

**ECONOMIC IMPACT PLAN
FOR
SECOND AVENUE ECONOMIC DEVELOPMENT AREA**

I. Authority for Economic Impact Plan

Industrial development corporations ("IDBs") are authorized under Tenn. Code Ann. § 7-53-312 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

The project will be a mixed use complex comprised of a boutique hotel, a residential building, a parking garage, and various retail shops and restaurants. It will be located on an approximately 5-acre track composed of fourteen parcels tax map 062. Specific parcels are itemized in Appendix A. The Project Site is located north of East Main Street, west of First Avenue

North, south of Bridge Street, and east of Second Avenue North in downtown Franklin, covering an entire City block. The portion of the Project Site devoted to the parking garage, the garage structure itself, and the furniture, machinery and equipment to be installed therein are herein referred to collectively as the "Project". In order to make the Project financially feasible, The Industrial Development Board of the County of Williamson (the "Board") intends, subject to the approval of the Williamson County Commission and the Board of Mayor and Aldermen of the City of Franklin (the "City"), to engage in tax increment financing pursuant to Title 7, Chapter 53 of Tennessee Code Annotated to provide funds to pay all or a portion of the cost of constructing and equipping the Project. The proceeds of the tax increment financing approved by County and City would be used exclusively to pay a portion of the debt service on borrowing to finance the Project. The Project is an eligible project within the meaning of Tenn. Code Ann. §7-53-101(11)(A)(iv).

III. Boundaries of Plan Area

The Project is located within the commercial area of historic downtown Franklin and is adjacent to other commercial and retail facilities. The area that would be subject to this Economic Impact Plan, and to the tax increment financing provisions described below, includes the Project Site and the properties that will directly benefit from the development of the Project.

The Plan Area includes all tax parcels located in whole or in part within the boundaries of First and Second Avenues North, Bridge Street, and East Main Street, excluding those parcels which are not being renovated or replaced as part of the Project. The area that will be subject to this plan (the "Plan Area") is shown on Exhibit B attached hereto and a list of the tax parcels included in the Plan Area is shown on Exhibit A attached hereto. In the event of any conflict between the general description of the Plan Area described in this paragraph and Exhibits A and B, said Exhibits shall control. The Plan Area is hereby declared to be subject to this Economic Impact Plan, and the Project is hereby identified as the project that will be located within the Plan Area. Within the Plan Area, which has an underlying zone of SD-X (34.17 density/33,650 non-residential footage/115 hotel keys), the City's height overlay, design standards, and planned commercial district regulations will apply. To be a downtown activity center, the City and County seek innovative, world-class design alternatives in an environmentally-friendly, context-sensitive design and sustainable business center developments unique to the City of Franklin.

IV. Financial Assistance to Project

The Board will provide financial assistance to the Project by applying a portion of the proceeds of the tax-increment financing described herein to pay part of the debt service resulting from financing of construction and

equipping the Project. The amount that will be made available by the Board for such financial assistance shall be limited to 42% of the potential tax increment, thereby ensuring that all property taxes targeted for education are kept intact. The tax increment will be made available beginning in the second tax year following completion of the construction of the Project, with an amount of \$240,000 per year for a maximum of ten years.

V. Expected Benefits to City and County

The Benefits to the Surrounding Properties

The Project will benefit the surrounding properties in five principal methods. First, the redeveloped City block composed of a boutique hotel, residential housing, and retail shops and restaurants, will replace vacant properties and enhance the land valuation of the surrounding parcels. Second, the Project will spur development of adjacent properties between the Project Site and the Public Square, and in the area to the east and south of the Project, including underutilized areas on First Avenue North and South, by providing hotel and meeting space, opportunities for downtown residential expansion, and additional retail and restaurant venues. Third, proposed improvements to the infrastructure in the Project Site area will remediate certain limitations in the water, sewer, storm drainage and roadway capacity that abut the boundaries of the Project Site. Those improvements include sidewalks for connectivity, signalization for traffic flow, upsizing of water and wastewater

lines, and lighting for public safety. Completion of the infrastructure improvement will allow better access to many of the parcels and alleviate current traffic dangers that exist along First Avenue and Bridge Street. Fourth, the project will dramatically increase the valuation of the properties within the block being redeveloped, providing a substantial increase in property taxes flowing to the Williamson County Schools and the Franklin Special School District. After completion of the term of the tax increment financing, recurring property taxes will subsequently be generated for the County and City general funds, suppressing the need for tax rate increases on existing properties. Finally, the project will provide almost 600 additional parking spaces in the downtown area. Although much of the parking garage will be used by the new businesses within the Project, a minimum of 200 spaces will be made available for general public use to support businesses in the immediate area.

The Benefits to Williamson County and the City of Franklin

Williamson County stands to benefit in many ways from the Project. The Project itself proposes the addition of up to \$100 million in valuation to the tax rolls. The Plan Area generated only \$64,215 in County property taxes for 2014, and is expected upon completion of the Project to generate over \$640,000 in County property taxes. During the ten-year term of the tax-increment arrangement, \$238,560 per year will be set aside to pay a portion of the debt service on the parking garage. The balance of \$329,440 will be

available to flow to Williamson County in the same proportion now dedicated for school funding. Sales tax, business tax, hotel tax, and a variety of other local taxes and/or fees will be positively affected by the injection of 155 jobs and estimated corporate purchases of over \$40 million per year. Existing businesses that support the particular needs of hotel, retail, and residential operations, such as legal, accounting, advertising, marketing, finance and engineering, will be enhanced. The signature buildings that will be viewed by 10,000 or more vehicles per day along the downtown Franklin corridor will create a positive impact on citizens and visitors alike.

One of the largest benefits of the project is the injection of property taxes for education. Although Williamson County will provide the diversion of some new property taxes from the Project, the portion of County property taxes that would normally go to schools will be paid in full. The forecasted amount of revenue that will flow to schools is \$329,440 in the first year after expected project completion and totals almost \$10 million over a thirty-year term.

The County will also be impacted by taxes and fees generated by the construction project. Impact fees, which are currently assessed for schools, will result from the \$100 million construction project. An economic impact study conducted by the Jones College of Business at Middle Tennessee State University found that the two-year construction phase of the Project would have a short-term economic and fiscal impact of \$110 million. This is

comprised of 220 construction jobs and 157 indirect jobs. The payroll for those jobs would \$20 million per year. Total business revenue during the construction period would be \$55 million per year for two years, resulting in locals taxes approaching \$4 million per year.

The same study showed that, upon completion, the Project would generate a substantial impact from new visitor spending associated with the proposed hotel. The estimate is over \$13 million per year in additional direct and indirect wages and salaries, and over \$36 million in business revenue. That would generate \$280,000 in local sales tax and \$373,000 in hotel occupancy taxes.

The City of Franklin also stands to benefit in several ways from the Project. After the period of tax increment financing is completed, the addition to the tax base is expected to generate over \$130,000 per year in City property taxes. The Plan Area generated \$13,052 in City property taxes for 2014, and is expected upon completion of the Project to generate over \$116,000 in City property taxes. Sales tax, business tax, hotel tax, and a variety of other local taxes and/or fees will be positively affected by the injection of 155 jobs and estimated company purchases of over \$40 million per year. Impact fees, which are currently assessed for roads, public safety, parks and sanitation, will result from the \$70 million construction project. Building permit fees and storm water charges will increase from the construction of the new facility. Existing city providers, such as restaurants, building suppliers, office supply

houses, and general merchandise stores will be able to attract additional business from the Project. New businesses, such as legal, accounting, advertising, marketing, finance and engineering, will be attracted to the immediate area.

In an area where transportation infrastructure has been a subject of concern, the citizenry will benefit from a realignment of traffic signalization along Franklin Road & Main Street entering the downtown area. An additional right turn lane will allow traffic to flow through into the First Avenue corridor and avoid some of the backup along Franklin Road. To support the Project, the developer will add sidewalks and lighting along First Avenue and Bridge Street, and improve the turning radius at the intersection of those streets. For safety, pedestrian crossings will be added. The Project will also construct a regional stormwater detention feature, which will capture and treat large volumes of storm water before releasing it into the Harpeth River.

The Plan Area will be enhanced aesthetically with new buildings in an area that is largely vacant land at this time. The signature buildings within the Project will be viewed by 10,000 or more vehicles per day along the Franklin Road corridor, creating a positive impact on citizens and visitors alike. As with the Williamson County schools, one of the largest benefits of the project is the injection of property taxes for education. The portion of property taxes that would normally go to the Franklin Special School District

will be paid in full. The forecasted amount of revenue that will flow to schools is \$335,000 in the first year after expected project completion and totals \$10 million over a thirty-year term.

The Intangible Benefits of the Project

One of the intangible benefits of the Project is the quality of space that will be provided in the downtown area. Studies have shown that a boutique hotel in the downtown area is both viable and desirable. Visitors to Williamson County currently have no options to stay in the heart of Franklin. The addition of hotel availability downtown will remedy the current vacuum and provide an alternative for tourists interested in the historic Downtown and family members and guests that are visiting downtown residents. Another benefit is the expansion of residential opportunity in the downtown area. Many of those moving to Williamson County have expressed interest in living in the downtown core but have found few residential opportunities. The residential portion of the Project will address that need and provide up to 143 living spaces for employees whose jobs are in the downtown area. Many of the jobs that will be created by the Project are service industry jobs with low skill positions. However, the continuing commercial interests in the downtown area may create jobs that greatly benefit the dynamics of our increasing exposure to health care, financial, automotive, and design professions. A portion of the workforce for those jobs will, undoubtedly,

wish to live close to their employment, avoiding daily commuting and also enjoying the shops and restaurants of downtown Franklin.

Estimates of the average wage for the newly created jobs range from \$27,000 to \$96,000 per year. The types of skills required by these jobs would provide career paths for many of our citizens and their children.

Diversification of employment is another intangible. A mixed use facility like Harpeth Square allows the City and the County an opportunity to achieve some diversification of employment. This is healthy for the workforce in general, giving a wider variety of employment opportunities; diversification also ensures that losses in a single industry will not adversely affect the area as severely as they would otherwise.

The selection of an upscale, boutique hotel will give downtown Franklin and Williamson County another hotel and residential offering not available in many other locales. It reinforces the fact that Middle Tennessee is a terrific place to do business and that, in all of middle Tennessee, Williamson County is the most ideal environment. When searching for boutique hotels, every tourist or company travel agent will see the location: Franklin, Tennessee.

VI. Distribution of Property Taxes and Tax Increment Financing

a. Distribution of Taxes. Property taxes, including personal property taxes, imposed by the County and City on the property located within the Plan Area shall be allocated and distributed as provided in this subsection. The taxes

assessed by the County on the real and personal property within the Plan Area will be distributed as follows in accordance with Tenn. Code Ann. § 7-53-312(c):

i. The portion of the real and personal property taxes that were payable with respect to the Plan Area for 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 City as all other taxes levied by the jurisdiction 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 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, 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 (including any interest rate swap agreement) expected to be issued by the Board to pay the costs of acquiring the Project Site.

b. TIF Obligations. In order to pay for all or a portion of the costs of acquiring the Project Site, the Board intends to use the TIF Revenues to pay debt service on obligations (including any interest rate swap agreement) incurred to finance such costs. This tax increment financing will be structured as follows:

- i. The Board, in conjunction with the developer, will arrange financing for a parking garage of not to exceed \$10,000,000 through the issuance and sale of notes, bonds or other obligations of the Board and lease the facility to the developer. The Board shall pledge any and all TIF Revenues allocated to the Board pursuant to the specifications of this Economic Impact Plan to the payment of such notes, bonds or other obligations.
- ii. The proceeds of the notes, bonds or obligations shall be used to pay all or a portion of the costs of acquiring and constructing the garage, together with expenses of the Board in connection with the Project and the tax increment financing for a maximum period of ten (10) years from the date of completion of the Project.
- c. Time Period. Taxes on the real and personal property within the Project Area will be distributed as provided in this Section of the Economic Impact Plan for a period equal to the lesser of (a) the period that the tax increment financing described above is outstanding or (b) ten (10) years.
- d. Qualified Use. The Board and the County and 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 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 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 City for its approval.
- b. The governing body of the County and City must approve the Economic Impact Plan. The Economic Impact Plan may be approved by resolution of the governing body, whether or not the local charter provisions of the governing body provide otherwise.
- c. Once the Economic Impact Plan has been approved by the governing bodies, the clerk or other recording official of the County and City shall transmit the following to the appropriate tax assessors 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.