

SALES TAX PRESERVATION PROGRAM GUIDELINES

I. PURPOSE

In 1982, City of Oak Ridge North (“City”) adopted zoning regulations for its then existing residential and commercial areas of the city which were designed to promote the health, safety, morals, or the general welfare of the community by regulating, among other things, the use of all buildings, structures and land for residential, trade, industry, and commercial purposes.

For commercial zoning districts, the City’s ongoing goal is to create, preserve and encourage uses that promote commercial transactions that are taxable and generate sales tax revenue for the City of Oak Ridge North and its Economic Development Corporation (“EDC”). Sales tax is a significant source of revenue for the City that helps mitigate the ad valorem [property] tax burden on its residents and by implementing measures that limit permitted zoning uses in its commercial districts to those that are retail based, meaning they are taxable transactions that generate sales tax revenue, the City helps ensure that its economy will remain strong and its taxpayers will benefit from lower, or at least controlled, ad valorem tax rates for years to come.

II. SALES TAX PRESERVATION PROGRAM

The City of Oak Ridge North Sales Tax Preservation Program (“STP Program”) focuses on preserving the retail character of the City’s B-2 Secondary and Highway Business District (“B-2 District”) and is designed to enhance the growth and diversity of the City’s B-2 District. The Program is intended to accommodate commercial property owners’ desire to lease vacant spaces to businesses that are not primarily retail in nature under certain limited circumstances, which will help maximize commercial property owners’ investments. As a result, existing businesses/tenants should benefit from an increase in foot traffic and in turn an increase in their own sales revenues. The City will benefit from the STP Program because the City will collect a payment in lieu of the usual anticipated sale tax revenue (the “PILOT”) the City otherwise collects by allowing commercial property owners to lease commercial space that was not previously leased at all or leased to businesses that were not retail based and who did not generate sales tax revenue.

The City’s current B-2 District regulations permit all restaurant, retail store, and wholesale business uses in the B-2 District, the goal being to maximize the concentration of retail-based business in the B-2 District. All other not retail uses are prohibited *unless* the property owner wants to participate in the STP Program. To be considered for the STP Program, a B-2 District property owner must submit an application to the City for consideration requesting a particular not retail use and agree to execute a Sales Tax Preservation Agreement (“STP Agreement”). Based on the occupancy conditions existing as of December 2019, STP Agreements should be limited such that they do not exceed approximately fifty percent (50%) of the square footage of an individual B-2 development. Single tenant buildings may be evaluated on a case by case basis taking into consideration the existing uses in the surrounding B-2 District. If at any point the single tenant building is subdivided, the fifty percent (50%) square footage shall apply. It is not the intent of this STP Program to replace existing retail businesses in the B-2 District to erode or otherwise eliminate the prohibition of not retail uses in the B-2 District over time, or to discourage or in any way inhibit the development of new retail business opportunities in the B-2 District. For those not

retail businesses currently located in the B-2 District and operating under a Specific Use Permit or other special exceptions, the Program encourages the conversion of those existing provisional uses to STP Agreements to the greatest extent possible.

III. STP FEE PAYMENT TERMS AND CONDITIONS

Once the City receives an application for a STP Agreement, the Program Administrator or its designee (“Program Administrator”) shall work with the EDC to evaluate the application and make a recommendation to the City Council regarding whether an STP Agreement is appropriate. Following the Program Administrator’s and the EDC’s evaluation of an application, the City Council may request City Staff to prepare a Sales Tax Preservation Agreement for its consideration and approval whereby the commercial property owner agrees to tender STP Payments to the City in lieu of the sales tax the City would have received from an otherwise retail based tenant. STP Payments shall be controlled by the executed STP Agreement executed between the parties whereby the commercial property owner (or Landlord) agrees to pay the City an STP Payment based on a rate per square foot each quarter (90 days) of the year. Breakdown and further details can be seen in Exhibit A. The STP Payment will be divided in the same manner between the City and EDC as the sales and use tax, whereas three-fourths of a dollar will go to the City and one quarter will go to EDC.

IV. NO GUARANTEED APPROVAL OR RENEWAL.

The STP Program is in no way intended to replace the City’s current retail-based zoning use regulations for the B-2 District. There is no guarantee that any one particular application for a STP Agreement will be approved or that a STP Agreement, once executed, will be renewed for a particular property. Accordingly, property owners and their real estate brokers should avoid executing legally binding commercial real estate leases for their properties that contemplate a not retail use until such time that a STP Agreement approved by the City Council and executed.

The STP Program Guidelines are to be a general guide, which may be changed or modified at any time by the City Council. All STP Applications will be reviewed individually and their merits evaluated on a case by case basis.

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Exhibit A

Procedure:

- Owner/Landlord must contact the Program Administrator to obtain an STP Application for a proposed Tenant.
- Applications must be submitted by the 2nd Monday of the month to be placed on the EDC meeting agenda for initial consideration by the 3rd Monday of the month.
- If recommended by the EDC the Program Administrator will submit the draft STP Agreement to EDC for consideration.
- EDC will review the proposed STP Agreement and make recommendations to the City Council.

2 nd Monday	Application submitted to Program Administrator
3 rd Monday	EDC Meeting, Application Review and Recommendations
After EDC Review	City Council Meeting, Review and Approval/Denial

- The STP Agreement shall be executed between the City and the Owner/Landlord.
- The STP Agreement shall be based on the Terms of the lease provided by the Owner/Landlord with the STP Application.
- Once an STP Agreement is signed by all parties and the first quarterly fee is paid, then the Program Administrator will notify Building Officials of the executed agreement to proceed with permitting and/or obtaining a certificate of occupancy ("CO").

STP Payment Terms and Conditions:

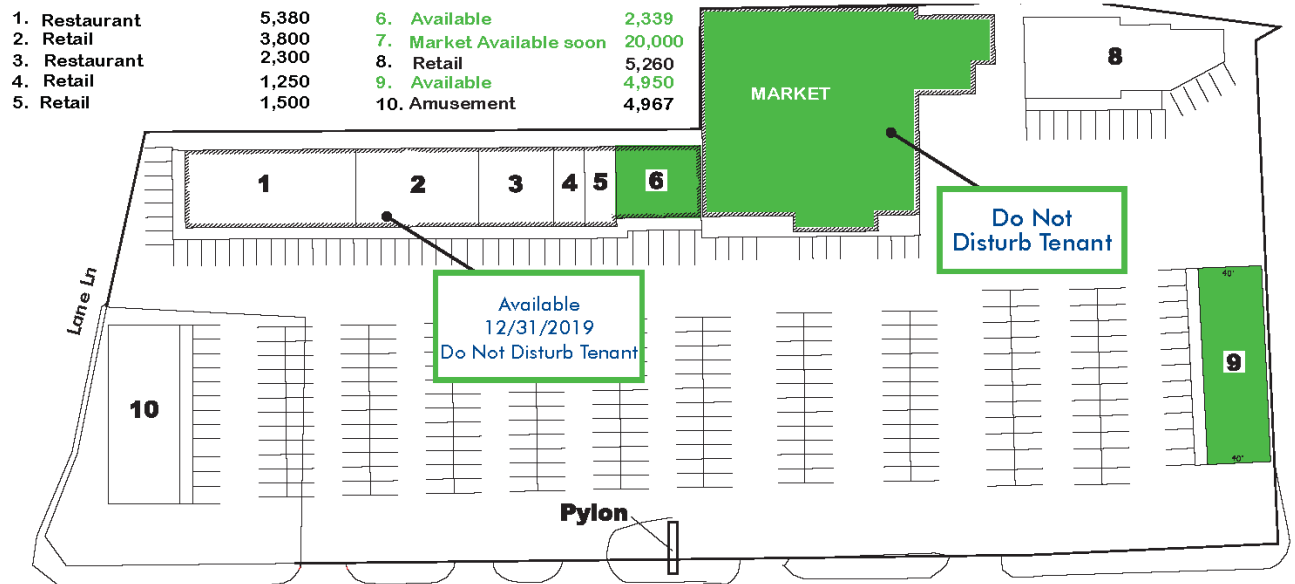
- Payments shall be controlled by the STP Agreement executed between the parties whereby the commercial property owner (or Landlord) agrees to pay the City the STP Payment based upon the rate reflected in the STP Agreement.
- Quarters will be broken down as follows:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
January 1 – March 30	April 1 – June 30	July 1 – September 30	October 1 – December 31
Invoice: January 1 Due: On or before February 1	Invoice: April 1 Due: On or before May 1	Invoice: July 1 Due: On or before August 1	Invoice: October 1 Due: On or before November 1

*This figure was calculated in December 2019 based on the current occupancy and sales tax generated in the entire B-2 District. The calculations may be periodically reassessed to evaluate changes in market conditions

- Each development should have no less than 50% retail occupancy. Exceptions can be made.

Example:



Development Total = 51,746 SF

Available Leasable Space = 27,289 SF

Available Space SF / Total SF = 0.527 or 52.7%