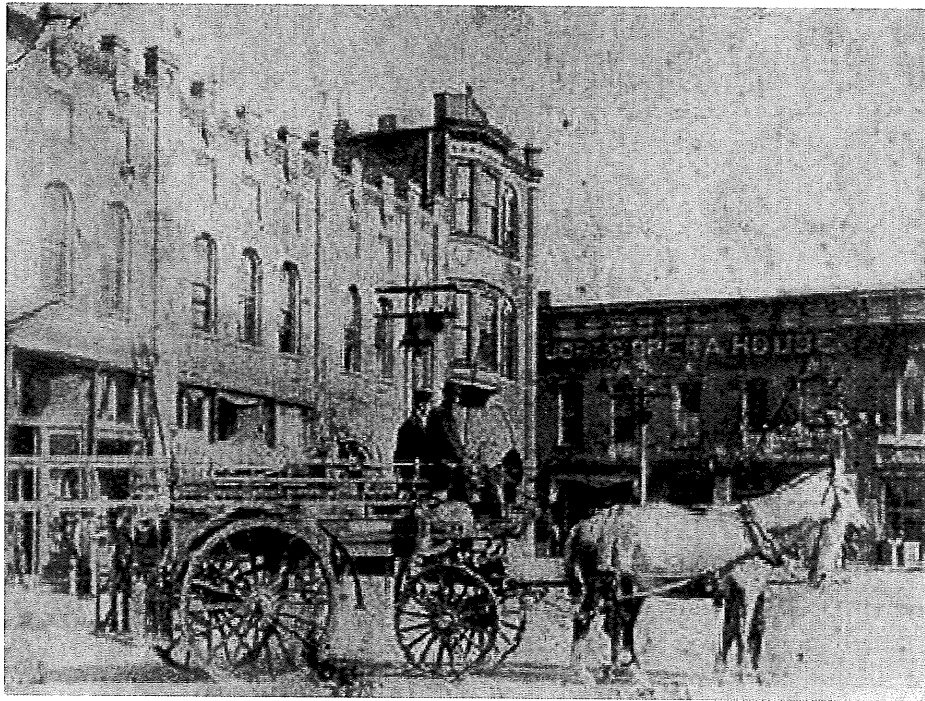


**REDEVELOPMENT AND URBAN RENEWAL PLAN  
FOR THE DOWNTOWN AND OTHER IDENTIFIED  
REDEVELOPMENT DISTRICTS  
OF  
JOHNSON CITY, TENNESSEE**



**JOHNSON CITY DEVELOPMENT AUTHORITY  
August 2011**

THE CITY OF JOHNSON CITY, TENNESSEE

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## INTRODUCTION

The City of Johnson City, Tennessee (the “City”) and Washington County (the “County”) is a center for economic and commercial activity in northeast Tennessee. Based on cost of living, job outlook, climate, crime, transportation, education, arts, health care, and recreation, Places Rated Almanac Millennium Edition 2000 rated Johnson City 73 out of 354 Metropolitan Areas. Being the largest city in the Tri-Cities region, Johnson City is filled with major institutions such as East Tennessee State University, Johnson City Medical Center Hospital, and James H. Quillen Veteran’s Administration Hospital. In 1986, Johnson City trailed both Kingsport and Bristol, TN in total annual retail sales revenues. By 1997, Johnson City’s retail sales revenues increased 56% from \$443 million to more than \$1 billion, thus, establishing Johnson City’s retail dominance in the Tri-Cities. This retail dominance prevails primarily in the commercial districts outside of the historic commercial district. While many other cities are moving forward by strengthening their historic commercial districts, the City and County must find additional ways of expanding their economic base, creating new employment opportunities, and overcoming past and current difficulties in generating commercial and residential activity in the Downtown core. A strong Downtown is essential if the City and County are to continue to retain and expand consumer dollars and to generate additional tax revenues to sustain an expanding local economy.

The Johnson City Development Authority has responsibility for redevelopment and urban renewal for part or parts of the community within the corporate boundaries of the City. The reasons that redevelopment and urban renewal should be undertaken are:

1. Improvements in property value
2. Commercial areas are the heart of the community
3. The community needs to protect and preserve past public and private investments
4. The image presented by an area or areas reflects the community itself
5. Create economic growth
6. Improve quality of life
7. Enhance the tax base of the city and county
8. Prevent and/or eliminate slum , blight or dilapidation
9. Facilitate private investment

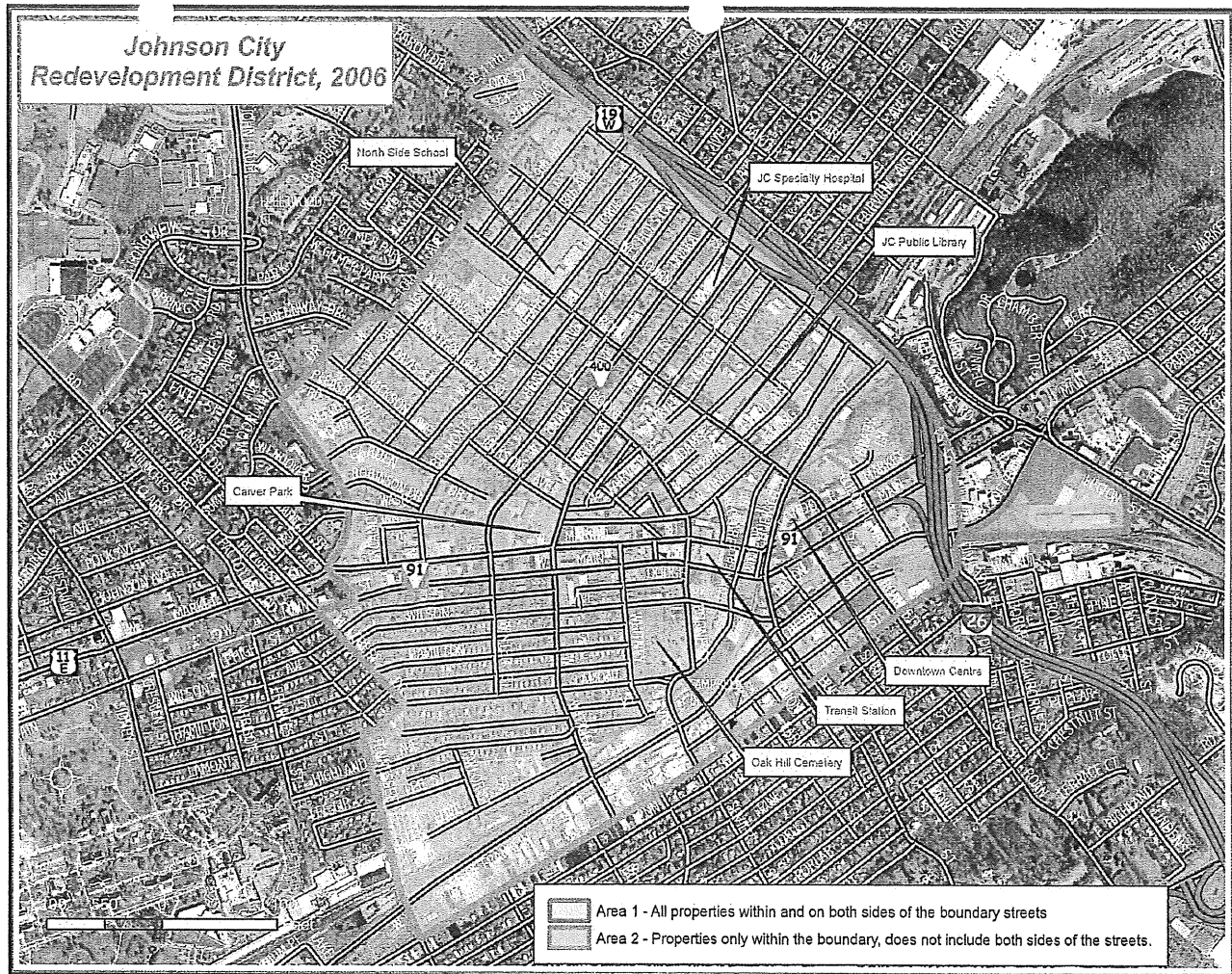
By establishing Identified Redevelopment Districts the JCDA, in consultation with residents, businesses, and institutions in the area, endeavors to formally increase opportunities for the revitalization and redevelopment of the identified areas. This Redevelopment Plan serves as a guide for any Redevelopment District that may be identified. It provides for the redevelopment of any Redevelopment District that may be identified in compliance with Title 13, Chapter 20, Tennessee Code Annotated and other applicable Tennessee law and should be so construed.

Tennessee Code Annotated (T.C.A.) Title 13, Chapter 20, as amended (the “Act”) authorizes municipalities (therein identified) to establish and utilize housing and redevelopment authorities to undertake redevelopment projects for the elimination of blight and dilapidated or deteriorating structures within their corporate limits, and the assemblage of property into larger tracts in order to permit better and more intensive utilization of land. T.C.A. Section 13-20-202(c) authorizes that a development authority established by private act and located in a county with a population no more or less than 107,200, according to the 2000 federal census, is considered a housing authority vested in them the redevelopment powers to develop and implement within the meaning of the Act efforts to revitalize and restore deteriorating segments of the City’s commercial core. Based on 2000 federal census figures for Washington County and Chapter 52 of the Private Acts of 1985 and Chapter 96 of the Private Acts of 1989, the Johnson City Development Authority (the “JCDA”) is granted statutory powers to develop and implement a comprehensive redevelopment plan.

The purpose of this Redevelopment Plan (the “Plan”) is to set forth information, which complies with the requirements of the Act and provides for the redevelopment of the commercial core depicted more fully on the project map and other identified redevelopment areas. The Plan is a continuation and product of earlier Downtown development plans, with the addition of a financing tool to allow the JCDA to put such action plans in place. Areas targeted by this Plan is are the Downtown Johnson City Redevelopment District (the “Redevelopment District”) and any other identified district in the Johnson City corporate boundaries that meet criteria for redevelopment as stated in Title 13, Chapter 20 of the Tennessee Code Annotated. This Plan for the Redevelopment Districts, as set forth herein, establishes the boundaries and identity for the Redevelopment District, the objectives of the Plan, provides for an orderly and fair process of accomplishing the Plan’s objectives, and establishes methods for financing and public participation to accomplish the Plan’s goals and objectives. This Plan also represents an attempt by the City, the County, and the JCDA to formally foster public/private partnerships which will create additional opportunities for the revitalization and redevelopment of the City and will result ultimately in more successful economic activity for the city and county.

## REDEVELOPMENT DISTRICT AREA AND EXISTING CONDITIONS

The Downtown Redevelopment District is generally bounded by U.S. Interstate 26, East 11<sup>th</sup> Avenue, t Moreland Drive, , West Market Street, Delaware Street, West Main Street, Hillcrest Drive, Lamont Street, University Parkway, West Walnut Street, E. Walnut St, and Division Street. The Redevelopment District applies to properties on both sides of the bounded streets. The proposed Downtown Redevelopment District is shown on the Project map below..



Many of the structures in the Downtown Redevelopment District are obsolete and physically deteriorated. Generally, the Redevelopment District shall be consistent with the boundaries of the Downtown Target

Area as found in the Census Tract outlined in “II. Downtown Area Federal Tract: 601, Contains 59.0 Low & Moderate Income Families” area. This area was selected based upon their conditions containing blight as determined by field inspection by city staff and detailed in a report entitled “Slum and Blight Conditions Central Business District” written by the City of Johnson City’s Office of Community and Economic Development. As indicated in the report, the overall state of repair of these buildings creates a condition that could be dangerous to the persons and property within the Downtown Redevelopment District and projects a negative image for the City.

The Downtown Redevelopment District contains approximately 116 city blocks and 572 business tenants. There are approximately 1,671 identifiable “properties” characterized by single ownership or single structures, which occupy one or more parcels within the Redevelopment District, having a total 2004 assessment value of \$51,840,508 or an average assessment value of \$31,005. To further demonstrate the current need to support the Redevelopment Plan, after decreasing the total assessment value by the 77 properties with an assessment value of \$100,000 or more (total value of \$18,904,800 for an average assessment value of \$245,516), the remaining 1,594 properties have a total assessment of \$32,935,708 representing only a \$20,675 average assessment value. Approximately 95% of the properties in the Redevelopment District have an assessment value below \$100,000. Of the 1,671 properties, 573 (34%) are commercial, 955 (57%) are residential and 143 (8.5%) are government or non-profit and tax exempt. Therefore, the Redevelopment District is characterized, in many cases, by under utilization and deleterious land uses. Such blighting influences affect historically significant buildings and recent or current restoration and preservation activities within the Redevelopment District. Proper development of the area in accordance with the objectives of the Plan is prevented due, in many cases, to inadequate lot sizes, layouts, diverse ownership and inadequate improvements. These and other factors limit the Project’s area ability to reach its full economic potential.

The Downtown Redevelopment District is also characterized by obsolescence, physical deterioration, and in some cases, dilapidation. A portion of the area is vacant and has physically deteriorated to the extent that major repairs are required in many cases and are possibly impractical in others. Vacant buildings, empty lots, and an overall state of disrepair generally create a condition which may be dangerous to persons and property in the area and projects a negative image to all who pass by or patronize the Downtown area, including those who are considering relocation of their businesses or homes within Johnson City. Since many maintenance, design and construction deficiencies currently exist in structures located within the Redevelopment District, many of the buildings are not able to serve the commercial, residential and retail segments of today’s economy. As a result, area consumers patronize shopping malls, “strip” shopping centers, eating and lodging establishments, and office buildings away from the unique and local businesses and residences of the commercial core. Faced with this trend, some tenants

of the Downtown area have not renewed their leases and prospective and former tenants have elected to relocate their operations outside of the commercial core. These factors all contribute to a further deterioration of the Downtown area and the City's and the County's tax base.

Based on the foregoing facts and circumstances and the condition of the Redevelopment District as a whole, the Board of Commissioners of the JCDA, finds that the Downtown Redevelopment District is blighted, dilapidated and deteriorating as defined by Tennessee Code Annotated 13-20-201 and should be redeveloped, rehabilitated and renovated in order to correct these conditions. The JCDA recommends that the Board of Commissioners of the City of Johnson City ("City Commission") and the Board of Commissioners of Washington County ("County Commission") adopt this finding and pledge their support of redevelopment activities within the Redevelopment District and offer their assistance in a public/private partnership as provided by the Plan.

**OTHER IDENTIFIED REDEVELOPMENT AREAS**

The Johnson City Development Authority may designate other Redevelopment Districts within the City's boundaries in accordance with Title 13, Chapter 20, Tennessee Code Annotated and other applicable Tennessee law and should be so construed. The purpose of the Redevelopment Plan for Downtown and Other Identified Districts of Johnson City complies with the requirements of TCA 13-20-201, et. Seq. that provides for the redevelopment of areas more fully described as Redevelopment District Projects, set forth herein, and will establish an orderly and fair process for implementation of the plan.

**COMMUNITY AND PLAN OBJECTIVES**

**COMMUNITY OBJECTIVES**

The City has undertaken a number of studies to determine the best means to stimulate the local economy and reverse the decline in the central business district. In previous years, the City has adopted several plans or reports for Johnson City including Downtown, including but not limited to:

- (1) Historic Preservation Element of the City of Johnson City's Comprehensive Plan, 2004
- (2) Johnson City Development Authority's Downtown Action Plan, 2002
- (3) Vision Statement of the City of Johnson City, 2002
- (4) Strategic Plan for Johnson City 2006 and Beyond, 2001
- (5) The Johnson City Land Use Plan, 1987
- (6) Slum and Blight Conditions, Central Business District, City of Johnson City, 1995



(7) Vision Statement of the Johnson City Planning Commission

In previous years, the City and the JCDA have received several plans or reports for Johnson City including Downtown, including but not limited to:

- (1) Connecting Johnson City, Dover Kohl & Partners, 2000
- (2) Get Over It, Tessier & Associates, 2002
- (3) Cultural Facilities Master Plan, RACESTUDIO 1997

All of these reports are incorporated herein by reference and are available at the JCDA's office. Upon adoption of this plan, any and all other redevelopment plans, or parts thereof, which may be in conflict with the provisions of this Plan will be repealed.

While not all of these reports, plans or studies were formally adopted as operating plans or strategies of the City, it is certain, however, that the revitalization efforts that have occurred have followed the general plans as established by these studies. In essence, the strategies, concepts and focus of local public and private efforts has been to treat the goals, objectives and recommendations identified in these studies as de facto goals of the community. The objectives of this Plan are to embody and complement these previously identified and "adopted" community goals. A key additional element of this Plan is to provide a vehicle under which progress can be made in achieving these previously identified goals while at the same time preserving the character and vitality of the Downtown area.

**PLAN OBJECTIVES**

The objectives of the Plan are to:

- (1) Eliminate blighted, deteriorating and dilapidating conditions, inappropriate façade treatments, obsolete and substandard buildings and deleterious land uses in a Redevelopment District;
- (2) Promote goals and objectives previously adopted by the City Commission of the City of Johnson City for a Redevelopment District ;
- (3) Promote development opportunities and incentives for private enterprise which create job opportunities and revitalizes commercial, retail, office and residential activities;
- (4) Expand the property tax base and generation of sales tax revenue in order to maximize economic returns for the City of Johnson City and Washington County;
- (5) Provide for better and/or more efficient use of land ;
- (6) Encourage renovation and historic preservation of existing structures in the a Redevelopment District to promote a richer, cultural environment;

- (7) Promote architectural continuity in significant buildings and in new development;
- (8) Improve parking facilities and traffic circulation in a Redevelopment District to enhance accessibility from other areas of the City, County and region as a whole;
- (9) Create and/or enhance viable linkages to the central business district;
- (10) Improve the quality of life for every citizen in the City of Johnson City and Washington County;
- (11) Increase the occupancy rate of buildings in the Redevelopment District;
- (12) To encourage increased foot traffic through special events and activities at downtown facilities promoting further retail growth;
- (13) Encourage enhanced public and educational uses in the downtown area; Maximize the potential for suitable development in areas peripheral to the Redevelopment District Promote the assemblage of property into larger tracts in order to permit better and more intensive utilization of land;

### **ZONING AND LAND USE**

The redevelopment of the Redevelopment District shall comply with the Zoning Ordinance of the City (incorporated by reference herein), including application for necessary variances in the normal course of redevelopment, where other rules, laws, ordinances, codes and regulations of the City, including building codes and other ordinances, apply. Further, the JCDA shall review the Plan and any redevelopment activities within the Redevelopment District with City agencies and officials, as appropriate, to ensure that the Plan and proposed redevelopment activities conform with local objectives relating to appropriate land uses, improved traffic flow, public transportation, public utilities, recreation and community facilities and other public improvements and needs.

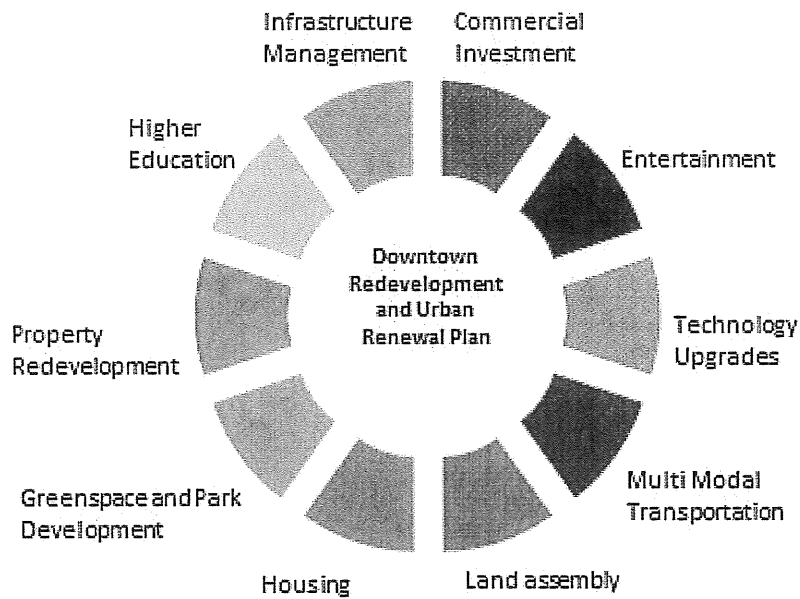
For a more complete description of the requirements and restrictions of the Zoning Ordinances of the City, reference should be made to the Ordinance themselves.

In addition to the appropriate zoning designations, the Redevelopment District includes the area as the local historic district created pursuant to Title 13, Chapter 7, Tennessee Code Annotated. Properties within the Local Historic District are subject to regulation by the City's Historic Zoning Commission. Additionally, certain properties within the Redevelopment District are also included within the National Register Historic District and are therefore governed by rules and regulations regarding modification, demolition and reuse of those properties.

For a more complete description of the requirements and restrictions of the National Register Historic District, reference should be made to the ordinance or rules and regulations of the program itself.

The City and the JCDA will cooperate in the planning and construction of improvements to the streets, roadways, sidewalks, crosswalks, curbs and gutters, parking systems, lighting, landscaping, and traffic signalization and control (the “Streetscape Improvements”) in and around the Redevelopment District.

In order to achieve the fifteen objectives identified above a coordinated effort of many facets must drive the downtown renewal efforts. A number of different factors play into Johnson City’s redevelopment. These include:



These factors all fall into one of four focus areas: infrastructure, public venues, commercial development, and special events.

Infrastructure

Public infrastructure improvements within the urban renewal area attract further private business investment. Potential projects to consider include:

- Assist the city and county in developing a greenway and trail system within the downtown district as hub. Consider planning and designing possible corridors leading to Elizabethton and Jonesborough which would attract bike and other shops and make the city a destination for recreational tourism
- Assist the city and county in improving culverts, crosswalks, traffic flow, and the gateways to the downtown corridor

- Assist the city and county in Technology Infrastructure improvements to include improved fiber connectivity and a potential downtown wifi network

### Public Venues

The public venues considered ultimately attract people to the core downtown area. Unique and popular events draw people who normally would not venture downtown. The annual Blue Plum Festival is a great example. Permanent public venues for special events and other features developed to add to the downtown amenities will clearly yield a positive economic impact downtown. Also, additional governmental and educational services will draw additional users downtown. Potential projects to consider include:

- A permanent outdoor stage or amphitheater to attract on-going musical and storytelling events, and to act as a permanent main stage for the annual Blue Plum Festival
- Green space park development with walking and biking paths throughout the downtown which would result in greatly increased property values and decrease blight.
- A satellite location of Northeast State Technical Community College in downtown Johnson City
- A centrally located Farmer's Market with permanent structures and amenities

### Commercial Development

The spark to many current downtown revitalizations is the renewal of downtown business activity. Enhancing the infrastructure, developing public venues, and creating special events naturally leads to increased business activity. However, downtown's negative externalities should be corrected to fully generate a strong commercial impact. Potential projects include:

- Obtaining unoccupied, dilapidated structures that no longer meet City code to either refurbish or remove in entirety for new development
- Consider selling city owned buildings for one dollar to certified buyers who agree to appropriate investments and covenants in property development.
- Consider higher property tax rates for structures unoccupied for more than 6 months

### Special Events

Johnson City emulates a unique culture found nowhere else. The East Tennessee State University Bluegrass and Old Time Country music program is the world's only four year comprehensive bluegrass music program. The region is replete with tremendous talent in traditional music. Furthermore, Washington County is home to the International Storytelling Center and a well-known Storytelling degree in its own right from East Tennessee State University. This combination of unique culture and tremendous regional culture make downtown Johnson City the perfect location to build special events showcasing this talent. Potential projects to consider include:

- An annual showcase event to highlight the region's rich bluegrass and traditional music tradition as well as Appalachian storytelling traditions, heritage crafts – consider the proceeds to benefit scholarships for the ETSU bluegrass program
- Promote a series of on-going events to showcase the region's musical talent at local venues/public spaces
- Promote the downtown to spinoff business such as recording studios, publishers, radio stations, instrument manufacturers, etc.

:

The above projects can be implemented in a phased approach. Tax Increment Financing will be a critical tool in executing certain projects.

### **REDEVELOPMENT AND MARKET OPPORTUNITIES**

This Plan provides the necessary tools to stimulate and complement preservation, rehabilitation and development efforts of private entrepreneurs within the a Redevelopment District.

As a part of the process of implementing the Plan for the Redevelopment Districts, the JCDA will cooperate where applicable with the City in planning and construction of improvements to streets, roadways, sidewalks, curbs and gutters, parking systems, signage, lighting, new town square, enhanced landscaping, and traffic signalization and control in and around a Redevelopment District. Additionally, the JCDA will assist in land acquisition, relocation and disposition activities and tax increment financing, as described herein, for the Project. The cost of such improvements and activities may be born in whole or part by the City, the JCDA or by the prospective Developer. The JCDA, in its discretion, may require a signed redevelopment agreement from a private developer seeking assistance under this Plan before any redevelopment activities are conducted. In all cases, the JCDA will negotiate the payment terms and conditions for these improvements and activities with prospective developers. The outcome of such negotiations and the level of direct public participation will be determined, among other things, by the type and magnitude of development proposed for a Redevelopment District.

Consistent with the goals and objectives of the Plan, it is desirable that the first focus of activities should occur in the Main Street District portion of the Downtown Redevelopment District. Development, preservation and rehabilitation within these blocks, which are near and include the heart of the National Register of Historic Districts, are key to reversing the declining conditions evident in the central business district. Within easy walking distance of these areas are numerous viable institutions, including: the Downtown Centre; the Hands On! Regional Museum; the Johnson City Public Library; the Johnson City

Transit Center; churches; financial institutions; legal and other offices; restaurants; retail establishments; residential facilities; and several prominent historic sites.

Within the Downtown Redevelopment District there are also tens of thousands of square feet of vacant and underutilized retail, office, and potential residential facilities. Many of these properties are in a state of disrepair and dilapidation.

There are numerous reuse opportunities available, which would complement existing businesses and residents and provide for a unique commercial district, thus recreating Downtown as a unique retail destination of the community. Potential reuse of the structures could include mixed-use or multi-purpose developments containing restaurants, specialty retail, office and residential space. It is the intention of the Plan that the majority of these uses would be in addition to similar activities, facilities and services currently available. Therefore, it is not anticipated that other growth areas of the community would be negatively impacted, but rather enhanced by these efforts.

Downtown redevelopment will draw new visitors and residents and will only complement past and current reinvestment activity and enhance other redevelopment that could occur in the future as a result of the Redevelopment Project. Prospective developers must focus on the strengths of the Downtown area, but will hesitate to invest without public sector investment in infrastructure improvements and other support in the Downtown area.

### **SELECTION OF DEVELOPER AND APPROVAL OF PROJECT DEVELOPMENT PLAN**

Redevelopment of a Redevelopment District may be accomplished by the JCDA, the City, the County, private enterprise, and/or through public/private partnership(s). The Act provides that the JCDA, to the greatest extent it determines feasible, shall provide maximum opportunities, consistent with the goals and objectives of the JCDA as a whole, for the rehabilitation and redevelopment of areas by private enterprise.

### **LAND ACQUISITION, PROPERTY MANAGEMENT, RELOCATION AND LAND DISPOSITION WITHIN THE REDEVELOPMENT DISTRICT**

#### **LAND ACQUISITION**

As noted above, the JCDA will coordinate with the City of Johnson City's Building Department to identify structures deemed to pose a safety or health risk to the public. These structures will be targeted for immediate redevelopment. Per TCA 13-20-212 the JCDA maintains the authority to acquire property via eminent domain if necessary. In addition, the JCDA should consider working with developers in acquiring and rehabilitating dilapidated properties. Any acquisition by the JCDA will be accomplished as expeditiously as possible in order to accommodate the schedule of the Development Agreement. It is anticipated that some demolition, clearance, replatting and relocation of utilities and/or other redevelopment activities may be required in the Redevelopment District, but such activities will be determined solely upon the requirements of the Development Agreement. However, any demolitions must be conducted in compliance with City, County, State, Federal, or other regulations that supersede this Plan. If such activities are required by the Development Agreement, the JCDA will undertake its activities in an orderly, timely fashion consistent with the objectives and schedules of the Development Agreement and Plan.

In the acquisition of all property, the JCDA will follow policies and procedures established in the REDEVELOPMENT DISTRICT LAND ACQUISITION POLICY incorporated herein..

The JCDA recognizes the unique circumstances of existing Redevelopment District occupants, which may be subject to relocation. Every effort will be made to minimize uncertainty and any hardship that could occur as a result of implementation of a project. No action is anticipated at this time which will permanently reduce the number of residential dwelling units having rents within the financial reach of the income groups displaced from such substandard dwellings. However, if any residents are displaced either permanently or temporarily, such residents will receive relocation assistance in accordance with the JCDA's Redevelopment District Relocation Policy.

During the development phase of the Plan, current use and ownership normally will continue until a firm development proposal is received and approved as described herein. Once a determination has been made concerning acquisition of property and a timetable established, the JCDA will acquire property and relocate occupants as quickly as possible. It is anticipated that such expeditious action will minimize property management activities of the JCDA. There may be circumstances, which arise that require interim property management by the JCDA, however. Such a situation could occur if suitable accommodations are not immediately available once property is acquired by the JCDA. Another situation could arise if an owner desires to sell property targeted for acquisition before a development proposal has been received and the JCDA deems such an acquisition to be in the best interest of all parties and consistent with the objectives of the Plan.

When interim property management is required, the JCDA will manage acquired properties as efficiently and safely as possible. Rents for property under interim management will be consistent with this conservative management philosophy, but when appropriate, consistent with local market conditions. Interim management arrangements will be formalized, where appropriate, with short-term leases approved by the JCDA. In order to minimize the need for formal arrangements and to foster goodwill with occupants subject to the JCDA's acquisition and relocation requirements, occupants of acquired properties will receive the balance of the first month under interim property management, but before relocation, rent-free. In most cases, it is anticipated that relocation will occur by the end of the first month under interim property management. If additional time under interim property management is required, a short-term lease will be structured and any rent established shall be due and payable on the first day of each month thereafter. If relocation should occur during a month in which rent has been paid by an occupant, then the JCDA shall prorate such rent for the actual time of occupancy. At the discretion of the JCDA, failure to pay any rent when due may cause the JCDA to offset any future relocation payments due an occupant.

Designated representatives of the JCDA will make frequent inspections of the property interim property management. There are no plans to provide special security or other similar services, however.

#### **BUILDING REHABILITATION AS URBAN RENEWAL**

Structures within the redevelopment district(s) are eligible for interior rehabilitation as well as external modification. Tax increment financing may fund the necessary rehabilitation for these identified structures. Rehabilitation includes interior re-configuration according to specified need, upgrading wiring, enhancing plumbing, roofing repair/replacement, energy efficiency improvements, improved disability access, parking structure enhancements, structural stabilization, security enhancements, improved lighting, upgrading to code, and other improvements for re-use. Rehabilitation projects considered include those focused on education, commercial, industrial, housing, retail, open space development, and other projects within the redevelopment district.

The Downtown Centre, which is in a designated blighted area, is a prominent example of a structure that falls under the designation of Urban Renewal. The building's current use status qualifies it as a prime project for building rehabilitation. Intended use of the building as an educational structure requires specific renewal tools that transform a former courthouse into educational purposes. The successful rehabilitation of the interior of the Downtown Centre and other structures draws the commercial mass allowing enhancement of other businesses within the redevelopment district. These activities take advantage of the federal Urban Renewal statutes which mandate the elimination of blight from innercities.



## **RELOCATION OF OCCUPANTS**

One of the most critical and sensitive phases of project execution occurs when relocation of existing occupants is required for the successful execution of a Development Agreement. Occupants to be relocated will be interviewed, at which time all options will be presented and explained in full. If any part of a Development Agreement or a project should receive federal or state funding, any additional guidelines required by federal or state law will be followed. For the relocation of occupants by the JCDA, the JCDA shall adhere to the procedures and guidelines established in the REDEVELOPMENT DISTRICT RELOCATION POLICY incorporated herein.

## **LAND DISPOSITION**

The JCDA may dispose of land by sale, lease or grant to private enterprise or public agency in accordance with the goals and objectives of this Plan. No conveyance shall occur until the JCDA, upon recommendation of the Executive Director, has reviewed and approved the Development Proposal and such architectural engineering drawings as the JCDA deems necessary to insure compliance with the Plan. Such land may be conveyed to the Developer at its "use value" which represents the value at which the JCDA determines such land should be made available in order that it may be developed for the purposes specified in the Plan. The "use value" may be less than the price paid for the property by the JCDA. Further, the land may be simultaneously acquired and reconveyed to a Developer, using the purchase price paid by the Developer to pay all or a portion of the purchase price to be paid by the JCDA to the owner. If a Developer selected by the JCDA is the owner of a part of the property, the JCDA may acquire the property at its "fair market value" as provided herein and reconvey the property to the Developer at its "use value", as determined by the JCDA, which may be more or less than the acquisition price. The JCDA is authorized to enter into such arrangements with a Developer or Agent (the "Development Agreement") and such Developer's mortgagee as shall be appropriate to provide for the orderly conveyance and reconveyance of the property.

In disposing of land in a Redevelopment District, the JCDA through its Development Agreement, contracts, deeds and other instruments of conveyance shall include such terms and conditions as in the judgment of the JCDA shall be necessary or advisable to insure redevelopment of the Project and its use thereafter in accordance with the intent of the Plan, the requirements of the Act and which prevents reoccurrence of the conditions of blight in a Redevelopment District. Any such instrument of conveyance may contain appropriate language providing for rights of enforcement and other requirements of this Plan, including injunctive relief, and may provide for the reversion of the land to the JCDA if the Developer does not fulfill its obligations as set forth in the instruments of conveyance, such reversionary interests being prior to all legal, equitable or beneficial interests in the property, including interests of any lien holder. Specifically, the Development Agreement, all contracts, deeds and other instruments of

conveyance in addition to the inclusion of such terms and conditions as the JCDA may find desirable in order to support the objectives of this Plan, may obligate the Developer and its successors and interests to perform the obligations as set forth below:

- (1) Develop the property only in accordance with this Plan, the Development Agreement approved by the JCDA and comply in all respects to terms thereof;
- (2) Develop the project substantially in accordance with the architectural and engineering drawings approved by the JCDA;
- (3) Prosecute diligently the development of the project and begin and complete such work within a reasonable time as shall be determined by the JCDA;
- (4) Make no substantial changes, additions or alterations in the Development Agreement or architectural and engineering drawings without prior approval of the JCDA;
- (5) To not assign contractual rights, or resell, or otherwise transfer any land and any interests therein, prior to completion of the improvements therein, without the prior approval of the JCDA. (This revision does not apply to the granting of a lien to the mortgagee(s) or Trustee(s) under a mortgage or deed of trust or other similar security interests for the purpose of securing financing for the project.); and
- (6) Effect or execute no agreement, lease, conveyance or other instrument whereby any parcel(s) so acquired under this Plan or extracted under and upon the basis of race, religion, color or national origin. This obligation applies to the sale, lease, and/or occupancy thereof, as to be effective without limitation as to time.

Upon proper completion of all commitments of the Developer as evidenced by the Development Agreement, the JCDA shall provide a certificate to the Developer, which conclusively represents a determination that the covenants respecting the completion of improvements have been satisfied and their existence is terminated. The requirements of this Plan together with all restrictions and covenants imposed upon any Redevelopment District land shall be enforceable by injunction or by other legal means beginning with the adoption of the Plan and until all Plan requirements, restrictions and covenants have been fulfilled.

The JCDA, shall be the beneficiary of all redevelopment covenants or obligations, and, shall be entitled to enforce these and other covenants and obligations as to the redevelopment, rehabilitation and preservation and continued use of a Redevelopment District in conformance with this Plan. It is further intended that the JCDA shall be authorized to retain such rights and remedies as it shall find necessary and desirable in order to protect its interest and that of the City and County, including the right and power to retake or recapture by reversion of title of property conveyed in the project area or any part thereof.

For all land disposition activities, the JCDA shall adhere to the procedures and guidelines established in the REDEVELOPMENT DISTRICT LAND DISPOSITION POLICY incorporated herein.

## FINANCING

### **SOURCES OF REVENUE TO FINANCE PROJECTS**

The primary sources of revenue to pay for Redevelopment Projects instituted pursuant to this Plan will be private investment, TIF Indebtedness (to be issued by the JCDA in the form of bonds, notes, or other indebtedness), and other available local, state and federal funding.

### **PUBLIC FUNDING SOURCES**

The primary source of funding for the public portions of the project will be TIF Indebtedness. Additional funding may come from the City and County through such sources as interim property management leases or rents; land disposition proceeds, including the sale of salvaged property; revenues from enterprise activities within a Redevelopment District such as surface parking lots or a multi-level parking garage; revenues resulting from the adoption of applicable provisions of Title 7, Chapter 84, Tennessee Code Annotated, as supplemented and amended (Central Business Improvement Districts); increases in other tax sources, both within and outside the Redevelopment District generated by increased economic activity in the City and County.

In funding Project activities, the City and/or County may also choose to appropriate funds from existing capital resources or operating funds. Additionally, the City, County or the JCDA may individually or jointly and severally borrow funds through the issuance of bonds. In such cases, bonds or notes may be secured and payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the City and/or County. Bonds or notes may also be payable and secured from sales tax revenues of the City and/or County and other similar revenue streams as may be permitted by law, which may or may not be formally pledged as security for payment of any bonds or notes so issued.

As stated herein, it is expected that real property tax revenues will increase as a direct and indirect result of improvements and developments within a Redevelopment District. If the JCDA should issue its notes or bonds either singularly or jointly with the City and/or the County, such notes or bonds may be payable from tax increment revenues, as described in Title 13, Chapter 20, Part 2, Section 5, Tennessee Code Annotated, if the JCDA approves such funding method.

The JCDA also plans to diligently pursue the possibility of securing grants, gifts or other revenues from public or private sources not indicated herein.

The JCDA shall be accountable for the proper receipt and expenditure of all funds received from the City, County or other sources, and for the securing of a periodic independent audit of all project activities executed by the JCDA pursuant to this Plan. Additionally, the JCDA shall keep the City informed of all activities within the area with the respect to the implementation of the Plan through periodic reports presented on a regular basis or as requested by the City.

#### **TAX INCREMENT FINANCING**

Tax increment financing (“TIF”) is a redevelopment tool codified at Tennessee Code Annotated §§13-20-204 and 205. The purpose of TIF is to provide an economic stimulus for blighted property in need of redevelopment. Upon adoption of this Plan, TIF may be utilized to finance eligible redevelopment costs for approved Redevelopment Projects within an Identified Redevelopment District subject to the limitations herein. All property within a Redevelopment District is referred to as “TIF Property”.

Notwithstanding anything in this Plan to the contrary, the JCDA, in order to make the use of TIF more expeditious and economically feasible, shall select and approve individual Redevelopment Projects in a Redevelopment District without further approval of the City or County Commissions. However, at no time shall the total outstanding unpaid balance of all TIF Indebtedness for the Redevelopment District be in excess of \$11,000,000.00 without further approval of the City and County Commissions as applicable. The evaluation and approval of Redevelopment Projects by the JCDA shall be made in accordance with the procedures for redevelopment proposals as previously outlined in this Plan.

#### **AMOUNT AND FINAL MATURITY OF BONDED OR OTHER INDEBTEDNESS TO BE INCURRED**

The final maturity date on any TIF Indebtedness issued pursuant to this Plan shall be no more than twenty years from the date of the JCDA’s issuance of the TIF Indebtedness.

#### **IMPACT OF TAX INCREMENT FINANCING PROVISIONS UPON TAXING AGENCIES**

The total current appraised value of property within the Redevelopment District is approximately \$151,537,500 which resulted in approximately \$1,969,939 of real property taxes being levied in 2004. The total appraised value of the City of Johnson City’s property tax base for the 2004 tax year is approximately \$1,220,694,208 which resulted in approximately \$22,523,000 of real property taxes being levied. The total appraised value of Washington County’s property tax base for the 2003 tax year is approximately \$1,966,623,536 which resulted in approximately \$31,920,798 of real property taxes being

levied. The total amount of real property taxes being levied by both the City and the County amounts to \$51,313,148, 3.8% of which is generated in the Downtown Redevelopment District. The current property taxes being levied in the Redevelopment District represents approximately 2.7% of the Washington County real property taxes collected and 4.4% of the City of Johnson City's real property taxes collected. Additionally, of the 210,794 total land acreage in Washington County, the Downtown Redevelopment District represents only 0.27%, or less than 1% of the land. Of the 25,859 total land acreage in Johnson City, the Downtown Redevelopment District represents only 2% of the land. Based on these small percentages, the City of Johnson City, and Washington County (the two taxing agencies affected by the Redevelopment Plan) will be minimally impacted by this tax increment financing provision. The total value of properties in the district grew from \$164,086,900 in the base year to \$221,153,100 in 2011. An additional \$23 million in new development will be added to the tax roles in 2011 with the construction of the University Edge apartment complex. Excluding University Edge, the district realized a 34% increase in property values from 2006 to 2011 (that timeframe also included a tax re-appraisal). Additionally, throughout the term of the Redevelopment District, sales tax and other direct revenues other than property tax increment resulting from increased activity within the District, will be fully realized by the City and the County.

#### **DIVISION OF PROPERTY TAXES**

Upon approval of this Plan, the taxes levied and collected on any TIF Property shall be collected by the appropriate taxing authorities in the same manner as provided by law, except that said taxes shall be divided as follows:

1. The portion of the taxes which would be produced by the rate at which the tax is levied each year by each taxing agency, upon the assessed value of the TIF Property as shown upon the assessment roll of the appropriate assessor, as of the date of the most recently determined valuation prior to the date of approval of this Plan by the City pursuant to T.C.A. §13-20-203 (the assessed value prior to the approval of this Plan being called the "Base Assessment") shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes levied by such taxing agencies as all other property taxes are paid; provided, that in any year in which the actual assessment of the TIF Property is less than the Base Assessment, there shall be allocated and paid to those respective taxing agencies only those taxes actually produced by the application of the current tax rates against such actual assessment;
2. All the taxes levied in each year in excess of the Base Assessment for all TIF Property shall be allocated to and, when collected, shall be paid into a special fund of the JCDA beginning with the tax year in which the City and/or County approves this Plan. The taxes paid shall be used by the JCDA to pay the principal of and interest on any indebtedness incurred or to be incurred by the

JCDA to finance or refinance, in whole or in part, eligible Redevelopment Expenses for the Downtown Redevelopment District including property acquisition, public improvements, , and such other expenses as may be allowed by law.

3. Upon retirement of all TIF Indebtedness incurred by the JCDA and payable from such special fund, or at such time as monies on deposit in such special fund are sufficient for such purpose, all taxes levied each year in excess of the Base Assessment of TIF Property shall, when collected, be paid to the respective taxing agency as taxes levied by such taxing agencies on all other property are paid, and the JCDA shall give notice to all affected taxing agencies of such retirement.
4. Notwithstanding anything to the contrary in this Plan, taxes levied upon property subject to tax increment financing provisions by any taxing agency for the payment of principal of and interest on all bonds, loans or other indebtedness of such taxing agency, and taxes levied by or for the benefit of the State of Tennessee, shall not be subject to allocation as provided in Paragraph 2 immediately above but shall be levied against the property and, when collected, paid to such taxing agency as taxes levied by such taxing agency on all other property are paid and collected.

#### **PROPERTY TAX ASSESSMENTS AND COLLECTION**

(A) The appropriate assessor shall, in each year during the period in which taxes are to be allocated to the JCDA pursuant to this Plan, compute and certify the net amount, if any, by which the current assessed value of all TIF Property located within the redevelopment project which is subject to taxation by the particular taxing agency exceeds the Base Assessment. The net amount of any such increase is referred to in this subdivision as the incremental value for that particular year.

(B) In any year in which there exists a tax increment to be allocated to the JCDA, the appropriate assessor shall exclude it from the assessed value upon which the appropriate assessor computes the tax rates for taxes levied that year by the taxing agency. However, the assessor shall extend the aggregate tax rate of such taxes against the Base Assessment and the incremental value and shall apply the taxes collected therefrom as provided herein.

#### **CONDITIONS OF TAX INCREMENT FINANCING**

The JCDA may enter into a Redevelopment Agreement with each Developer of TIF Property which shall contain such terms as the JCDA believes necessary to ensure the efficient and orderly completion of the Project. .

#### **PLAN AMENDMENTS**

The JCDA, the City and the County recognize that in the course of executing an approved Plan within a Redevelopment District, changes in the Plan may be warranted. Many changes will be of such a nature that City and County review and approval will be unnecessary. Some changes, however, may affect the basis upon which the Board of Commissioners of the JCDA and the Board of Commissioners of the City and the County originally approved the Plan. Such changes must be reviewed and approved by the JCDA, the City and the County prior to implementation. Accordingly, the Board of Commissioners of the JCDA and the Board of Commissioners of the City and the County will review and may approve the Plan changes when such proposed changes affect:

- (1) Boundary Changes.

A proposed change in the boundaries to a Redevelopment District.

- (2) Changes in basic Redevelopment objectives.

It is the intent of the JCDA to have flexibility in implementing the Plan without seeking prior approval of the Board of Commissioners of the City and the County in cases where basic redevelopment project objectives are unaffected. However, a proposed addition or deletion of a basic Project objective or any proposed change that would substantially affect the degree to which a basic objective would be achieved must be reviewed and approved by the Board of Commissioners of the JCDA and the Board of Commissioners of the City and the County; or

- (3) Other such cases as may be required by the Act.

### **PLAN INTERPRETATION**

This Plan is being proposed pursuant to T.C.A. § 13-20-201, et seq. and all relevant provisions are hereby incorporated herein by reference. All provisions of this Plan shall be construed in a manner consistent with said Code sections.