

RESOLUTION NO. 30938

A RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE STEAM LOGISTICS PROJECT, TO DELEGATE CERTAIN AUTHORITY TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, AND TO AUTHORIZE THE MAYOR TO ENTER INTO AND EXECUTE AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

WHEREAS, pursuant to Tennessee Code Annotated, Section 7-53-305(b) the City of Chattanooga (the “City”) is permitted to delegate to The Industrial Development Board of the City of Chattanooga (the “Corporation”) the authority to negotiate and accept payments in lieu of ad valorem taxes from lessees of the Corporation upon a finding by the City that such payments are deemed to be in furtherance of the Corporation’s public purposes; and,

WHEREAS, Steam Logistics, LLC and 329 Market, LLC (together, the “Companies”) are contemplating the acquisition, improvement and equipping of a facility for the operations of Steam Logistics, LLC in the City of Chattanooga and Hamilton County, and, because of the substantial economic benefits to the City and Hamilton County resulting from the project, have asked the Corporation and the City Council to approve payments in lieu of ad valorem taxes; and

WHEREAS, the Council has determined that payments in lieu of ad valorem taxes from such a project would be in furtherance of the Corporation’s public purposes as set forth within Chapter 53 of Title 7 of the Tennessee Code Annotated;

NOW, THEREFORE, BE IT RESOLVED BY THIS COUNCIL:

That we do hereby find that the Steam Logistics project referenced above is in the best interest of the City, and that payments in lieu of ad valorem taxes derived therefrom would be in furtherance of the Corporation’s public purposes; and,

That, having made such a finding in this instance, we do hereby delegate to the Corporation the authority to negotiate and accept payments in lieu of ad valorem taxes from the Companies, it being further noted that this delegation is for this purpose and this project only; and,

That the Mayor is hereby authorized to enter into an Agreement for Payments In Lieu of Ad Valorem Taxes with Steam Logistics, LLC and 329 Market, LLC and/or another subsidiary or affiliate entity of either of the foregoing, in the form attached hereto, with such changes thereto as he shall approve; and,

BE IT FURTHER RESOLVED THAT THIS RESOLUTION TAKE EFFECT FROM AND AFTER ITS PASSAGE, THE PUBLIC WELFARE REQUIRING IT.

ADOPTED: November 16, 2021



PILOT Incentive Project Summary

Company/Applicant:	Steam Logistics
Capital Investment:	\$ 11,200,000
Jobs:	400
Annual Average Wage:	\$ 56,000
PILOT Length: (Years)	9
Total Tax Due: (City & County)	\$ 1,679,883
Total Tax & Other Incentives:	\$ 777,400
Total Local Benefit:	\$ 13,726,088
Benefit/Cost Ratio:	17.66

Economic Development Payments:

Fees Paid to City	\$ 126,348
Feeds Paid to County	\$ 125,637
Total Fees Paid by Company:	\$ 251,985

Payments in Lieu of Tax:

Payments Made to City During PILOT	\$ 339,067
Payments Made to County During PILOT	\$ 184,711
Payments Made in Lieu of School Taxes	\$ 378,705
Total Taxes Paid During PILOT Period	\$ 902,483

Total Fees and Taxes Paid by Project	\$ 1,154,468
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Incentives:

City & County Contributions	\$ -
City Taxes Abated	\$ 503,252
County Taxes Abated	\$ 274,148
Total Incentive to Company	\$ 777,400

Net Incentive to Company (Incentives Less Fees Paid)	\$ 525,415
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Total Economic Impact From Construction and Operations During the PILOT Period:

Total Direct & Jobs Supported (Ongoing Operations)	\$ 812
Total Wages Paid to Jobs Supported (Construction & Ongoing Operations)	\$ 54,150,858
Local Tax Generated from Wages	\$ 1,512,268
Total Economic Impact	\$ 114,279,399

In this analysis, economic impact is measured in terms of jobs supported, wages paid and local tax generated as well as the total dollars flowing through the local economy as a result of the capital investment on ongoing operations of the company during the PILOT period. Calculations are in constant 2021 dollars and no changes in interest, tax or inflation rates are assumed.

City of Chattanooga, Hamilton County, TN
Steam Logistics
Economic Impact and Benefit/Cost Analysis

Annual Impact of Operations		
Employment, Direct		400
Wages & Benefits, Direct ¹	\$	29,120,000
Employment Multiplier ²		2.0310
Total Employment		812
Employment, Indirect (Full-Time Equivalent)		412
Hamilton County Projected Annual Average Wage ³	\$	56,123
Wages, Indirect	\$	23,122,676
Total Wages & Benefits	\$	52,242,676
Local Sales Tax Revenue ⁴	\$	627,696
Local Other Tax Revenue ⁵	\$	167,595
Residential/Commercial Property Tax Revenue ⁶	\$	587,128
Total Local Tax Revenue	\$	1,382,419
Projected Economic Output		
Final Demand Earnings Multiplier ⁷		0.4294
Direct Effect Earnings Multiplier ⁸		1.8142
Ratio of Earnings to Output		0.2367
Total Direct Wages	\$	22,400,000
Total Output - Economic Impact From Operations	\$	94,634,559

City of Chattanooga, Hamilton County, TN
Steam Logistics
Economic Impact and Benefit/Cost Analysis

One Time Expansion Impact		
Total Capital Investment	\$	11,200,000
Building - Real Property	\$	10,000,000
Final Demand Output Multiplier ⁹		1.7691
Economic Impact	\$	17,691,000
Final Demand Employment Multiplier ¹⁰		8.1144
Direct & Indirect Jobs Supported During the Construction Period		31
Equipment Purchase/Set-up - Personal Property	\$	1,200,000
Final Demand Output Multiplier ¹¹		1.6282
Economic Impact	\$	1,953,840
Final Demand Employment Multiplier ¹²		5.9053
Direct & Indirect Jobs Supported During the Construction Period		3
Total Economic Impact	\$	19,644,840
Direct Sales Tax Revenue from Construction ¹³	\$	100,800
Total Direct & Indirect Jobs Supported During the Construction Period*	\$	34
Hamilton County Projected Annual Average Wage ³	\$	56,123
Wages, Indirect	\$	1,908,182
Local Sales Tax Revenue from Wages ⁴	\$	22,927
Local Other Tax Revenue ⁵	\$	6,122
Total Local Tax Revenue	\$	129,849

**Represents the total number of jobs supported during the construction period. If the construction period is two years the annual average employment would be 17 per year. These jobs are considered transient and, in theory, would disappear after the construction and set-up period is complete.*

**Hamilton County, TN
Steam Logistics
Tax Schedule**

Full Property Value:	Real Property - New						
\$ 10,000,000	Assessed Value	Hamilton County Tax Due: (\$1.2257 per \$100 value)	% of taxes paid	Payment Made in Lieu of Tax	Taxes Abated	School Taxes Paid (\$1.0116 per \$100 Value)	Economic Development Payment (15%)
Year 1	\$ 4,000,000	\$ 49,028	0%	\$ -	\$ 49,028	\$ 40,464	\$ 13,424
Year 2	\$ 4,000,000	\$ 49,028	25%	\$ 12,257	\$ 36,771	\$ 40,464	\$ 13,424
Year 3	\$ 4,000,000	\$ 49,028	40%	\$ 19,611	\$ 29,417	\$ 40,464	\$ 13,424
Year 4	\$ 4,000,000	\$ 49,028	50%	\$ 24,514	\$ 24,514	\$ 40,464	\$ 13,424
Year 5	\$ 4,000,000	\$ 49,028	50%	\$ 24,514	\$ 24,514	\$ 40,464	\$ 13,424
Year 6	\$ 4,000,000	\$ 49,028	50%	\$ 24,514	\$ 24,514	\$ 40,464	\$ 13,424
Year 7	\$ 4,000,000	\$ 49,028	50%	\$ 24,514	\$ 24,514	\$ 40,464	\$ 13,424
Year 8	\$ 4,000,000	\$ 49,028	50%	\$ 24,514	\$ 24,514	\$ 40,464	\$ 13,424
Year 9	\$ 4,000,000	\$ 49,028	50%	\$ 24,514	\$ 24,514	\$ 40,464	\$ 13,424
Total		\$ 441,252		\$ 178,952	\$ 262,300	\$ 364,176	\$ 120,816

Total Taxes Abated:	\$ 262,300
Total Fees Paid:	\$ 120,816
Total School Taxes Paid:	\$ 364,176
Total Payments Made in Lieu of Tax:	\$ 178,952
Total Fees and Taxes paid During the PILOT Period:	\$ 663,944

**City of Chattanooga, TN
Steam Logistics
Tax Schedule**

Full Property Value:	Real Property - New					
\$ 10,000,000	Assessed Value	Chattanooga Tax Due: (\$2.25 per \$100 value)	% of taxes paid	Payment Made in Lieu of Tax	Taxes Abated	Economic Development Payment (15%)
Year 1	\$ 4,000,000	\$ 90,000	0%	\$ -	\$ 90,000	\$ 13,500
Year 2	\$ 4,000,000	\$ 90,000	25%	\$ 22,500	\$ 67,500	\$ 13,500
Year 3	\$ 4,000,000	\$ 90,000	40%	\$ 36,000	\$ 54,000	\$ 13,500
Year 4	\$ 4,000,000	\$ 90,000	50%	\$ 45,000	\$ 45,000	\$ 13,500
Year 5	\$ 4,000,000	\$ 90,000	50%	\$ 45,000	\$ 45,000	\$ 13,500
Year 6	\$ 4,000,000	\$ 90,000	50%	\$ 45,000	\$ 45,000	\$ 13,500
Year 7	\$ 4,000,000	\$ 90,000	50%	\$ 45,000	\$ 45,000	\$ 13,500
Year 8	\$ 4,000,000	\$ 90,000	50%	\$ 45,000	\$ 45,000	\$ 13,500
Year 9	\$ 4,000,000	\$ 90,000	50%	\$ 45,000	\$ 45,000	\$ 13,500
Total		\$ 810,000		\$ 328,500	\$ 481,500	\$ 121,500

Total Taxes Abated:	\$ 481,500
Total Fees Paid:	\$ 121,500
Total Payments Made in Lieu of Tax:	\$ 328,500
Total Fees and Taxes paid During the PILOT Period:	\$ 450,000

**Hamilton County, TN
Steam Logistics
Tax Schedule**

Full Property Value:	Personal Property							
	Depreciation Rate	Assessed Value	Hamilton County Tax Due: (\$1.2257 per \$100 value)	% of taxes paid	Payment Made in Lieu of Tax	Taxes Abated	School Taxes Paid (\$1.0116 per \$100 Value)	Economic Development Payment (15%)
\$ 1,200,000								
Year 1	0.88	\$ 316,800	\$ 3,883	0%	\$ -	\$ 3,883	\$ 3,205	\$ 1,063
Year 2	0.75	\$ 270,000	\$ 3,309	25%	\$ 827	\$ 2,482	\$ 2,731	\$ 906
Year 3	0.63	\$ 226,800	\$ 2,780	40%	\$ 1,112	\$ 1,668	\$ 2,294	\$ 761
Year 4	0.50	\$ 180,000	\$ 2,206	50%	\$ 1,103	\$ 1,103	\$ 1,821	\$ 604
Year 5	0.38	\$ 136,800	\$ 1,677	50%	\$ 839	\$ 838	\$ 1,384	\$ 459
Year 6	0.25	\$ 90,000	\$ 1,103	50%	\$ 552	\$ 551	\$ 910	\$ 302
Year 7	0.20	\$ 72,000	\$ 883	50%	\$ 442	\$ 441	\$ 728	\$ 242
Year 8	0.20	\$ 72,000	\$ 883	50%	\$ 442	\$ 441	\$ 728	\$ 242
Year 9	0.20	\$ 72,000	\$ 883	50%	\$ 442	\$ 441	\$ 728	\$ 242
Total			\$ 17,607		\$ 5,759	\$ 11,848	\$ 14,529	\$ 4,821

Total Taxes Abated:	\$ 11,848
Total Fees Paid:	\$ 4,821
Total School Taxes Paid:	\$ 14,529
Total Payments Made in Lieu of Tax:	\$ 5,759
Total Fees and Taxes paid During the PILOT Period:	\$ 25,109

**City of Chattanooga, TN
Steam Logistics
Tax Schedule**

Full Property Value:	Personal Property						
\$ 1,200,000	Depreciation Rate	Assessed Value	Chattanooga Tax Due: (\$2.25 per \$100 value)	% of taxes paid	Payment Made in Lieu of Tax	Taxes Abated	Economic Development Payment (15%)
Year 1	0.88	\$ 316,800	\$ 7,128	0%	\$ -	\$ 7,128	\$ 1,069
Year 2	0.75	\$ 270,000	\$ 6,075	25%	\$ 1,519	\$ 4,556	\$ 911
Year 3	0.63	\$ 226,800	\$ 5,103	40%	\$ 2,041	\$ 3,062	\$ 765
Year 4	0.50	\$ 180,000	\$ 4,050	50%	\$ 2,025	\$ 2,025	\$ 608
Year 5	0.38	\$ 136,800	\$ 3,078	50%	\$ 1,539	\$ 1,539	\$ 462
Year 6	0.25	\$ 90,000	\$ 2,025	50%	\$ 1,013	\$ 1,012	\$ 304
Year 7	0.20	\$ 72,000	\$ 1,620	50%	\$ 810	\$ 810	\$ 243
Year 8	0.20	\$ 72,000	\$ 1,620	50%	\$ 810	\$ 810	\$ 243
Year 9	0.20	\$ 72,000	\$ 1,620	50%	\$ 810	\$ 810	\$ 243
Total			\$ 32,319		\$ 10,567	\$ 21,752	\$ 4,848

Total Taxes Abated:	\$ 21,752
Total Fees Paid:	\$ 4,848
Total Payments Made in Lieu of Tax:	\$ 10,567
Total Fees and Taxes paid During the PILOT Period:	\$ 15,415

**City of Chattanooga, Hamilton County, TN
Steam Logistics
Economic Impact and Benefit/Cost Analysis**

Payback Summary		
PILOT Term (years)		9
Taxes Forgone		
City of Chattanooga	\$	503,252
Hamilton County	\$	274,148
	Total \$	777,400
Hard Costs		
City of Chattanooga	\$	-
Hamilton County	\$	-
	Total \$	-
Taxes Forgone and Hard Costs		
City of Chattanooga	\$	503,252
Hamilton County	\$	274,148
Total Taxes Forgone and Hard Costs	\$	777,400
Economic Development Fees Paid to City/County		
City of Chattanooga	\$	126,348
Hamilton County	\$	125,637
	Total \$	251,985
Tax Revenues From Construction & Set-Up	\$	129,849
Tax Revenues From Operations During PILOT Period	\$	12,441,771
School Tax Revenues Paid During PILOT Period	\$	378,705
Payments Received in Lieu of Tax		
City of Chattanooga	\$	339,067
Hamilton County	\$	184,711
	Total \$	523,778
Total Tax Revenues & Fees Received During PILOT Period	\$	13,726,088
Benefit/Cost Ratio		17.66

Projected Costs:

Hard Costs

None.

Opportunity Costs

Local government is requested to forgo for a period of years the opportunity to collect taxes on site improvement, building, and industrial equipment that are a part of the project.

Benefit/Cost Ratio: The sum of tax revenues from construction, operations and property during the PILOT period divided by the total taxes forgone and hard costs.

Notes for Steam Logistics Impact Analysis

1. Calculation is based on the project's annual average wage provided by the company plus a 30% allowance for benefits.
2. U.S. Bureau of Economic Analysis, RIMS II, direct effect employment multiplier for Hamilton County, Tennessee for transportation support services This multiplier represents the total number of jobs supported in all industries for each additional job in the specified industry.
3. Based upon data from Tennessee Department of Labor; Annual Average Wage for Hamilton County, 2020 with a 1.5% inflation factor applied for 2021.
4. U.S. Department of Labor, "Consumer Expenditure Survey, Southern US" 2019; factor applied to determine the rate of indirect or "downstream" expenditures on sales taxable goods and services at the Hamilton County/City of Chattanooga local option tax rate of .0225.
5. Based upon July 2020 - June 2021 collections of business, alcohol, motor vehicle and other local taxes compared to sales tax for Hamilton County.
6. Indirect property tax is based on the new direct jobs created by the company. For this calculation, it is assumed that 65% of the direct jobs reside in Hamilton County and represent one household per job. The 2021 median home value is utilized as a proxy for residential property value, to determine property tax generated per job. The residential assessment rate of 25% is utilized for all residences, including those in multifamily buildings assessed at 40%, and a combined Hamilton County (\$2.2373) and City of Chattanooga (\$2.25) tax rate of \$4.4873 per \$100 of assessed value is used to project the annual tax per job. The property tax from new or expanded commercial property that is generated indirectly from economic activity associated with the jobs supported by the company is not projected.
7. U.S. Bureau of Economic Analysis, RIMS II, final demand earnings multiplier for Hamilton County, Tennessee for transportation support services. This multiplier represents the total dollar change in all households in all industry sectors for each additional dollar of output delivered to the final demand by the specified industry.
8. U.S. Bureau of Economic Analysis, RIMS II, direct effect earnings multiplier for Hamilton County, Tennessee for transportation support services. This multiplier represents the total dollar change in all households for each additional dollar of earnings paid to jobs employed by the specified industry.
9. U.S. Bureau of Economic Analysis, RIMS II final demand aggregate output multiplier for construction for Hamilton County, Tennessee. This multiplier represents the total dollar change in output that occurs in all industries for each dollar of additional output by the specified industry.
10. U.S. Bureau of Economic Analysis, RIMS II direct effect employment multiplier for construction for Hamilton County, Tennessee for construction. This multiplier represents the total number of jobs that are supported in all industries for each \$1 million of output delivered by the specified industry.
11. U.S. Bureau of Economic Analysis, RIMS II final demand aggregate output multiplier for wholesale trade for Hamilton County, Tennessee.
12. U.S. Bureau of Economic Analysis, RIMS II direct effect employment multiplier for construction for Hamilton County, Tennessee for wholesale trade.
13. For the purpose of this analysis, it is assumed the 40% of the capital investment would be subject to the local sales tax option rate of 2.25%.

* Constant 2021 dollars. No tax rate increases are assumed. The 2012/2019 RIMS II Multipliers from the U.S. Bureau of Economic Analysis are utilized in this analysis.



THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

BOARD OF DIRECTORS:

Jimmy F. Rodgers, Jr., Chair
Althea Jones, Vice-Chair
Patrick Sharpley, Secretary
Gordon Parker, Assistant Secretary
Ray Adkins, Member
Kerry Hayes, Member
James Floyd, Member
Kathy Jones, Member

Phillip A. Noblett, Counsel

MEMORANDUM

TO: Jermaine Freeman, Administrator
Economic Development

FROM: Maria Manalla, Legal Assistant and Minute Clerk
Industrial Development Board

DATE: November 4, 2021

RE: Steam Logistics PILOT – November 1, 2021, IDB Draft Minutes

Pursuant to your request of November 2, 2021, please see below excerpt from the November 1, 2021, Industrial Development Board Draft Minutes:



NOTICE OF INITIAL INFORMATION MEETING STEAM LOGISTICS / 329 MARKET PROJECT PILOT REQUEST

Mr. Freeman gave a presentation to the IDB Board Members, especially for the new members, on what a PILOT is and how it works:

- (1) As part of today's process, we want to try to be as responsive to Mayor Kelly, as well as members of the City Council, who have asked Economic Development staff to be more responsive to the Community's desire to make the PILOT process more transparent. The purpose of this today is only to provide information. The Economic Development staff are

not asking for the Board to take any votes today. There is no resolution associated with today's meeting but simply are providing information about what the PILOT program is. Charles Woods (Chamber) will describe what the proposed PILOT project is.

- (2) The PILOT (Payment in Lieu of Taxes) program are forms of tax abatement. There are two different types of PILOTs that come before the City of Chattanooga: (1) Job PILOTs come before the Industrial Development Board; and (2) PILOTs for Affordable Housing Development come before the City's Health, Educational, and Housing Facility Board. The IDB will never see housing PILOTs; only the HEB.
- (3) PILOTs allow communities to incentivize projects by foregoing some property tax revenue in exchange for capital investment, job creation, and higher than average wages. PILOTs are one form of incentive for companies that may come before the Board. (Let the record reflect that Mr. Noblett was present in place of Ms. Valerie Malueg). Cities have been known to do cash grants, as well as the donation of real estate at low market prices. Typically, when the City is asked to be a part of a PILOT, the City is asked to provide a tax incentive in partnership with some of the other area partners. Whether or not it is the Chattanooga Chamber, the County, as well as the State, TVA, there are other organizations that are typically part of conversation when the City is engaging a company around a PILOT. These companies do not come to us in a vacuum and do not come to us in isolation. There is typically a much larger process happening in terms of vetting and reviewing a PILOT application for incentives and submission to the State.
- (4) The Chamber evaluates the request for the PILOT on behalf of both the City and County, and companies that are recommended for PILOTs and then communicates with them privately. Sometimes businesses do not qualify. That is not brought before the Board. Economic Development only brings companies that are recommended for PILOTs. When the Chamber does recommend a company for a PILOT, initial approval is sought from both the City and County Mayors and approval is also sought from the Chattanooga City Council and Hamilton County Commission. Final approval and security for the promises made are granted by the members of the Industrial Development Board for the City of Chattanooga.
- (5) Our PILOTs for the past several years have been structured basically in that 100% of property taxes are abated for the first year; 75% of property taxes are abated for the second year; 60% of property taxes that will be normally due are abated in the third year; and 50% of property taxes that would normally be due are in the subsequent years through the end of the PILOT. During the PILOT term, the property is deeded to the IDB and leased back to the company. In addition to the amounts listed, the companies also pay the lease payments to the City and County for further economic development. The Economic Development lease payments to the IDB are used to support small business development.
- (6) A list of the actively current PILOTs was presented. The most recent PILOT approved in July 2021 was for PUREGraphite. Typically, the City does not see a lot of PILOTs that come before the Industrial Development Board, City Council, and County Commission. Between April 2019 and June 2021, there were no PILOTs. The PILOTs may happen a couple of times a year. Expired PILOTs are Westinghouse Electric, CBL Associates, and Van de Weile.

- (7) The IDB is also responsible for parking facilities which companies may ask for PILOTs. An example would be the Majestic Theatre, RiverCity Company. The Nippon Automotive Americas (Nippon Paint) is located in East Chattanooga next to the Construction Career Center which is an example of a company that did not receive a PILOT. The Berke Administration felt that the best way to incentivize that project was to donate real estate. Nippon Paint did not get a PILOT but received a donation of real estate and a commitment to build infrastructure as part of the project.
- (8) We have not seen a whole lot of PILOTs come before the City Council and IDB over the course of the past few years, with the exception of PUREGraphite. There have been a total of five economic development/job PILOTs that have come before the City Council in the past four years. Typically, when we are at a point where we are advocating for a PILOT, we are not doing so in isolation. We are doing so because it is part of what is projected to be the overall incentive for a company that the State and some utility partners are also involved in.
- (9) Some of the goals of the Kelly Administration with regard to PILOTs:
 - (a) Continue to make sure the PILOT has passed the but-for test (meaning but for the incentive) the project would not happen;
 - (b) Want to include community business language in every PILOT to talk about how the expansion of the tax abatement will benefit the public;
 - (c) Emphasize the development of local talent pipelines, as well as hiring local contractors; and
 - (d) Continue to use PILOTs for small business development.

Another benefit is that PILOTs also allow for urban infill. In the case of PUREGraphite, the Big Blue facility at Alstom was a vacant facility. This allows us to reactivate that facility. Steam Logistics is going to redevelop the John Ross Building which has been vacant in our downtown corridor for a number of years.

This PILOT is exciting because the Kelly Administration is very supportive of it and will lead to the creation of a national headquarters for Steam Logistics right in the heart of downtown. As mentioned, a long-abandoned and blighted building, the John Ross Building, sits at the corner of 4th, Market, and Broad Streets which used to be the old Newton Chevrolet auto dealership. That property has sat vacant for a long time and will allow us to reactivate it. The presence of new employees downtown at a time when many companies have begun to make arrangements for employees to work from home on a long-term basis, allows us to have people who are downtown, spending money, supporting and shopping at local businesses, and eating at local restaurants. This is why this is a project that is also supported by the Kelly Administration. There are previous PILOTs where the PILOT recipient did not pay stormwater fees. This is not one of those PILOTs. This company will continue to pay all stormwater fees.

When you look at the estimated impact of creating 400 jobs that pay an average wage of \$56,000 a year and for a nine-year PILOT period is a total economic impact of \$115 million. That \$115 million is new money circulating in the economy because we have new employees being paid wages. As Americans, we spend our money when we make it. This is why this project is so exciting to us because it poses the opportunity for lots of new revenue to come into our city and it is not often that we get an opportunity to say that we are creating a new headquarters in the heart of downtown. There are other parties who have tried and failed to redevelop this building over the past few years. They could not make the numbers work. This is why we think it makes sense for us to try to do this with a PILOT and to support this project.

We also want to make sure that we are doing everything to retain college graduates as they graduate from UTC or Chattanooga State. Steam Logistics typically hires people who are more college-educated or some college experience which gives us an opportunity to raise wages in our city and to keep more talented people here in our city. When students graduate from college, we want to make sure that they are staying here in Chattanooga and using the education and talent they developed to continue to reinvest in our economy. The total estimated abatement over the nine-year period for Steam Logistics is about \$500,000. This has a tremendous economic impact for the community. We are here to offer the community some additional public input.

STEAM LOGISTICS

Presentation by Charles Wood (Chattanooga Chamber)

Mr. Charles Wood stated that this is a great project and is meant to be a very high-level overview. This will obviously go to City Council next week during their Economic Development Committee meeting, as well as County Commission on Wednesday during their committee meeting. It is back for a formal vote before City Council and the County Commission the week after, and then will go to the IDB at the next board meeting in December.

The project represents about 400 new jobs, located in downtown, average wages are \$56,000, and is about a \$10 million capital investment in the existing facility. The facility itself will be 60,000 sq. ft. of office use. This is a significant level of commitment and investment.

PILOT Details:

- (1) This will be a nine (9) year PILOT entered into between the City, County, Company, and Developer and owner of the building. Example – there are several PILOT agreements that have been put in place over time where effectively there is a fourth party, which ends up being a real estate entity. This has been the case of the HomeServe project which just announced another competition in jobs there, the same as the Amazon project, and also the same with PUREGraphite. Typically, especially if we have higher-end firms, they are investing their capital in people and in hiring and growth, rather than in real estate.
- (2) This project represents a very strategic opportunity for the Community. First and foremost is that in the logistics tax sector, Chattanooga is a core-cluster they are trying to write. They have had some very successful entrepreneurs in this industry sector that have grown over time. In the trucking industry, most of the growth in the market is really around white-collar positions that are highly paid, very technical, and certainly with high wages to go with it.

- (3) This is the largest job announcement since January 2019 when Volkswagen announced their expansion. This is a massive number of jobs being created in the core of downtown. That location is another really critical asset to this project. A number of companies have moved their employees downtown for remote work, and local small businesses have felt that impact in a very negative way. We are hoping a lot of those major employers bring people back into their downtown offices. This project represents a great opportunity to put more than 400 people, new and existing jobs, on this site. The broader impact is important.
- (4) This is a highly-blighted piece of property in the core of our downtown. It is one of only three large buildings that sit vacant in our downtown here in the Chattanooga Bank Building. There are a couple of properties on Market Street next to Regions Bank. Part of the goal in working with City partners is to see the City's properties get re-invented, innovated, and then put back to use. The presentation would show what the old building looks like now and after.

Mr. Woods stated that this is a real meaningful project for them, are excited about it, and can take questions on the broader PILOT process as well as this project.

Board Comments:

Mr. Rodgers asked Mr. Wood about Noon Management being the fourth party to the agreement and wanted clarification as to who are the parties in the agreement? Mr. Woods said the City and the County are both parties to the agreement, as well as the company Steam Logistics. Mr. Rodgers asked who is 329 Market LLC? Mr. Woods stated that is the LLC owned by Noon Management. Typically, most commercial real estate is held as separate entities which separates it from other property that is owned by a developer. In this case, it is a new LLC and can set up ownership of the structure. Who is doing the development of the building itself? New developments team will be over that and then they will work through the process of bringing on a general contractor. That has not happened at this point.

Ms. Althea Jones asked, 329 is not the developer? Mr. Woods stated that 329 will be the entity that owns the property. Mr. Rodgers asked who is hiring Noon Management? Mr. Woods stated they own that entity which is 329. Mr. Rodgers asked if Noon is a signatory to this agreement? Mr. Woods stated they will have a signatory on that as a representative of the company. Mr. Woods stated that is something that a lot of people probably do not understand about the complexity of the real estate market that typically you can have an owner, a parent company, that has dozens of LLCs because they own dozens of pieces of real estate, and they keep them separate.

Mr. Hayes asked Mr. Woods if he knows how quickly they will have all 400 folks there, is there a timetable? Mr. Woods thinks they have a window of four to five years. It will be in the agreement. There will be a start date that will be worked through as well in the agreement based upon the timing. The facility actually has to be redeveloped. There will be funding on that. The company has some ability to continue to hire before the building is done. They are basically in a facility that is adjacent to that so the hope is that hiring happens fast, and the building redevelopment will be substantial.

Mr. Parker asked where are the 400 people going to park, what does the parking look like? Mr. Woods thinks we could probably get an answer to that. There is a UNUM lot across the street. If you look across Market Street, there are several lots there with UNUM. There are two garages there as well with CARTA. One thing that is a unique opportunity for this part of downtown is it is pretty heavily driven by tourism right now. The opportunity is it will take time to use the parking that is effectively shared with night time use and is not going to be office hours.

Mr. Freeman stated that the agreement calls for the jobs to be created between October 2021 and October 2026. It is a five-year window. Mr. Rodgers asked in looking this over, it looks like to him, in paragraph seven on page seven, is really the key as far as the jobs and developing talent and local opportunity. There are three obligations listed, but Noon Management 329 are not included and that bothers him. Why do they not share the good faith obligation? Why shouldn't they?

Mr. Freeman stated they will share the good faith obligations through 329 Market LLC on the construction side. On the actual hiring of the jobs, 329 Market LLC will not be creating 400 jobs. Steam Logistics, LLC will be creating 400 jobs. Steam Logistics will share obligations. The way the agreement is structured is 329 Market, and we have a representative here to speak more to that relationship, but they will share that responsibility as a signatory because they have to sign the agreement for the development of the local contractor case. That again is one of the things about this deal is that we have one party that is doing the job creation and who the capital investment costs will be passed through to as the occupant of the building, but we have another party that is actually redeveloping the building. Steam Logistics is not a property management company; they are a logistics company. They do not have the ability to do that contractor piece. 329 will be held to that.

Mr. Rodgers goes back to some of his earlier comments when we were getting started, his concern is these three prongs that are listed and do not say anything about the construction jobs and the obligations to use good faith efforts to do the same things that are required for the non-construction jobs. Mr. Rodgers understands that Steam Logistics is not about construction jobs, but that is part of the parcel of what we are doing. Mr. Rodgers thinks we are doing a disservice to our community if we do not address those in here.

Mr. Rodgers specifically asked Mr. Freeman's office, that going forward with the City and the County, to specifically look at including language in these agreements. This is going to come back to the IDB for approval. Mr. Rodgers wants Mr. Freeman to please relay, at least from the Chairman's perspective, that Mr. Rodgers is concerned. When we are out like last week as having the Construction Career Center, we are not doing things that, Mr. Rodgers said, could be done contractually; to make sure the folks that get out of that center, and otherwise, have jobs that are being provided, so that as Mr. Freeman referred to some of the 400 jobs, UTC people not having to go elsewhere. That way the construction people do not have to go elsewhere. They are getting jobs here in town.

Mr. Rodgers thinks we are doing a disservice by not looking at those folks and saying, this is a project that you can help on, you can be proud of, and when all is said and done, you see these 400 people walking in this facility, and you know that you've got pride because you helped build it. Mr. Rodgers thinks that is important and would, from his perspective only, ask that be included in the language in the future because it is 329 and Noon as signatories, we ought to be stronger and to have them agree to make the good faith effort so when an applicant like Steam Logistics or

anybody comes before the IDB seeking this kind of a tax break, that they can hire who they want to for development or they can rent to who they want to from a standpoint of building the facility. But to make sure that in doing so, they are going to take care of the folks in the construction trades as well.

Ms. Althea Jones asked would that be part of the actual – it would include the plans for redevelopment? Mr. Freeman stated there is a limited amount of plans for redevelopment because of the fact that obviously the company cannot move too fast for plans for redevelopment. They do not know whether or not they are going to get the incentive, and therefore, have the ability to actually redevelop the building. To a certain extent, the plans that were described will not be there because the company cannot sort of presumptively assume that they are going to get the incentive. They can come if they have (inaudible), but they cannot go ahead and start to hire some of the people that will be in place on the construction side, because they have to be sensitive and mindful of the fact that they might not get approved for the PILOT. They cannot automatically assume or enter into contracts for the redevelopment until the PILOT is approved.

Ms. Althea Jones feels like we have seen that before in the past, where we have seen efforts that they have on paper, and plans they have on paper. Mr. Freeman is happy to ask Mr. Phillips to come up if he has anything he would like to add. We want to be, and the company is trying to be, very sensitive about this in moving forward. In not assuming that there will be an approval of the PILOT, without making sure, and not sort of entering into contracts with other parties, because they did not know whether or not they were going to be approved. That is something we have to keep in mind. One of the delicate things about doing a PILOT is a company cannot get out too far ahead of the process. Because they do not know whether or not it is going to be approved by City Council and the County Commission.

Mr. Woods stated his good friend, Ms. Sharp, would call that basically ignoring the but-for. The concept around this is that the project will not (inaudible). How we address some of the construction impacts. One of the challenges is there will be a general contractor that is hired for this. They will hire and be responsible for hiring people that will build this and redevelop it. That is not something that the owner is able to control what that is going to be. That is where it becomes a little challenging as far as requiring job numbers because then there is not a general contractor that is going to be the entity that actually is does the hiring. Mr. Woods would like to pull everyone in to work through that. There are some complications around the construction industry in general, how a project works, and who actually hires people to do the construction work. Typically, there is a general contractor that is responsible for hiring and they hire subs that are also responsible for hiring. Wrapping that into a PILOT agreement will probably be rather complicated. There is probably some opportunity to at least shed light on the impact and what we expect to happen. That may be another way to work through this as we work on PILOT agreements in the future.

Mr. Rodgers gave the public the opportunity for anyone to comment. Ms. Sharp did not have any comments. Mr. Rodgers stated that this particular PILOT is already somewhat mid-stream. In a sense, a lot of work by Mr. Woods and his office, Mr. Freeman and his office, has gone on already. It may be that Mr. Rodgers' concerns and Ms. Althea Jones' questions are something we might want to consider addressing down the road and not specific to this PILOT. This is a wonderful project and would greatly improve this building. It is great that Steam Logistics would bring in these jobs. The construction side is important.



If I can be of further assistance, please let me know.

/mem/v2

cc: Phillip A. Noble, IDB Board Counsel and Deputy City Attorney
Emily O'Donnell, City Attorney

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT (the "Agreement") is made and entered into as of this the ____ day of _____, 2021, by and among **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA** (the "Board"); **STEAM LOGISTICS, LLC** and **329 MARKET, LLC** (together, the "Companies" and each, a "Company"); the **CITY OF CHATTANOOGA** (the "City"); and **HAMILTON COUNTY** (the "County") and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by **WILLIAM F. HULLANDER and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE** (the "Trustee"), and by **MARTY HAYNES and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY** (the "Assessor").

WITNESSETH:

WHEREAS, the Companies are contemplating (i) the acquisition and improvement of certain real property in Chattanooga, Hamilton County, Tennessee, as more particularly described on Exhibit A attached hereto (the "Real Property"); and (ii) the acquisition of equipment and other personal property (including replacements of such property), as more particularly described on Exhibit B attached hereto and incorporated herein (the "Personal Property") (the Personal Property and the new improvements to the Real Property shall be referred to as the "Project"), resulting in an investment of at least \$11,200,000 and the creation of at least 400 full-time jobs which jobs shall have an average annual wage (excluding benefits) equal to at least \$56,000 (collectively the "Investment, Jobs and Wage Projection") between October 1, 2021 and October 1, 2026 (the "Five Year Period"); and

WHEREAS, the Companies have requested the Board's assistance with the Project; and

WHEREAS, substantial economic benefits to the City and County economies will be derived from the Project; and

WHEREAS, the Board agrees to hold title to the Real Property and the Personal Property, together with all additions thereto, replacements thereof, and substitutions therefor (collectively, the "Property") and to lease the Property to the Companies pursuant to those certain Lease Agreements (each, a "Lease" and, collectively, the "Leases"), based on the documents dated of even date herewith, between the Board and each Company; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, § 7-53-101, *et seq.*, the Property will be exempt from ad valorem property taxes ("property taxes") normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, § 7-53-305; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Companies make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Companies have agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the "In Lieu Payments"), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions, including, without limitation, the requirement that the Board collect and expend such payments in furtherance of the public purposes for which the Board was created; and

WHEREAS, the Companies and the Board have agreed that all In Lieu Payments made to the Board by the Companies shall be paid to the City of Chattanooga Treasurer (the "Treasurer") and the Trustee, who shall disburse such amounts to the City and the County in accordance with the requirements specified herein; and

WHEREAS, the Board wishes to designate the Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Treasurer and the Trustee as its agents to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of Tennessee as though the Property were subject to property taxes. The Assessor shall give the Treasurer, the Trustee, the Board, and the Companies written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Companies all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes. The Board hereby designates the Treasurer and the Trustee and as its agents to compute the amounts of the In Lieu Payments, to receive such payments from the Companies and to disburse such payments to the City and the County. On or about October 1 of each year during the term of this Agreement, the Treasurer and the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Treasurer and the Trustee shall send the Board and each Company bills for appropriate amounts of In Lieu Payments (the "Tax Bill").

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, each Company shall pay to the Treasurer and the Trustee the amounts indicated on the Tax Bills for its respective portion of the Property which amounts shall be determined in accordance with the provisions set forth

below in Section 4. The In Lieu Payments shall be made by each Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Companies. For the nine (9) year period covering and inclusive of years 2023 through 2031 (the "Tax Abatement Period"), each Company shall make In Lieu Payments with respect to its respective portion of the Project in an amount, as determined by the Assessor, the Treasurer and the Trustee, equal to the following percentage of the taxes that would have been payable on the portion of the Project if it were subject to property taxes for the respective years shown:

Year	City General Fund	County General Fund	County School Fund
2023	0%	0%	100%
2024	25%	25%	100%
2025	40%	40%	100%
2026	50%	50%	100%
2027	50%	50%	100%
2028	50%	50%	100%
2029	50%	50%	100%
2030	50%	50%	100%
2031	50%	50%	100%

For the avoidance of doubt, the parties intend that the Companies shall make (i) In Lieu Payments in an amount equal to one hundred percent (100%) of all ad valorem taxes that would be dedicated to the support of the County school system, which the Companies and County acknowledge and agree currently equates to 45.22% of the amount of the total County taxes that would have been payable on the Project if it were subject to property taxes (the "School Portion"), and (ii) In Lieu Payments in an amount equal to the above graduated amounts for all other ad valorem taxes of County that would have been payable on the Project if it were subject to property taxes, excluding the educational portion of the County ad valorem taxes.

For any portion of the Property other than the Project, each Company shall make In Lieu Payments in an amount, as determined by the Assessor, the Treasurer and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on its portion of the Property if it were subject to property taxes. For the avoidance of doubt, the parties intend that the reduced In Lieu Payments under this Agreement shall only apply to the Personal Property and to any new improvements in the Real Property that are undertaken pursuant to this Agreement.

For any periods before the Tax Abatement Period or after the Tax Abatement Period that the Property is owned by the Board and leased to the Companies, the Companies shall make In Lieu Payments in an amount, as determined by the Assessor, the Treasurer and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

Notwithstanding the above, any amounts assessed as property taxes against the Property shall be credited against any In Lieu Payments due under this Agreement.

5. Penalties and Late Charges. Each Company shall make its In Lieu Payments for each year during the term before March 1 of the following year. All In Lieu Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If a Company fails to make its In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount. Additional late charges of one and one-half percent (1-1/2%) of the amount shall accumulate and become immediately due and payable upon the expiration of each subsequent thirty (30) day period when there remains any outstanding unpaid amount.

(b) If a Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit against the Company in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees.

6. Minimum Requirements; Annual Review; Increase in Amount of In Lieu Payments. The companies covenant as follows for the benefits included in this Agreement:

(a) Minimum Requirements. Steam Logistics, LLC must meet one hundred percent (100%) of the Minimum Job Requirement and the Companies must meet one hundred percent (100%) of the Minimum Investment Requirement by the end of the Five Year Period (the "Determination Date") and during each calendar year thereafter during the Tax Abatement Period. For purposes of this Section, the "Minimum Jobs Requirement" equals 360 full-time jobs, and the "Minimum Investment" equals \$10,080,000. For purposes of meeting the Minimum Investment Requirement and the Minimum Jobs Requirement, Steam Logistics, LLC may also include jobs created and the Companies may also include capital expenditures made at other facilities of the Companies in the City in connection with the Project.

(b) Annual Employment Review. If Steam Logistics, LLC fails to achieve the Minimum Jobs Requirement during the calendar year immediately following the Determination Date or during in any calendar year thereafter during the Tax Abatement Period, the City and the County reserve the right but are not obligated to increase the amount of the general fund In Lieu Payments applicable to the Project for the same calendar year in which such failure occurs by a percentage equal to 100% less " Steam Logistics, LLC's Job Performance" for such calendar year (the "Job In Lieu Payment Percentage Increase"). " Steam Logistics, LLC's Job Performance" for any calendar year means the proportion, expressed as a percentage, that the average number of full-time jobs actually maintained by Steam Logistics, LLC bears to the Minimum Job Requirement. In no event shall the Companies' annual General Fund In Lieu Payments exceed one hundred percent (100%) of the general fund taxes that would be assessed against the Project if it were subject to general fund taxes.

Example 1:

Total number of full-time jobs as of December 31, 2027 = 400

Minimum Job Requirement = 360

No increase in In Lieu Payments for 2027

(Minimum Job Requirement has been exceeded)

Example 2:

Total number of full-time jobs as of December 31, 2027 = 342

Minimum Job Requirement = 360

Job Performance = 95%

Job In Lieu Payment Percentage Increase for 2027 = 5%

(In Lieu Payment Percentages for 2027 for the City General Fund and the County General Fund may be increased by 5%, and in this example, the In Lieu Payment Percentage for 2027 for the City General Fund and for the County General Fund may be increased from the current requirement of 50% to 55%)

(c) Annual Investment Review. If the Companies fail to achieve the Minimum Investment Requirement during the calendar year immediately following the Determination Date or during in any calendar year thereafter during the Tax Abatement Period, the City and the County reserve the right but are not obligated to increase the amount of the general fund In Lieu Payments applicable to the Project for the same calendar year in which such failure occurs by a percentage equal to 100% less the "Companies' Investment Performance" for such calendar year (the "Investment In Lieu Payment Percentage Increase"). The "Companies' Investment Performance" for any calendar year means the proportion, expressed as a percentage, that the actual aggregate capital investment made by the Companies through the end of such calendar year, including all capital investment made in the preceding calendar years in connection with the Project, bears to the Minimum Investment Requirement. In no event shall the Companies' annual General Fund In Lieu Payments exceed one hundred percent (100%) of the general fund taxes that would be assessed against the Project if it were subject to general fund taxes.

Example 3:

Total amount of capital investment through December 31, 2027 = \$12,500,000

Minimum Investment Requirement = \$10,080,000

No increase in In Lieu Payments for 2027 (Minimum Investment Requirement has been exceeded)

Example 4:

Total amount of capital investment through December 31, 2027 = \$9,072,000

Minimum Investment Requirement = \$10,080,000

Companies' Investment Performance = 90%

Investment In Lieu Payment Percentage Increase for 2027 = 10%

(In Lieu Payment Percentages for 2027 for the City General Fund and the County General Fund may be increased by 10%, the In Lieu Payment Percentage for 2027 for the City General Fund and for the County General Fund may be increased from the current requirement of 50% to 60%)

Such formula shall be evaluated on an annual basis until the Minimum Investment Requirement has been met or exceeded, whereupon no further evaluations or increase in the amount of the In Lieu Payments pursuant to this Section 6(c) shall occur.

(d) Single Adjustment Regarding Tax Abatement; Issuance of Supplemental Bill to the Companies. If both the annual employment review under Section 6(b) and the investment review under Section 6(c) for any calendar year indicate an increase in the In Lieu Payments for the same calendar year in which such failure occurs, and if the City and the County elect to increase the In Lieu Payments for such calendar year, then the City and the County shall determine whether the increase under Section 6(b) or Section 6(c) shall apply, which shall be the sole remedy for a shortfall in the Investment, Jobs and Wage Projection. The increase under Section 6(b) and Section 7(c) shall not be combined. If the City and the County increase the amount of the In Lieu Payments pursuant to the annual employment review under Section 6(b) for any calendar year, then they may not, in the same year, also increase the amount of the In Lieu Payments pursuant to Section 6(c), and vice versa. For example, using Examples 2 and 4 shown above, the City and the County may elect to either (i) increase the amount of the In Lieu Payments to the City General Fund and the County General Fund under Section 6(b) by 5% or (ii) increase the amount of the In Lieu Payments to the City General Fund and the County General Fund under Section 6(c) by 10%. In accordance with the foregoing and once a determination has been made of the Jobs In Lieu Payment Percentage Increase or the Investment In Lieu Payment Percentage Increase, whichever is determined to be applicable, the Trustee shall compute the amount of the additional In Lieu Payment resulting therefrom and will issue a supplemental bill to the Companies for that payment.

(e) Project Closure. In the event the Project closes or moves from the City and/or the County during the Tax Abatement Period, the City and the County reserve the right to immediately terminate the tax abatements provided by this Agreement and require the partial repayment of amounts from each Company that would have been payable on its respective portion the Property during the Tax Abatement Period as if it were subject to property taxes. The provisions of this subsection (e) shall be the sole remedy for a closure or relocation of the Project.

7. Talent Development and Local Opportunity.

(a) Steam Logistics, LLC will make good faith efforts, in consultation with the City, County and Chattanooga Area Chamber of Commerce (the "Chamber") to work with area

workforce development partners jointly designated by the City, County and Chamber to develop a talent pipeline for future job opportunities at the Project.

(b) Steam Logistics, LLC will make good faith efforts, in consultation with the City, County and Chamber to publicize available job opportunities at the Project so as to maximize the opportunities for qualified residents of Hamilton County, Tennessee to seek and gain employment at the Project.

(c) Steam Logistics, LLC will make good faith efforts, in consultation with the City, County and Chamber, to publicize available construction and service contract opportunities at the Project so as to maximize the opportunities for qualified contractors located in Hamilton County, Tennessee to seek and gain contracts in connection with the Project.

8. Disbursements by the Treasurer and Trustee. All sums received by the Treasurer pursuant to Section 3 for the benefit of the City General Fund shall be disbursed to the general funds of the City in accordance with this Section and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received by the Trustee pursuant to Section 3 for the benefit of the County general fund shall be disbursed to the general fund of the County in accordance with this Section and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All such sums received by the Treasurer shall be placed into an account for the use and benefit of the City. All such sums received by the Trustee shall be divided into an account for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Section 3 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. The parties acknowledge and agree that all disbursements to the City and County pursuant to this Agreement are in furtherance of the Board's purposes as set forth in Tennessee Code Annotated § 7-53-305.

9. Economic Development Lease Payments to City and County. For each calendar year in which the In Lieu Payment Percentage as to the City General Fund and as to the County General Fund (see chart in Section 4) is less than 100%, an Economic Development Payment to the City and to the County equal to 15% of their respective general fund property taxes (but, for clarity, expressly excluding the School Portion) that would otherwise be payable for such year on the Project if it were subject to property taxes as calculated by the Treasurer and Trustee pursuant to Section 2 above, shall be computed and collected by the Treasurer and Trustee; provided, however, in no event shall the total of the Companies' annual City General Fund and County General Fund In Lieu Payments plus the Economic Development Payment to the City and the County exceed one hundred percent (100%) of the respective City and County general fund taxes that would be assessed against the Project if it were subject to general fund taxes. Beginning in 2023, this Economic Development Payment will be paid for each year that the Property is owned by the Board through and including 2031 if the In Lieu Payment Percentage as to the City General Fund and as to the County General Fund (see chart in Section 4) for such calendar year is less than

100%. If the Board's ownership ceases during any calendar year, then that year's Economic Development Payment will be prorated, but in no event shall the total of the Companies prorated tax payments, prorated City and County In Lieu Payments plus the prorated Economic Development Fee exceed one hundred percent (100%) of the prorated City and County property taxes that would be assessed against the Project if it were subject to City and County taxes. The Trustee shall add the Economic Development Payment as a separate line item on the Tax Bill, and the Companies shall pay their respective portions of the Economic Development Payment for each such year during the term before March 1 of the following year. Any failure to pay the Economic Development Payment on or before March 1 shall result in penalties and late charges calculated in the same manner as penalties and late charges are calculated for In Lieu Payments under this Agreement.

The Trustee shall not deduct any part of the Economic Development Payment from the School Portion of the In Lieu Payments. The Trustee shall disburse the County's Economic Development Payment to the County.

10. Contest by the Companies. The Companies shall each have the right to contest the appraisal or assessment of the Property by the Assessor, the computation by the Treasurer and the Trustee of the amount of the In Lieu Payment and the calculation of the Economic Development Payments. If the Companies contest any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. If the In Lieu Payments, or the Economic Development Payments, as applicable, being contested shall be or become due and payable, the Companies shall make such payments under protest. The Companies and the Assessor, the Treasurer or the Trustee, as the case may be, shall negotiate in good faith for a period not to exceed sixty (60) days to resolve any disputes as to appraisal, assessment or computation of the In Lieu Payment or the Economic Development Payments, as applicable. If the Companies and the Assessor, the Treasurer or the Trustee, as the case may be, are unable to resolve a dispute, then the Companies may file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

11. Lien on the Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

12. Term. This Agreement shall become effective on the date that the Board leases the Property to the Companies and shall continue for so long as the Board holds title to any of the Property and leases such property to the Companies or the Companies have made all payments required hereunder, whichever shall later occur.

13. Leasehold Taxation. The Board, the City, the County, the Treasurer, the Trustee and the Assessor acknowledge and agree that the Companies' real and personal property leasehold interests in the Property under the Lease shall not be subject to assessment for ad valorem tax purposes. If the leasehold interests of the Companies in the Property should be subject to ad valorem taxation for any year hereunder, then any amounts assessed as taxes thereon shall be credited against any In Lieu of Tax Payments and Economic Development Payments paid under this Agreement and carried forward from year to year until fully utilized.

14. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission and telex), and mailed or sent via facsimile transmission or delivered addressed as follows:

Board:	The Industrial Development Board of the City of Chattanooga 100 E. 11 th Street, Suite 200 Chattanooga, Tennessee 37402 Attention: Phil Noblett
The City:	Emily O'Donnell City Attorney City of Chattanooga 100 E. 11 th Street, Suite 200 Chattanooga, Tennessee 37402
The County:	Rheubin M. Taylor County Attorney Hamilton County Government Room 204, County Courthouse Chattanooga, Tennessee 37402
Steam Logistics, LLC	Jason Provonsha CEO 325 Market Street, Suite 204 Chattanooga, Tennessee 37402
With a Copy to:	Colton Sadler General Counsel 325 Market Street, Suite 204 Chattanooga, Tennessee 37402
329 Market, LLC	329 Market, LLC c/o Todd Phillips 832 Georgia Avenue, Suite 300 Chattanooga, Tennessee 37402
With a Copy to:	Noon Management, LLC c/o General Counsel 832 Georgia Avenue, Suite 300 Chattanooga, Tennessee 37402
The Assessor	Hamilton County Assessor of Property Hamilton County Courthouse Chattanooga, Tennessee 37402

The Treasurer: City of Chattanooga Treasurer
101 East 11th Street
Chattanooga, TN 37402

The Trustee: Hamilton County Trustee
Hamilton County Courthouse
Chattanooga, Tennessee 37402

Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent. All such notices and communications shall, when mailed by registered and certified mail, return receipt requested, Express Mail, or facsimile, be effective when deposited in the mails or if sent upon facsimile transmission, confirmed electronically, respectively, addressed as aforesaid.

15. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

16. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

17. No Liability of Board, City and County Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, official, director or officer, as such, of the Board, the City or the County, whether past, present or future, either directly or through the Board, the City or the County. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

18. Assignment.

(a) Except in the event of the conveyance of all or a portion of the Property or all or a portion of a leasehold interest in the Property as a result of a foreclosure or deed in lieu of foreclosure or except as otherwise provided in this Section, each Company may only assign its portion of this Agreement, or any part hereof, with the prior consent of the Mayor of the City, the Mayor of the County, and the Board. The Mayor of the City, the Mayor of the County and/or the Board shall not withhold such consent upon the occurrence of all of the following conditions: (i) there is no default under this Agreement at the time of the assignment, (ii) all requirements of the applicable Company under this Agreement have been satisfied as of the date of the assignment, and (iii) any assignee agrees to provide proof of sufficient assets to fund the applicable Company's portion of the business plan for the Project and agrees to be bound by the terms of this Agreement from and after the date of assignment (the "Consent Requirements"). If the applicable Company

provides the Mayor of the City, the Mayor of the County and the Board (x) a certificate of an officer of the Company certifying that the requirements of (i) and (ii) have been satisfied and (y) proof of sufficient assets to fund the business plan for the Project and a copy of an assignment and assumption agreement pursuant to which the assignee agrees to be bound by the terms of this Agreement, the Mayor of the City, the Mayor of the County and the Board shall each have the option, upon at least seven (7) days' prior notice to the Company, to meet with a representative of the Company within forty-five (45) days of receipt of the Company's certificate for purposes of determining whether the Company has satisfied the Consent Requirements. Unless the Mayor of the City, the Mayor of the County and the Board meet with the Company and all state in writing within such forty-five (45) day period that the Company has not satisfied the Consent Requirements, the Company may assign this Agreement in accordance with the terms and conditions described in the Company's certificate without any further action of the Mayor of the City, the Mayor of the County and/or the Board. In the event that the Mayor of the City, the Mayor of the County and the Board timely state in writing that the Company has not satisfied the Consent Requirements, the Company and the assignee may, upon the Company's request, appear before the City Council of the City, the Board of Commissioners of the County and the Board to request approval of such assignment pursuant to the terms of this Section, which consents shall not be unreasonably withheld. Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from liability for any of its obligations hereunder as of the effective date of the assignment.

(b) Notwithstanding the provisions of subsection (a), above, and notwithstanding any other provision in this Agreement or the applicable Lease to the contrary, a Company may make a collateral assignment of all or any portion of its interests in this Agreement, its Lease and its portion of the Property for the benefit of one or more banks or other lenders that, from time to time, provide financing to the Company. Nothing in this Agreement or the applicable Lease shall in any way restrict any sale or transfer of the leasehold interest and other interests of the Company in its portion of the Property pursuant to a judicial or non-judicial foreclosure sale as a result of the exercise of any one or more lender's rights under the applicable loan documents. The City, the County and the Board shall cooperate with each Company, to the extent reasonable and at no additional cost to the City, County or Board, in consummating any financing for the Company that involves a pledge or assignment of the Company's interests in this Agreement, the Lease or its portion of the Property. Without limitation of the foregoing, the Mayor of the City, the Mayor of the County, and the Chairman of the Board, or any of their respective designees, are authorized, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, consents to assignment, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the City, County and Board beyond the Board's interest in the Property.

19. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

20. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

21. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Treasurer, the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

22. Annual Report. On or before January 31 of each year this Agreement is in effect, the Companies shall provide a report to the Mayor of the City and to the Mayor of the County summarizing its investment in the Property and the development and operation of the Project for purposes of analyzing the Companies' progress in achieving the Investment, Jobs and Wage Projection. An independent audit of these certifications may occur if requested by the City or County during any calendar year of this Agreement.

23. Stormwater Fees. In addition to the other requirements under this Agreement, 329 Market, LLC shall be responsible for all stormwater fees assessed by the City against the Real Property within the City limits.

24. Rights and obligations of Steam Logistics, LLC; Limited liability of 329 Market, LLC. For so long as Steam Logistics, LLC subleases the Real Property from 329 Market, LLC, Steam Logistics, LLC shall be jointly liable for the liabilities of 329 Market, LLC under this Agreement, and Steam Logistics, LLC shall join in and have the same rights and obligations with respect to the Real Property as 329 Market, LLC has under this Agreement. 329 Market, LLC shall have no rights or obligations under this Agreement with respect to the Personal Property under this Agreement, and Board, the City and the County shall look solely to Steam Logistics, LLC for the performance of such obligations.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ATTEST:

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA**

By: _____
Secretary

By: _____
Chairman

STEAM LOGISTICS, LLC

By: _____

329 MARKET, LLC

By: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

MARTY HAYNES

By: _____
Hamilton County Assessor of Property

EXHIBIT "A"
TO PILOT AGREEMENT

REAL PROPERTY

[Property address for reference purposes only: 329 Market Street]

IN THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE;

The South Twenty-five (25) feet of Lot Twenty-one (21), and the North Fifty (50) feet of Lot Twenty-three (23), Market Street, Original Plan of the Town of Chattanooga, in the City of Chattanooga, Hamilton County, Tennessee, said part of lots make one tract of ground fronting 75 feet on the West line of Market Street and extending back Westwardly of uniform width a distance of 200 feet to the East line of Broad Street. LESS AND EXCEPT that part conveyed in Quitclaim Deed recorded in Book 10341, Page 150, in the Register's Office of Hamilton County, Tennessee.

EXHIBIT "B"
TO PILOT AGREEMENT

PERSONAL PROPERTY

The Project shall include all equipment and other tangible personal property that is installed or otherwise located on or about or used in connection with the real property described in Exhibit A attached to this Agreement during the Five-Year Period, together with replacements thereof and substitutions therefor, in connection with the Companies' facilities and operations on such property. Notwithstanding the foregoing, the personal property subject to this Agreement does not include any personal property that is already in service at any operation of either of the Companies in the City and the County as of the effective date of the Agreement.