copy of the Lease Agreement with the County Mayor of Roane County and the Mayor of the City of Oak Ridge and with the State Comptroller's office at the following address:

The Office of the Comptroller  
Division of Property Assessment



501 Deaderick Street  
Suite 1400 (EDA Compliance)  
Nashville, Tennessee 37243-0277

7. In accordance with these Policies and Procedure, Applicants will be required to file annual compliance reports with the Board.
8. Tenn. Code Ann. §7-53-305 requires the lessee under each Lease Agreement to file with the State Board of Equalization before October 1st of each year an annual report containing a list of all the real and tangible personal property owned by the Board subject to the Lease Agreement; the value of each listed property as estimated by the lessee of property; the date and term of the lease for each listed property; the amount of payments made in lieu of property taxes for each listed property; the date each listed property is scheduled to return to the regular tax rolls; and a calculation of the taxes which would have been due for each listed property if the properties were privately owned or otherwise subject to taxation.

Each Applicant will be responsible for the timely completion and filing of such reports with respect to its Project, and failure to timely complete and file the report may subject such Applicant to the penalties set forth in the Act. The Board requires that each Applicant submit a copy of each such report to the Board for inclusion in the Project file. The copy should be sent to:

Roane County Industrial Development Board  
1209 N. Kentucky Street  
Kingston, TN 37763