

South Broad District - Executive Summary & FAQs

Revitalize. Renew. Reinvest

South Broad Study

The process for revitalizing the South Broad District began in 2003 and continued under several City and County administrations. In 2017, the Chattanooga Design Studio began a planning study of the South Broad District, which includes more than 400 acres just south of Downtown Chattanooga. The study area included the U.S. Pipe and Wheland Foundry site, South Broad Street, Southside Gardens, Market Street, and the area surrounding The Howard School.

Following are just a few of the implementation recommendations included in the South Broad District Study (January 29, 2018):

- Explore the creation of a TIF district
- Promote affordability
- Support The Howard School
- Pursue catalytic projects with the U.S. Pipe/Wheland Foundry Site identified as an ideal location for catalytic projects.

4. Explore the Creation of a TIF district

Tax Increment Financing (TIF) is a tool that communities can use to fund infrastructure improvements within an area where revitalization is envisioned. The increase in property values resulting from new private development typically translates into increased property tax revenues. That increase, or increment, is used to help pay for the upfront infrastructure improvements. The South Broad District is an ideal candidate for this mechanism because of its current state and its potential for redevelopment. The City should consider declaring the study area as a TIF district. If it does, it will be important to:

- ▶ Utilize the recommendations in this study as the basis for the goals of the TIF district;
- ▶ Ensure that the improvements in the area are balanced and are beneficial across the district; and
- ▶ Develop a list of priorities based on the recommendations in this Study and further examine as recommended in this plan.

5. Promote Affordability

A key idea that came from the community through this process was housing that promotes economic diversity within the South Broad District. This can be partially achieved by adopting policy and regulations that

permit and even encourage a variety of housing types that meet a variety of needs. It is likely that will not go far enough. It is encouraged that the City adopt a goal that 15% of new or renovated housing units be reserved for affordable and/or workforce housing. The provision to set aside affordable units should be offset with appropriate incentives so as to avoid thwarting development. Additionally, there is a potential opportunity to tie the provision of affordable housing to a TIF district, if created. The Chattanooga Housing Authority, Chattanooga Neighborhood Enterprise, the City of Chattanooga, and others must work together to utilize existing tools and create new tools that will ensure redevelopment in South Broad promotes economic diversity.

6. Support Howard School

Howard School is the only current downtown high school and has been located in the study area since the 1950s. The vision for the South Broad District very much includes the presence and strengthening of Howard School as part of revitalization s. It is understood, however, that to realize the mutual benefits of a strong, public high school and vibrant, urban neighborhood goes beyond the scope of this study. It is recommended that a separate process—in conjunction with Chattanooga 2.0 and Hamilton County Department of Education—be established to tackle the educational

issues and opportunities of Howard School. This process should directly involve residents, business owners, and developers that have a stake in the South Broad District.

7. Pursue Catalytic Projects

As identified in the Market Analysis (see p. 9), there is development potential for up to 1.5 million sf that this study has contemplated. As expected, redevelopment will take time and there is no guarantee that the total development potential will be realized. In order to maximize opportunities for successful redevelopment district-wide, it is important to focus public-private partnerships on catalytic locations that have the potential to create a development synergy that will spread throughout the district. Some ideal locations for catalytic development include:

U.S. Pipe/Wheland Foundry Site

With nearly 140 acres under single ownership, the former foundry sites create a large, unique, and rather immediate opportunity for redevelopment. Adaptive reuse of the historic foundry buildings at the terminus of W. 26th and W. 28th Streets can create a destination that could spawn surrounding development. Infrastructure is needed in this area to create a system of blocks for development and streets that connect redevelopment to the rest of

City Council adopted the South Broad District Plan by Resolution on April 10, 2018.

Between 2018 and 2022, discussions continued regarding the South Broad District Plan, but were slowed during the COVID-19 pandemic. During 2021, Mayors Kelly and Coppinger began working again to move the project forward. This included requesting legislation from the Tennessee General Assembly, negotiating with the Chattanooga Lookouts, developing an economic impact plan, and developing a financial model. Additional community feedback was obtained in early 2022 and a preliminary schedule was developed to move forward with tax increment financing.

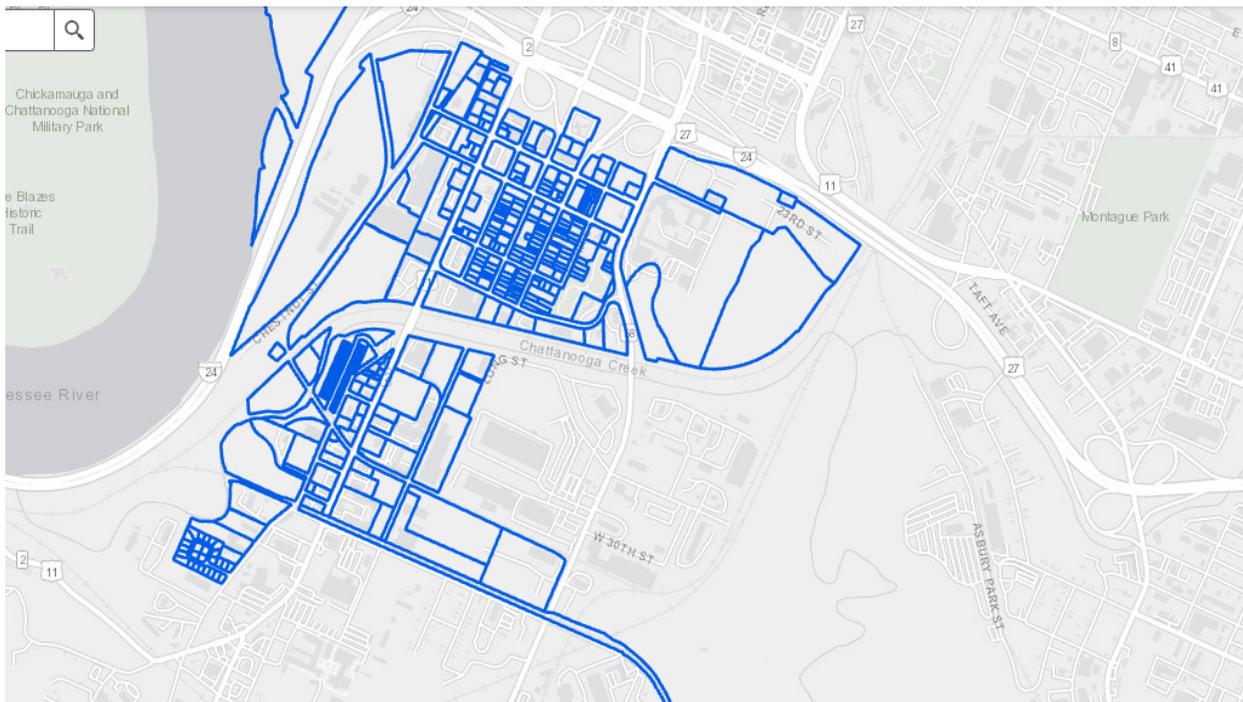
Tax Increment Financing (TIF)

Source: Tennessee Comptroller of the Treasury Website

Tax Increment Financing – or TIF – projects give cities and counties tools to retain, recruit, and grow business and industry. Tax Increment Financing is a method utilized by local governments to pay for community improvements with future tax revenues. For example, a blighted neighborhood might have dilapidated buildings worth only \$50,000 in property value. Using a TIF, the local government could build new infrastructure or even replace the run-down buildings with new ones as well as other improvements to increase total property values in the area to \$750,000. The \$700,000 difference in property value increases property tax collections. The increased property tax revenue is used to recover the cost of the TIF improvements. In short, it's a way to allow new development to pay for itself.

TIF District

The TIF District included in the Economic Impact Plan presented for approval includes, from north to south, the South Broad Study Area, the South Broad Business District, and the Alton Park Connector. This is the area that will benefit from the economic impact of the TIF project, which is a publicly-owned, multi-use stadium that will be leased to the Chattanooga Lookouts.



Catalyst Project - U.S. Pipe and Wheland Foundry Site

- New publicly owned stadium, which will be a multi-purpose entertainment venue
- Chattanooga Lookouts will lease the stadium, to be used for minor league baseball, concerts, community events, high school and college sporting events, etc.
- 19 minor league baseball stadiums have been built since 2002
 - 18 of 19 stadiums were built with some level of public funding
 - 14 stadiums were 80%+ publicly funded
 - 8 stadiums were 100% publicly funded
 - 1 stadium was built without public funds, 100% funded by a philanthropist
- Stadium is a catalyst for the remaining 120 acres on the site around the stadium
- Core Development is already planning over \$160 million for multifamily housing
- Property owner has engaged a renowned master developer to guide the development of the site, to leverage up to \$1 billion of new development
 - Jim Irwin & New City Properties
 - Designer and master developer of Atlanta's Ponce City market
 - Experience with brownfields and stadiums as catalyst for development

The stadium will be a catalyst for development on the US Pipe and Wheland Foundry Site. The stadium and surrounding development will significantly benefit the entire TIF district, including South Broad businesses, The Howard School, and current residents in the area.

Current aerial view of the US Pipe and Wheland Foundry Site:



Rendering of adaptive reuse of existing buildings:



Financing the Stadium

- Creation of Sports Authority, jointly formed by City and County, to own the stadium
- Sports Authority will issue 30 year bonds to pay for construction of the stadium
 - Revenue bonds secured with specified revenues
 - Not general obligation bonds
- Creation of a TIF district to capture new property taxes that do not exist today
- Special thank you to our State legislative delegation - state/local sales tax revenues from all stadium events can be captured to pay for the stadium
- Competitive lease and parking fee structure with the Chattanooga Lookouts
- Lease agreement with the Chattanooga Lookouts with a term of 30 years and rent starting at \$1 million per year with an escalator, one of the highest rents in minor league baseball with total rent of more than \$30 million
 - 1.5 times higher than the rent paid by the minor league team in Nashville
 - 2.75 times higher than the rent paid by the Tennessee Titans for Nissan Stadium
- The Lookouts will be responsible for maintaining the stadium per the lease agreement
 - At least \$1.5 million per year for 30 years, or \$45 million
- Donation of 8-10 acres of private land to Sports Authority, valued at \$10 million+
- Financing plan conservatively assumes only \$350 million of development around the stadium (\$160 million already planned)
- Not a single penny of existing property tax revenues will go to the stadium.

The following chart shows how the revenue bonds will be repaid:

Stadium Financing Plan:		
Stadium Construction Costs	\$ 72,000,000	
Capitalized Interest	\$ 6,863,009	
Bond Issuance Costs	\$ 604,657	
Bond Proceeds Required	\$ 79,467,666	
Sources for Bond Repayment:		
Incremental Property Taxes from Development	\$ 46,050,231	58%
Stadium Lease	\$ 17,220,340	22%
State Sales Taxes Generated in Stadium	\$ 9,688,296	12%
Local Sales Taxes Generated in Stadium	\$1,981,697	2%
Net Parking Revenues	\$ 1,645,260	2%
City of Chattanooga Economic Development Funds	\$ 1,440,921	2%
Hamilton County Economic Development Funds	\$1,440,921	2%
Total Sources for Payment of Bond Debt	\$ 79,467,666	100%

Note: Amounts expressed in today's dollars using a discount rate equal to the bond rate.

96% of the project pays for itself, through revenues that do not exist today.

4% of the project is funded by City of Chattanooga and Hamilton County Economic Development Funds, which will not be paid upfront. Following is an estimated payment schedule, assuming there is never more than \$350 million of development around the stadium. The first payment will not be due for more than two years from today.

	City	County	Total
FY 2025	\$842,795	\$842,795	\$1,685,589
FY 2026	\$44,717	\$44,717	\$89,433
FY 2027	\$39,959	\$39,959	\$79,917
FY 2028	\$62,237	\$62,237	\$124,473
FY 2029	\$57,387	\$57,387	\$114,773
FY 2030 - FY 2040	\$393,829	\$393,829	\$787,658
Total Estimated Payments	\$1,440,921	\$1,440,921	\$2,881,843

TIF - Use of Incremental Property Taxes

The TIF will generate incremental property taxes within the TIF district as new development occurs. We have conservatively estimated \$350 million of development around the stadium for purposes of analyzing the funds that will be available to repay bonds issued for construction of the stadium.

Under the TIF procedures, all incremental property taxes allocated for education will continue to go to Hamilton County Schools. Additionally, portions of the incremental property taxes will be allocated to Hamilton County and City of Chattanooga for economic development and debt service funds to be used for any projects throughout the City and County. The remaining incremental property taxes are allocated to the TIF. Following is the allocation included in the Economic Impact Plan presented for approval:

Incremental Property Taxes Allocated to Hamilton County Schools:	\$33,007,576
Incremental Property Taxes Allocated to Hamilton County:	\$17,014,956
Incremental Property Taxes Allocated to City of Chattanooga:	\$18,543,644
Incremental Property Taxes Allocated to the TIF:	\$77,899,612

The Economic Impact Plan defines how the incremental property taxes allocated to the TIF must be used. The following projects are identified in the Economic Impact Plan by priority:

1. Debt service for the publicly owned stadium
2. Capital reserve fund for the publicly owned stadium
3. Repayment to City and County for any funds used for stadium debt service or public infrastructure within the TIF district
4. Alton Park Connector

Once these projects are funded, any additional incremental property taxes are allocated by the Industrial Development Board for public infrastructure within the TIF district.

Frequently Asked Questions

❖ Will my property taxes be used for the stadium?

- **No.** Existing property taxes will not be used for the stadium. Only new incremental property taxes within the TIF, that do not currently exist, will be used for the stadium. Any City and County funds used for the stadium (see financing plan) will be paid from economic development or hotel/motel tax funds. Furthermore, an Interlocal Agreement that accompanies the Economic Impact Plan indicates that no existing property taxes will be used for the stadium.

❖ **Will the stadium cause my property taxes to increase?**

- **No.** The stadium will not cause property taxes to increase. The purpose of the TIF is to capture new property taxes that do not exist today in order to build the stadium and catalyze economic development in the TIF district.
- 58% of the debt service for the stadium will be paid from incremental property taxes that do not exist today.
- 38% of the debt service for the stadium will be paid through use of the stadium - lease agreement, sales taxes generated in the stadium, and parking revenues
- Even if development is slowed and incremental property taxes are not sufficient (which is highly unlikely), the City and County have sufficient economic development and hotel/motel tax revenues to pay for debt service on the stadium.

❖ **Why are the Chattanooga Lookouts not putting in more money upfront?**

- The Lookouts are paying for 22% of the stadium through lease payments.
- **The Lookouts will be paying at least \$75 million** to build and maintain the stadium over 30 years.
 - One of the highest lease payments in the country for minor league baseball, with more than \$30 million in rent over 30 years
 - \$45 million + in maintenance costs over 30 years
- We also required that the land be donated by the property owner and that a master developer be retained for the site.

❖ **Why do the Chattanooga Lookouts need a new stadium?**

- The current stadium was built by the previous owners of the Lookouts. It was built as cheaply as possible and built very poorly. It faces the wrong direction and does not meet the standards required by Major League Baseball (MLB). There are over 140 compliance issues with the current stadium.

- Over the past couple of years, many teams were eliminated due to having non-compliant stadiums. No team with a compliant stadium has ever been eliminated. The Lookouts were on the elimination list but obtained a reprieve because MLB wants to be in our market and the Lookouts owners are among the most respected in Minor League Baseball (MiLB). Hardball Capital also owns two other teams that are among the most successful MiLB teams in terms of compliance, operations, and player development. But the reprieve was only an extension and a compliant stadium is still required.
- Economic impact studies show that we would lose at least \$30 million of economic impact if we lose the Lookouts due to a non-compliant stadium.

❖ **What happens if there is no development around the stadium?**

- \$160 million of development is already planned.
- We have used a very conservative estimate of \$350 million to develop a financing plan for the stadium.
- The development goals of \$350 million for phase 1 and \$1 billion for full build out are very achievable.
 - Fort Wayne, IN stadium site - development has surpassed \$1 billion in 13 years
 - Columbia, SC stadium site - development has reached \$650 million in 6 years since 2016 (including during the pandemic) and is expected to reach \$1.2 billion within the next 5 years. This site is similar to the Chattanooga site.
- 38% of the debt service for the stadium will be paid through use of the stadium - lease agreement, sales taxes generated in the stadium, and parking revenues.
- Even if development is slowed and incremental property taxes are not sufficient (which is highly unlikely), the City and County have sufficient economic development and hotel/motel tax revenues to pay for debt service on the stadium.

❖ Is there a Return on Investment (ROI) for taxpayers?

- Yes, we have a full economic impact analysis prepared by a third party (Younger Associates). The economic impact analysis shows that the benefit/cost ratio of the TIF is 1.65. For every dollar that goes into the TIF, we get back \$1.65 of economic impact.
- The City and County will each invest up to \$1.4 million in this project (from non-property tax revenues). We (taxpayers and residents) will get the following in return, based on a very conservative estimate of \$350 million in development around the stadium:
 - \$40 million in new revenues (incremental property taxes and sales taxes) for schools over 30 years. If development reaches \$500 million (we expect it will), \$55 million in new revenues will be generated for schools.
 - A first class stadium that will be a regional, publicly-owned asset that is used throughout the year for a multitude of events...not just baseball.
 - \$20 million in new revenues for the City of Chattanooga over 30 years
 - \$17 million in new revenues for Hamilton County general government over 30 years
 - New future tax base with assessed value of \$115 million (the assessed value of the property today is just over \$2 million)
 - A new gateway to the City from the west
 - Transforming a long blighted brownfield into a productive tax base.

❖ What happens if there are cost overruns for the stadium?

- The stadium will be designed to be compliant with major league baseball standards, within the budget allocated through the issuance of bonds.
- Like any construction project, the construction budget will include a standard contingency to account for cost variances.
- “Bells and Whistles” will be removed from the construction design if necessary to ensure that the project is within budget.

- The owners of the Lookouts and the master developer have significant experience with stadium design and construction and they have never been involved with a stadium project that went over budget.

❖ **What happens if Major League Baseball decides to move the Lookouts out of Chattanooga in the future?**

- The lease agreement will require payment for 30 years and it will require the owners of the Lookouts to keep a baseball team in Chattanooga for 30 years. We will be utilizing the same language included in the agreement that is being used in Knoxville and was negotiated with MLB.
- MLB only allows franchises in 10 year increments. If MLB pulls the franchise during the 30 year period, the owners would have to bring a different baseball team to Chattanooga, even if it is not an MLB affiliate. More importantly, the lease agreement requires payment for 30 years and is backed by not just the lookouts, but owners of three separate minor league teams.

❖ **What risk is the developer bearing?**

- The developer is bearing all normal risks associated with development.
- Additionally, the tax increment must be used for four things before the developer can get reimbursed for any public infrastructure.
 - Stadium debt
 - Stadium capital reserve
 - Alton Park Connector
 - Reimburse City and County for any amounts paid for debt service for the stadium or public infrastructure in the TIF district
- The developer is responsible for all public infrastructure until development reaches a point where enough increment is generated to cover the above listed items. At this point, developers could start getting reimbursed for infrastructure, but only through a stringent application process administered by the Industrial Development Board.

❖ **Why 30 year bonds? Will the stadium have a 30 year life?**

- The stadium will be built to have a minimum life of 50 years. The owners of the Lookouts have been involved with building stadiums in Fort Wayne, IN and Columbia, SC. These stadiums are used as models for other cities throughout the country, including Knoxville. The owners of the Lookouts regularly consult on stadium construction throughout the country, including Knoxville.
- Issuing 30 year bonds is the most conservative approach when building a stadium through TIF financing. This ensures that the debt payments are as low as possible in the early years until development comes online to generate property tax increment. The bonds can be refinanced in 10 years and we expect there to be enough increment to refinance the bonds to pay them off earlier.

❖ **What happens if the stadium debt is paid off early?**

- If the project generates more than \$350 million, and we expect it will, incremental property taxes will continue to be collected by the Industrial Development Board and allocated for public infrastructure within the TIF district.
- The stadium bonds will be refinanced after 10 years if incremental property tax has surpassed \$350 million and there is a sufficient amount available to refinance the bonds and pay them off early.
- Once stadium debt is paid off and the other specific projects listed in the economic impact plan are completed, the County Industrial Development Board, the City Industrial Development Board, County Commission, and City Council can vote to amend the TIF so that incremental property taxes start flowing to general funds rather than the TIF district only.

❖ **Will there be benefits for the community?**

- Yes, there will be community benefits agreements executed along with the stadium lease and master development agreements. Further, the

Lookouts and the property owners will agree to certain community benefits through a memorandum of understanding.

- Specific community benefits that could be included:
 - Removal of blight within the TIF district
 - Mitigating flood issues within the TIF district
 - Environmental justice: more environmental remediation in urban neighborhoods within the TIF district
 - Collaboration with The Howard School's Architecture & Construction Future Ready Institute
 - Opportunities for local and minority contractor participation
 - Affordable housing opportunities
 - Community land trust
 - Job and workforce development opportunities for residents

- Local businesses throughout the TIF district will benefit from increased activity throughout the area.

❖ **Will the new stadium negatively impact Finley Stadium?**

- No, the new stadium will not have any negative impact on Finley stadium.
- UTC football and CFC Soccer will continue to be played at Finley stadium.
- Finley Stadium will also generally benefit from increased activity in the South Broad area.

❖ **What happens to the current stadium (AT&T Field)?**

- The land under the stadium is currently owned by a City only Sports Authority. If the land is no longer used for baseball, the Lookouts are responsible for demolishing the stadium and returning the land back to its original condition.
- The land would then revert to River City Company (previous owner) through a reversion clause associated with the deed to the property. River City Company, in partnership with the City and County, determines the future use of the property.