Industrial Development Board
of the
City of Oak Ridge

2010 PILOT Reauthorization

Approved October 12, 2010
by
Oak Ridge City Council
Resolution 10-99-10
for the period of
October 13, 2010 through December 31, 2013

CITY OF OAK RIDGE, TENNESSEE
PROPERTY TAX INCENTIVE PROGRAM
POLICIES AND PROCEDURES

Section I. General Purpose and Objectives*

The City of Oak Ridge, Tennessee (the "City") and Roane County, Tennessee (the "County" and together with the City, the "Local Governments") are committed to improving their local business environment and economy. In furtherance of this objective, the Local Governments have established, in cooperation with The Industrial Development Board of the City of Oak Ridge, Tennessee (the "Oak Ridge Board") and The Industrial Development Board of Roane County, Tennessee (the "Roane County Board," and together with the Oak Ridge Board, the "Boards"), a program to provide economic incentives to qualifying entities based on payments in lieu of taxes ("PILOT"). This program is intended to attract and retain, on a basis competitive with other local governments, businesses that provide the types of employment, capital investment, community involvement and financial impact sought by the Local Governments for their citizens.

The Local Governments have adopted these 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 a PILOT incentive. These Policies and Procedures should not be construed to require the Local Governments or the 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 these 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 have adopted these Policies and Procedures to provide guidelines for evaluating requests for PILOT incentives.

The Boards administer the PILOT for the Local Governments. 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.

Originally, these Policies and Procedures were intended to apply only to Projects that are within the County. Since the City of Oak Ridge is located in two counties, Roane and Anderson, the City utilizes these Policies and Procedures for all Projects presented to the Oak Ridge Board. These Policies and Procedures will be applied by the County and the Roane County Board 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. Moreover, the County reserves the right to modify these Policies and Procedures as to Projects outside the boundaries of the City.

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* Capitalized terms used in these Policies and Procedures that are not otherwise defined shall have the meanings given to such terms in Section III.

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 or Economic Development Organization 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 Project types:

   a. Commercial and retail businesses that the Board determines will materially increase sales taxes for the Local Governments.

   b. Distribution facilities that receive and distribute goods.

   c. Office buildings and service facilities. New speculative office buildings are not eligible.

   d. Industrial facilities that manufacture, assemble, process or fabricate other products.

   If a proposed Project would otherwise not be eligible for a PILOT incentive because it does not meet these guidelines 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 Local Governments.

3. **Evaluation Matrices**. 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 Matrices attached hereto as Appendix A and Appendix B. The implementation of the Evaluation Matrices 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 Local Governments.

Section II. Conflicts of Interest

Each Board member shall be responsible for disclosing any material interest that 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, with the authority to legally represent the entity, applying to the Board for a PILOT incentive with respect to a Project.

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

"Brownfield Site" means a parcel of property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.

"Economic Development Organization" means the Oak Ridge Economic Partnership, the Roane Alliance or the Anderson County Economic Development Association.

"Economic Leakage" means the loss of sales and sales tax revenue from one community to a neighboring community.

"Energy Efficiency Building" is a building that meets or exceeds certified energy efficiency standards such as LEED®, Leadership in Energy and Environmental Design.

"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.

"Greyfield" means any previously developed property that does not have known environmental contaminants but is economically nonviable in its current state and has conditions that significantly complicate its redevelopment or reuse, as determined by the Board.

"Lease Agreement" means the lease agreement between the Applicant and the 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 that (i) has its principal office within the Local Governments, (ii) operates one of its principal facilities in the Local Governments, or (iii) has a significant executive and management presence in the Local Governments.

"MOU" (Memorandum of Understanding" means the signed document that outlines all the pertinent terms and conditions required to develop the lease agreement of the PILOT incentive

"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 (land, building or equipment) taxes with respect to a Project.

"Person" means any individual, sole proprietorship, corporation, limited liability company (LLC), association, partnership (general, limited, or limited liability partnership), organization, business, trustee, individual or government or political subdivision thereof or any governmental agency, with the legal authority to submit an application for a PILOT incentive.

"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.

"Speculative Buildings" means construction of a building with no formal commitment from an end user for the finished building.

Section IV. PILOT Amount, Application of Evaluation Matrices and Alternative Calculation

PILOT Amount

If an Applicant is approved for a PILOT incentive, the amount of the PILOT for the PILOT Term shall be equal to 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 equal to 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 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 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 would be $0.

Application of Evaluation Matrices

The Evaluation Matrices attached as Appendix A and Appendix B are 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 Boards may consider other special circumstances as it deems relevant in determining a PILOT Term with respect to a particular Project, provided, however, in no event shall the Board award more than 30 points in the aggregate under the Evaluation Matrix for special circumstances without the consent of the Local Governments.

Industrial/Office Matrix (Appendix A)

The Industrial/Office Matrix is intended to provide objective criteria for the Boards to assist in determining the amount and length of the PILOT Term, if any, specific to each Project. All approved incentives are based on the Industrial/Office Matrix. The Oak Ridge Board only authorizes incentives within the parameters of the Matrix with the maximum PILOT Term being 14 years. The Oak Ridge Board may elect to recommend to the Oak Ridge City Council for consideration incentives outside the parameters of the Matrix. The Industrial/Office 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. **New Jobs** – The number of new jobs will be based upon estimates to be provided by the Applicant and the Boards may obtain other information as required. The estimate of new jobs will be based upon the number of new 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 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. An Applicant who pays an average annualized wage that surpasses 170% of the per capita income for the Local Governments may be given special consideration points. All special consideration points will be awarded at the Board's discretion.

3. **Capital Investment** – The Board will consider any Capital expenditure made by the Applicant in a Project. Special consideration on a case-by-case basis will be used to increase points to Applicants who are making more than $30 million in capital expenditures. The Matrix utilized by the Oak Ridge Board includes points for buildings certified as energy efficient, such as LEED®. To be eligible for a PILOT incentive, an Applicant must agree to make a minimum of $1,000,000 in capital expenditures. Capital expenditures for specific 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. **Location** – The location of a Project within any of the following areas will be a favorable factor:
   - Designated Brownfield
   - The FTZ
   - Any vacant existing business facility

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 City will be a favorable consideration. For purposes of applying this factor, residency at any location within the City, will be considered.

Commercial/Retail Matrix (Appendix B)

The Boards use the Commercial/Retail Matrix as a guide along with other criteria in determining the feasibility of incentive requests. The Matrix utilized by the Oak Ridge Board includes consideration for buildings certified as energy efficient, such as LEED®. The Matrix is separated into the following four (4) commercial components:

Retail
Commercial Housing
Commercial Office
Renovated Areas

In addition to the Commercial/Retail Matrix, consideration for the Commercial/Retail incentives may include the following:

Economic Leakage
Return on Investment
Enhancement of Quality of Life
Economic Analysis

Alternative Calculation (Anderson County Portion Only)

The Oak Ridge Board has the flexibility to grant PILOT incentives utilizing an Alternative Calculation, in the Anderson County portion of the City (Roane County allows for up to 100% abatement), of the PILOT amount in place of the standard calculation provided by the two matrices described above. The Alternative Calculation allows for a declining basis tax abatement, based on the Prime Rate plus 1% (the borrowing cost for most companies) on the day of closing of the PILOT lease agreement.

As demonstrated in the table below, the Alternative Calculation provides for a smaller overall tax abatement than the standard calculation of the matrices. The Alternative Calculation provides for a larger amount of abated funds in the early years of the PILOT Term, whereas the standard calculation provides for an equal amount of abated funds throughout the PILOT Term.

The PILOT calculation example below includes the following criteria:

- Within the Anderson County portion of the City of Oak Ridge (the Roane County portion allows for up to 100% abatement)
- Project valued at $5,000,000
- Matrix provides for 50% abatement for 6 years
- City tax rate of $2.39 and County tax rate of $2.26, for a total of $4.65, assume no increase in tax rate
- Prime rate plus 1% at date of closing is 4.25%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Standard	50%	50%	50%	50%	50%	50%	300%
Calculation	$46,500	$46,500	$46,500	$46,500	$46,500	$46,500	$279,000
Declining Basis %	100%	66.7%	53.3%	40%	26.7%	13.3%	300%
Alternative	100%	63.9%	49.1%	35.3%	22.6%	10.8%	282%
Calculation	$93,000	$59,472	$45,638	$32,834	$20,996	$10,070	$262,010

Section V. Post-Closing Monitoring

Through the implementation of the PILOT program, the Boards intend 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 respective Board, certain commitments relating to job creation, wage levels, and capital expenditures. The Boards 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 Boards in determining compliance with the Lease Agreements and in gathering information to help the Boards evaluate the effectiveness of its PILOT program, each Person who is a party to a Lease Agreement with the respective 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** – To include at least the following:
   a. Total number of employees
   b. Total salaries
   c. Number of employees who reside in the City
   d. Total salaries of employees who reside in the City
   e. 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 Boards reveal 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.

On an annual basis, each respective Board will prepare a compilation of the information received from these reports. This annual 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. For the Oak Ridge Board, the compilation and distribution of the annual reports are the responsibility of the City Staff IDB Representative.

Section VI. Fees

Any Person desiring that a Board consider providing a PILOT incentive shall submit an Application to the appropriate Board in a form approved by the Boards. Any Applicant shall also follow the procedures set forth in Appendix C in applying for a PILOT incentive.

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 respective 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. attorney's fees, copies, postage, long distance telephone calls, etc).

2. **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.

5. **Reciprocal Fee Payment and Notification**
An amount representing 20% of the applicable fees received by the Roane County or Oak Ridge Board pursuant to this Section shall be paid to the other board promptly upon receipt. 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. The City Staff IDB Representative will provide the written notification for the Oak Ridge Board.

Section VII. Memorandum of Understanding

When the Oak Ridge Board approves a PILOT incentive, a Memorandum of Understanding (MOU) will be developed, by the City Staff Representative, that outlines all pertinent terms and conditions of the incentive, attached as Appendix E. The MOU will specify a date by which both the Board and the Applicant may anticipate an appropriate Lease Agreement to be executed. Signed by both the Chairman of the Board and the Applicant, the MOU will serve as the foundation upon which a formal lease document will be built. The following items may be included in the MOU, length of the PILOT incentive, percentage of tax abatement, performance standards, reporting dates and recovery provisions.

Section VIII. Assignment of Lease Agreement

Lease Agreements will not be assignable without the prior consent of the applicable 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. City of Oak Ridge – Application Administrative Process (See Appendix C)

Section X. Oak Ridge Board Decision Process

Following receipt of the City Manager's recommendation, the Oak Ridge Board will vote on the Applicant's request for an incentive. Should the Oak Ridge Board vote concur with the City Manager's recommendation, the decision is final. Should the Oak Ridge Board vote differ with the City Manager's recommendation, the City Manager may reevaluate his recommendation in light of the IDB vote and resubmit. Should the IDB and City staff not reach agreement, the matter is referred to the Oak Ridge City Council for final resolution.

Section XI. Environmental Report Requirements

Each Applicant shall submit with its Application, the most recent Phase I Environmental Site Assessment Report (unless the Project consists only of new equipment) with respect to the proposed Project site. 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 respective Board or the Local Governments would have any obligation to remediate the contamination if the Board acquires the Project site.

Section XII. 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 XIII. 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 County Commission or City Council of the Local Governments. After such date, the Boards shall not be authorized to negotiate PILOT incentives pursuant to these Policies and Procedures unless the County Commission of the County and the City Council of the City have reviewed these Policies and Procedures.

Section IXX. Modifications

Boards and Local Governments must approve any modification of these Policies and Procedures except as provided in Section I.

APPENDIX A — INDUSTRIAL/OFFICE EVALUATION MATRIX

Job Creation

Maximum 30 Points

Points will be awarded for each new job to be created due to the project

Criteria

Jobs Created

Number of Employees		Points
1	15	2
16	30	4
31	45	6
46	60	8
61	75	10
76	90	12
91	105	14
106	120	16
121	135	18
136	150	20
151	165	22
166	180	24
181	195	26
196	210	28
211	225+	30

Wages

Maximum 30 Points

Firms are encouraged to pay wages that raise the Per Capita Income of the County as defined by the TN Department of Employment Security

Criteria

Wages	Points
120%	5
130%	10
140%	15
150%	20
160%	25
170%+	30

Investment

Maximum 55 Points

Capital expenditures to be made by Applicant at Project Site

Criteria

Amount		Points
$1,000,000	$3,000,000	2
$3,000,001	$6,000,000	4
$6,000,001	$10,000,000	6
$10,000,001	$15,000,000	8
$15,000,001	$20,000,000	10
$20,000,001	$25,000,000	15
$25,000,001	$30,000,000	20
$30,000,001	$35,000,000	25
$35,000,001	$40,000,000	30
$40,000,001	$45,000,000	35
$45,000,001	$50,000,000	40
$50,000,001	$55,000,000	45
$55,000,001	$60,000,000	50
$60,000,001	$65,000,000+	55

Location

Maximum 10 Points

Firms locating in specific area of interest

Brownfield	5
FTZ	5

Residency

Maximum 75 Points

Firms are encouraged to hire employees who reside within the City

Criteria

Number of Employees		Points
1	15	5
16	30	10
31	45	15
46	60	20
61	75	25
76	90	30
91	105	35
106	120	40
121	135	45
136	150	50
151	165	55
166	180	60
181	195	65
196	210	70
211	225+	75

Abatement

Refer to Notes 1&2

Total Score		Years
21	30	2
31	40	3
41	50	4
51	60	5
61	70	6
71	80	7
81	90	8
91	100	9
101	110	10
111	120	11
121	130	12
131	140	13
141	150+	14

AVAILABLE BONUS POINTS

- 5 Points if project is a corporate headquarters
- 10 Points if building is certified for energy efficiency, such as LEED®.
- 10 Points if project locates in existing facility
- 10 Points if chief executive resides within the City of Oak Ridge

Notes:

[1] Up to 50% abatement of improvement in Anderson County including the City of Oak Ridge in Anderson County

[2] Up to 100% abatement of improvement in Roane County including the City of Oak Ridge in Roane County

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Approved 10/12/10

APPENDIX B	COMMERCIAL/RETAIL EVALUATION MATRIX			
Investment	Retail	Commercial Housing	Commercial Office	Renovated Areas
	>1,000,000 and	>1,000,000	>1,000,000 and	
	33% of complex must be new or expanded retail to Anderson County		New tenants from outside Anderson County	5 additional years
			No new speculative office	
< $5,000,000	33% 10 years	25% 10 years	25% 5 years	
> $5,000,000	50% 10 years	33% 10 years	33% 5 years	
> $15,000,000	50% 15 years	33% 15 years	33% 10 years	

Examples for Illustration Purposes only

ID	Description	New Investment	New Tenants (Number of Employees on Site)	Eligible Tax Reduction Terms Based on New Investment and/or Tenants	Estimated Annual Property Tax Discount to Developer (City & County) Based on 70 Percent of Investment	Estimated Property Tax Discount to Developer Over Reduction Period (City & County)	Estimated City & County Property Tax Collections Over Reduction Period
3	office - speculative	28,000,000		NONE			
4	retail - renovated area	17,000,000		50% 20 years	126,854	2,537,080	2,537,080
6	Commercial housing	12,000,000		33% 10 years	84,427	844,272	1,714,128
7	retail/hotel - renovated area	7,500,000		50% 15 years	55,965	839,475	839,475
8	retail - renovated area	2,000,000		33% 15 years	9,850	147,748	299,972
11	retail/office	2,500,000		33% 10 years	12,312	123,123	249,977
12	retail	2,000,000		33% 10 years	9,850	98,498	199,982
*13	office - renovated	2,000,000	350	25% 10 years	7,462	74,620	223,860

Requests for Infrastructure Improvements and/or other considerations must be approved by City Council on an individual basis
* Renovation will not increase taxable value of building
Calculations will fluctuate with tax rate changes

NOTE: Consideration given for certified energy efficiency construction, such as LEED ®.
Consideration given for construction/renovation on a greyfield property.

APPENDIX C
PILOT INCENTIVE PROGRAM PROCEDURES
for the
INDUSTIRAL DEVELOPMENT BOARD OF THE CITY OF OAK RIDGE (IDB)

1. An Applicant should request the scheduling of a pre-application meeting with the City Staff IDB Representative to discuss the PILOT incentive procedure as it relates to the Applicant's Project. The following representatives should participate in the pre-application meeting:
    a. Potential applicant with supporting staff, if applicable
    b. Applicable IDB Member Representative
    c. IDB Executive Director
    d. City Staff IDB Representative
    e. Chamber and/or Economic Development Organization Representative

2. The Applicant shall submit its Application (which shall be in the form of Appendix D) prior to receiving a building permit with all documentation pertaining to the Application by scheduling an appointment with and submitting it to the City Staff IDB Representative no less than 14 days prior to a scheduled meeting of the IDB. The following information must accompany the Application unless waived by the IDB:
    a. Financial Statements – preferably audited statements, at least statements reviewed by a CPA
    b. Phase 1 Environmental Audit addressed to the Board or equivalent
    c. Application Fee

3. The City Staff IDB Representative will assure that the Application is complete and that appropriate fees have been paid. The Oak Ridge City Manager and staff will review all applications and make a written recommendation (including an approved Matrix) to the IDB based on their analysis of the Application. Prior to issuing a written recommendation to the IDB, the City Manager / staff may consult the following parties:
    a. Applicant or its representative
    b. IDB Executive Director
    c. City Staff IDB Representative
    d. Recruiting organization representative
    e. Others as needed

4. Following the receipt of the City Manager's written recommendation, the IDB will vote on the Applicant's request for an incentive. Should the IDB vote concur with the City Manager's recommendation, the decision is final. Should the IDB vote differ with the City Manager's recommendation, the City Manager may reevaluate his recommendation in light of the IDB vote and resubmit. Should the IDB and City staff not reach agreement, the matter is referred to the Oak Ridge City Council for final resolution.

5. Based upon the Application, the IDB will determine whether to give preliminary approval for a PILOT incentive. If preliminary approval is given, a memorandum of understanding (MOU), attached as Appendix E, outlining all pertinent terms and conditions of the incentive will be developed by the City Staff IDB Representative. The MOU serves as the foundation upon which a formal Lease Document is built. Upon execution of the MOU, the IDB's counsel will prepare the form of Lease Agreement and negotiate the form of such Lease Agreement with the Applicant's designated representative.

6. Once the Applicant and the IDBs' counsel agree on the proposed form of a Lease Agreement, such Lease Agreement shall be submitted to the IDB for its approval. When the Applicant's matter is to be considered at an IDB meeting, a representative of the Applicant should attend such meeting.

7. Upon IDB 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)
   e. Closing fees certified or cashier's check or other collected funds
   f. Such others as may be referred to in the Lease Agreement

8. Upon closing, appropriate documentation will be filed with the County Register's Office. Originals of all documents will be held by the IDB or its counsel. The IDB counsel will file a copy of the Lease Agreement with the appropriate County Mayor, 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

9. In accordance with these Policies and Procedures, Applicants will be required to file annual compliance reports with the IDB.

10. 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 Applicant is required to submit a copy of each such report to the City Staff IDB Representative for inclusion in the Project file. The copy should be sent to:

    Industrial Development Board of the City of Oak Ridge
    200 S. Tulane Avenue
    P.O. Box 1
    Oak Ridge, TN 37831

Appendix D
Application for PILOT (Payment In Lieu of Taxes) / Grant Assistance
Industrial Development Board
of the
City of Oak Ridge, Tennessee

I. Applicant:

Company Name: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
Federal Employer Identification Number: _____

Company Representative to be contacted:
Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____

Description of Principal Business:
_____
_____
_____
SIC/NAICS (if known): _____ Legal Structure: _____
If a corporation, state of incorporation: _____
If foreign corporation, is it registered to do business in Tennessee?_____ Yes _____ No

Principal Owner (if applicable):

Company Name: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
Federal Employer Identification Number: _____

Company Representative to be contacted:
Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____
Description of Principal Business:
_____
_____
_____
SIC/NAICS (if known): _____ Legal Structure: _____
If a corporation, state of incorporation: _____
If foreign corporation, is it registered to do business in Tennessee?_____ Yes _____ No

II. Name and address of any of the following involved in the project:

Legal Counsel

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____
Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____

Project Engineer(s)

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____

Project Architect(s)

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
E-mail address: _____

General Contractor(s)

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
Email address: _____

Name: _____ Title: _____
Mailing Address: _____
City: _____ State: _____ Zip: _____
Telephone: _____ Fax: _____
Email address: _____

Does applicant or sponsor of the project have an application pending or intend to apply for industrial revenue bond financing for this or a similar project with any other board in the City of Oak Ridge?

_____ Yes _____ No **If yes, please attach a detailed explanation.**

Does applicant or sponsor have present plans to incur indebtedness or other financial obligations, which would materially affect its financial condition other than the financing applied hereby?

_____ Yes _____ No **If yes, please attach a detailed explanation.**

Does applicant or sponsor of the project know of any proposed or pending tender offers, mergers, or acquisitions by or affecting applicant or sponsor of the project or any other materially significant corporate event in any way affecting application or sponsor of the project?

_____ Yes _____ No **If yes, please attach a detailed explanation.**

III. Project Location/Ownership:

Street address: _____

City: _____ County: _____ State: _____

Vicinity Map: *Please attach with general location of site shown.*

Attach a copy of deed (or surveyor's description) detailing property's metes and bounds description or other legal description.

Who owns the property at this time? _____

Does applicant have an option to purchase the property if not already owned by applicant?

_____ Yes _____ No

Are there presently outstanding any options or liens with regard to the property?

_____ Yes _____ No

Give a brief description of the activities to be performed at this location, including a description of products to be produced and/or services to be provided:

_____

_____

_____

_____

_____

Current Zoning:

_____

Is the property zoned appropriately for intended use by this project? _____ Yes _____ No

IV. Tax Information:

Obtain the latest property tax statement from the Anderson or Roane County Assessor's Office (include both real and any existing tangible personal property).

Real Property

Tax parcel ID number (s): _____
Current assessment: _____
Current tax: _____
Will this project result in the subdivision of any current tax parcel? _____ Yes _____ No

Tangible Personal Property

Tax parcel ID number (s): _____
Current assessment: _____
Current tax: _____

Are there any assessments under appeal? _____ Yes _____ No
If yes, please describe:

_____
_____
_____

V. Capital Investment:

Land: Acreage: _____ Cost: $_____
Site Preparation Cost:$_____
Real Property (Building): Square Footage _____ Cost: $_____
Personal Property Cost: $_____

Indicate total capital investment forecast by year:
Year 1: $_____
Year 2: $_____
Year 3: $_____

Briefly describe these investments (types of tangible personal property, type of site development planned for this location and other improvements):

_____
_____
_____
_____
_____
_____
_____

VI. Construction Estimate:

Start Date: Month: _____ Year: _____
Completion Date: Month: _____ Year: _____

Describe any off-site infrastructure proposed for new public investments:

_____
_____
_____

Describe below construction estimates and anticipated infrastructure requirements:
Water:

Sanitary Sewer:

Electric:

Streets:

Storm Sewer:

Other:

Have project utility requirements been reviewed by the appropriate local utility providers?
_____ Yes _____ No

Certified Energy Efficiency construction, such as LEED®:

Will project be Certified Energy Efficiency construction? _____Yes _____No

If yes, Certification information shall be provided with your application.

All properties subject to this PILOT application will meet the Federal and State of Tennessee ADA (American with Disabilities Act) regulations at the time of construction. _____Yes

VII. Wages/Jobs/ Residency:

Attach number of jobs listing by year, as formatted below, and the average per capita wages by major employment type category (Officials and Administrators, Professionals, Technicians, Protective Service Workers, Paraprofessionals, Administrative Support, Skilled Craft Workers, Service-Maintenance, Others).

Year #1	Year #2	Year #3
Jobs # /Category/Salary	Jobs # /Category/Salary	Jobs# / Category/ Salary

Additionally indicate number of employees living within the City of Oak Ridge by job category per years 1-3 including salary as formatted above.

Wages, jobs and residency requirements shall be achieved as set out in the PILOT agreement between the applicant and the Industrial Development Board. An annual report of achievement is required by December 31 each year for the term of the PILOT agreement.

VIII. Environmental Impacts:

Attach a Phase I Environmental Audit or equivalent addressed to the Industrial Development Board. Discuss any environmental impacts created by the project.

IX. Type of Assistance Requested

PILOT (fully describe PILOT requested): _____

_____

_____

_____

_____

Grant (fully describe grant requested): _____

_____

_____

_____

_____

Justification for PILOT/Grant request: (substantiate and fully describe the justification for this request): _____

_____

_____

_____

_____

X. Financial Information:

Attach copies of the most recent, preferably audited financial statements. If publicly held corporation, attach a certified statement of the corporation's net worth with corresponding disclosure notes as provided in the applicant's latest approved/audited financial statement.

XI. Certifications:

This application is made in order to induce the City of Oak Ridge, Tennessee and the Industrial Development Board of the City of Oak Ridge to grant financial incentives to applicant and sponsor. Applicant and sponsor represent and warrant that the statements contained herein or attached hereto are true and correct to the best of their knowledge and include all information materially significant to the board and its consideration of this application.

Applicant and sponsor have read and agree to comply with all requirements of the application procedures and policies of the City of Oak Ridge, Tennessee and the Industrial Development Board of the City of Oak Ridge. Applicant specifically agrees to pay all reasonable costs, fees and expenses incurred by the Board in connection with this application, whether or not the financial incentives are granted or this project built.

_____ _____

Applicant **Date**

_____ _____

Owner **Date**

Appendix E
IDB of the City of Oak Ridge
PILOT Incentive Program
MEMORANDUM OF UNDERSTANDING
(template)

THIS MEMORANDUM OF UNDERSTANDING, entered into on this the __ day of _____ _____, _____, will confirm the understanding and agreement between (company name) and the INDUSTRIAL DEVELOPMENT BOARD of the City of Oak Ridge, Tennessee (IDB) with respect to the proposed acquisition and transfer of certain real and/or personal property (the "Property"). The Property (sometimes referred to herein or in other PILOT Documents as the "Property" or the "Equipment") is to be located within the City of Oak Ridge, Tennessee, (county name) County.

WITNESSETH:

This Memorandum of Understanding is intended to set forth the mutual understandings between (company name) and the IDB in regards to (i) the acquisition of the Property by the IDB for and on behalf of (company name) and (ii) the leasing of the Property pursuant to that certain PILOT Lease (the "Lease") by and between the IDB and (company name).

1. VALUE TO CITY OF OAK RIDGE.

(company name) proposes to construct and/or operate a (project description) facility in the city limits of Oak Ridge. The Real Property on which the facility is situated, and the building and related improvements are owned by (company name). The cost of the Real Property, Land, Building and Related Improvements to (company name) is $(amount of total investment).

The parties recognize that the location of the Project being defined as (project name) the buildings and related items, and the investment of such funds in City of Oak Ridge by (company name) will create economic benefits for the City of Oak Ridge. Further, the IDB has made a determination that the investment made by (company name), the opening of the facility, the opportunities brought about and to be derived by such investment in the Project, and the payments to be received in lieu of taxes as described herein, are in furtherance of the public purposes of the IDB.

2. PAYMENT IN LIEU OF TAXES.

Approximately one year from the date of the approval of the (company name) incentive application (date of application approval date by the IDB or City Council), the IDB will enter into a Payment in Lieu of Tax Agreement ("PILOT Lease") with (company name). The PILOT Lease will be subject to the following terms and conditions:

A. The PILOT Lease shall be for a term of (lease terms per matrix or City Council approval (reference resolution #) with payment from (company name) to the IDB, upon signing the lease agreement, in the amount of $ (PILOT fee determined by City staff).

B. The amount of taxes abated under the terms of the Lease shall be set according to the following schedule:
Estimated Real Property Tax savings over term of Lease **(city) $**
(fees determined by City staff) **(county) $**
Estimated Personal Property Tax savings over term of Lease – not applicable

C. Yearly Performance Standards shall be required of (company name) in accordance with item 3 below (Real Property Investment), as allowed by this MOU and (matrix or Oak Ridge City Council Resolution #), which provides for a % tax abatement over a term of # years.

1. Jobs Creation – (from application)
   a. Year 1
   b. Year 2
   c. Year 3
   d. Year 4
   e. Year 5
   f. Additional as applicable
2. Wages Percentage – (from application)
   a. Year 1
   b. Year 2
   c. Year 3
   d. Year 4
   e. Year 5
   f. Additional as applicable
3. Real Property Investment – $(from application)
   a. Year 1
   b. Year 2
   c. Year 3
   d. Year 4
   e. Year 5
   f. Additional as applicable
4. Personal Property Investment – (from application)
   a. Year 1
   b. Year 2
   c. Year 3
   d. Year 4
   e. Year 5
   f. Additional as applicable
5. Location: Brownfield Y____ N____FTZ Y____ N ____ – (from application)
6. Oak Ridge Residency – (from application)
   a. Year 1
   b. Year 2
   c. Year 3
   d. Year 4
   e. Year 5
   f. Additional as applicable

D. Annual progress/status reports shall be filed by (company name) during the term of the Lease no later than January 31st each year and shall contain:
1. Jobs Created per Evaluation Matrix and Actual jobs created
2. Wage Plan per Evaluation Matrix and Actual Wage performance
3. Capital Expenditure in real property per Matrix and Actual Expenditure
4. Capital Expenditure in personal property per Matrix and Actual Expenditure
5. Confirmation of FTZ or Brownfield project site as applicable
6. Oak Ridge residency per Matrix and actual Oak Ridge residency

E. Recovery Provisions:

If any such report as is required by Item D set out above, or other information obtained by the IDB, reveals that (company name) has not complied with the Lease Agreement with respect to its capital expenditure commitments, the IDB 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 (company name) fails in any year to meet the capital expenditure estimates provided in this MOU, (company name) should expect that (company name) PILOT incentive would be proportionately reduced in that year in addition to any other remedies that may be available under the Lease Agreement.

3. FORM OF AGREEMENTS.

The PILOT Lease and any other agreements referred to herein or pertaining to the Project, shall be in a form satisfactory to the IDB and (company name).

4. FEDERAL INCOME TAX.

It is understood by the parties hereto that (company name) will remain the owners of the Real Property, the Personal Property, and the Project for Federal Income Tax purposes.

5. AUTHORIZATIONS AND APPROVALS; ACQUISITION OF PROPERTY.

(company name) agrees to use all reasonable efforts, including, without limitation:

— obtaining all approvals and consents of legislative or other appropriate bodies of City of Oak Ridge;

— obtaining all approvals and consents of applicable departments and agencies of City of Oak Ridge ;

— obtaining all approvals and consents of the utility companies, authorities and districts referred to herein;

— the execution, delivery and filing of such further applications, agreements, instruments or other documents as are required by applicable law or necessary to acquire any and all property which will be included in the PILOT Lease and cause the agreements set forth herein to become binding obligations of (company name) .

6. COSTS, EXPENSES AND ATTORNEYS FEES.

(company name) shall be responsible for the payment of all costs and expenses incurred by the IDB, including reasonable attorneys fees, in connection with the preparation of documents for the Project.

7. ASSIGNMENT.

(company name), as applicable, shall have the right to assign any or all of its rights under this Memorandum of Understanding to any of its affiliates.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Understanding to be executed by their duly authorized officers or representatives on and as of the date indicated herein.

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF OAK RIDGE:

By:_____
(name)

Title: Chairman

COMPANY NAME

By:_____

Title:_____