R-2022-05

A RESOLUTION CONSENTING TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF FAYETTEVILLE AND LINCOLN COUNTY, TENNESSEE NEGOTIATING AND ACCEPTING PAYMENTS IN LIEU OF AD VALOREM TAX WITH RESPECT TO A CERTAIN PROJECT IN FAYETTEVILLE, TENNESSEE, AND FINDING THAT SUCH PAYMENTS ARE DEEMED TO BE IN FURTHERANCE OF THE PUBLIC PURPOSES OF THE BOARD AS DEFINED IN TENNESSEE CODE ANNOTATED SECTION 7-53-305.

WHEREAS, the Board of Mayor and Aldermen (the "Governing Body") of the City of Fayetteville, Tennessee (the "City") has met pursuant to proper notice; and

WHEREAS, the City has previously authorized the incorporation of The Industrial Development Board of the City of Fayetteville and Lincoln County, Tennessee (the "Board") as an industrial development board duly organized and existing under the provisions of Title 53 of Chapter 7, Tennessee Code Annotated; and

WHEREAS, the Board desires to induce a company referred to as Project Tiller (the "Company") to equip a manufacturing facility located at 1810 Wilson Parkway in Fayetteville, Tennessee with certain personal property (the "Equipment") for the manufacture and warehousing of certain products by the Company (the "Project"); and

WHEREAS, the Company has requested the Board to hold ownership of the Equipment; and

WHEREAS, the Company has furthermore requested the Board to lease the Equipment to the Company and to permit the Company to make payments in lieu of ad valorem taxes; and

WHEREAS, Tenn. Code Ann. § 7-53-305(b) authorizes the City to delegate to the Board the authority to negotiate and accept from the lessees of the Board payments in lieu of ad valorem tax upon the finding that such payments are deemed to be in furtherance of the public purposes of the Board as defined in said Code Section.

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Fayetteville, Tennessee, as follows:

1. The Governing Body hereby finds that the negotiation and acceptance by the Board of payments in lieu of ad valorem taxes consistent with this resolution are deemed to be in furtherance of the public purposes of the Board as defined in Tennessee Code Annotated Section 7-53-305, and the Governing Body hereby consents and delegates to the Board the right to negotiate and accept such payments from the Company.

2. The terms of the agreement between the Board and the Company concerning payments in lieu of ad valorem taxes shall be determined by the Board; provided, however the terms of such agreement shall be consistent with the terms described on Exhibit A attached hereto.

3. The Board's agreements concerning payments in lieu of ad valorem taxes relating to the Project may contain such administrative provisions not inconsistent with this resolution as the Board deems appropriate.

EXHIBIT A

- Term of ten (10) years
- Capital investment equal to or greater than $38,000,000
- Creation of at least 369 new jobs
- PILOT Payments equal to the following percentage of ad valorem taxes that would otherwise be payable with respect to the Equipment if the Equipment was to be owned by the Company:

Year 1	0%
Year 2	0%
Year 3	20%
Year 4	30%
Year 5	40%
Year 6	50%
Year 7	60%
Year 8	70%
Year 9	80%
Year 10	90%

Cost Versus Benefit Analysis for Payment In Lieu of Ad Valorem Tax

Instructions: Complete fields shaded gray. Additional comments and information about costs or benefits associated with the project may be attached.

Date: 1/31/2022

Person Completing the Form: G. Mark Mamantov
Title: Attorney - Bass, Berry & Sims, PLC

Lessor: The Industrial Development Board of the City of Fayetteville and Lincoln County, Tennessee
Lessee: Project Tiller

Lease Term: **Term Beginning Date:** 1/1/2023 **Total Term Ending Date:** 12/31/2029

Comments/Description: This PILOT is to encourage the retro fit and equipping of a manucturing facility of lawn and garden power equipment in the City of Fayetteville, Tennessee.

Industry Group (drop down box): 31-33 Manufacturing
NAICS Code (drop down box): 333112 Lawn and garden equipment manufacturing

Step 1	369 Number of New Jobs	x	$18.25 Average Hourly Wage	x	2080 Hours	=	$14,007,240 Direct Income	x	3.993 Earnings multiplier*		$55,926,707 Total New Direct, Indirect & Induced Income
Step 2	369 Number of New Jobs	x	4.4944 Employment multiplier*	=	1658.4 Total Number of New Direct, Indirect & Induced Jobs						
Step 3	$55,926,707 Direct, Indirect & Induced Income	x	0.0942	=	$5,268,296 New Total Annual State Tax	x .606* =	$3,192,587 New Annual State Sales Tax	x	0.162		$517,199 New Annual Local Sales Tax

Total New Direct, Indirect & Induced Jobs: 1658.43
Total Direct, Indirect & Induced Income: $55,926,707
Total of New Annual State & Local Sales Tax: $3,709,786

Amount of Local Taxes Abated Annually: 100%
(1st year 100%)
Date of Delegation Resolution: TBD

Market Value of Leased Real Property Improvements: $ 7,000,000.00
Market Value of Leased Machinery & Equipment: $ 36,000,000.00
Market Value of Leased Land: $ -
Total Appraised Value: not yet appraised
Total Assessed Value: not yet assessed

Annual Cost of PILOT (to be calculated internally): to be determined

*RIMS II employment and income multipliers for the State of Tennessee

Fayetteville - Lincoln County

Payment In Lieu of Tax Agreement (P.I.L.O.T.)
Ten (10) Years

Total Investment	-				
Building & Land (Real Property)	-				
Equipment (Personal Property)	36,000,000				
	City & County	Lincoln County		$	2.1000
Real Property (40% Assessment)	$ -	City of Fayetteville		$	1.5000
			Total	**$**	**3.6000**
Equipment (30% Assessment)	$ 388,800				
Total Initial Annual Tax	**$ 388,800**				

End of Year	Pilot Savings%	Real Property Tax	Real Property Tax Savings	Real Property Tax Paid	Personal Property Tax	Personal Property Tax Savings	Personal Property Tax Paid	Total Tax	Total Tax Paid	Total Tax Savings for Company
1	100.00%	$ -	$ -	$ -	$ 342,144.0	$ 342,144.0	$ -	$ 342,144	$ -	$ 342,144
2	100.00%	$ -	$ -	$ -	$ 291,600.0	$ 291,600.0	$ -	$ 291,600	$ -	$ 291,600
3	80.00%	$ -	$ -	$ -	$ 244,944.0	$ 195,955.0	$ 48,989	$ 244,944	$ 48,989	$ 195,955
4	70.00%	$ -	$ -	$ -	$ 194,400.0	$ 136,080.0	$ 58,320	$ 194,400	$ 58,320	$ 136,080
5	60.00%	$ -	$ -	$ -	$ 147,744.0	$ 88,646.0	$ 59,098	$ 147,744	$ 59,098	$ 88,646
6	50.00%	$ -	$ -	$ -	$ 97,200.0	$ 48,600.0	$ 48,600	$ 97,200	$ 48,600	$ 48,600
7	40.00%	$ -	$ -	$ -	$ 77,760.0	$ 31,104.0	$ 46,656	$ 77,760	$ 46,656	$ 31,104
8	30.00%	$ -	$ -	$ -	$ 77,760.0	$ 23,328.0	$ 54,432	$ 77,760	$ 54,432	$ 23,328
9	20.00%	$ -	$ -	$ -	$ 77,760.0	$ 15,552.0	$ 62,208	$ 77,760	$ 62,208	$ 15,552
10	10.00%	$ -	$ -	$ -	$ 77,760.0	$ 7,776.0	$ 69,984	$ 77,760	$ 69,984	$ 7,776
	Total	$ -	$ -	$ -	$ 1,629,072	$ 1,180,785	$ 448,287	$ 1,629,072	$ 448,287	$ 1,180,785

Local Incentives - PILOT Savings **$ 1,180,785

Assumption 1) Personal Property investment is all in manufacturing machinery category, which is depreciated over seven years with a bottom value of 20% of the original basis. All equipment included in this agreement belongs in Group 5 for classification purposes.

Assumption 2) All real property and personal property will be sold to the Industrial Board and leased back to company for a token amount. At the conclusion of the PILOT, the Industrial Board will transfer the property back to the project.

**Proposed PILOT Savings are subject to final approval from the Industrial Development Board, City of Fayetteville and Lincoln County Commission.