Homebuilders Forum
December 2, 2020
Tap Fee Holiday
Tap Fee Holiday Elements

• Available from January 1, 2021 to March 31, 2021.

• Construction of a new single-family home inside the corporate limits.

• A nominal fee of $5.00 would be charged for each of the water and sanitary sewer taps (total $10.00) to meet City Code requirements.

• Begin construction within one year of the conclusion of the Tap Fee Holiday period. Failure to begin construction within the one year period would result in the builder being responsible for paying the normal tap fee rates prior to commencing construction.

• The program is not available in a subdivision developed utilizing the water/sanitary sewer material incentive program.
Building Codes
Building Codes Changes

• Exempt Jurisdiction
• Previously 2012 IRC, 2012 IECC, 2011 NEC
• State 2018 IRC, 2018 IECC – Residential, 2017 NEC
• New City Codes Effective 11/27/2020
  • 2018 International Residential Code (One-Family, Two-Family, Townhouse Dwellings)
  • 2018 International Energy Conservation Code for Residential Development
  • 2017 National Electrical Code (All Construction)
2018 International Residential Code

• Fire Sprinkler Systems are not mandatory
• Electrical Installations must follow standards in the 2017 NEC
• Seismic Design Categories shall utilize the IRC 2015 Edition
• Smoke Alarms are not required to be interconnected or hardwired in existing structures if not removing walls or ceilings
• Building envelope air tightness testing “blower door test” is optional and can be a visual test
• HVAC duct air-leakage test “duct blast test” is optional
• Insulation, fenestration and U-factor requirements are per IRC 2009 Edition
• Section for Rooms Containing Fuel-Burning Appliances is deleted entirely
• Insulation and fenestration requirements for log walls are per IRC 2009 Edition
Appendix E  Manufactured Housing Used As Dwellings
Appendix F  Radon Control Methods if the property owner chooses to install
Appendix H  Patio Covers
Appendix I  Private Sewage Disposal
Appendix J  Existing Buildings and Structures
Appendix K  Sound Transmission
Appendix M  Home Day Care - R-3 Occupancy
Appendix O  Automatic Vehicular Gates
Appendix P  Sizing of Water Piping System
Appendix Q  Tiny Houses
Appendix R  Light Straw-Clay Construction
Appendix S  Strawbale Construction
2018 International Energy Conservation Code

- Applies to Residential Only (One Family, Two Family, Townhouse Dwellings)
- Building envelope air tightness testing “blower door test” is optional and can be visual test
- HVAC duct air-leakage test “duct blast test” is optional
- Insulation, fenestration and U-factor requirements are per IRC 2009 Edition
- Commercial buildings shall continue to meet the requirements of the IECC 2012 Edition
2017 National Electrical Code

• Applies to all construction

• Section on Available Fault Current is optional

• Arc Fault Circuit Interrupters (AFCIs) shall be optional for bathrooms, laundry areas, garages, unfinished basements, which are portions or areas of the basement not intended as habitable rooms and limited to storage, work or similar area, and for branch circuits dedicated to supplying refrigeration equipment
Residential Utilities Extension Program
Residential Utilities Extension Program

**General**
- Water and Sanitary Sewer Materials
- Water:  - Pipe, 6 inches and Larger  
  - Valves, 6 inches and Larger  
  - Fire Hydrants
- Sanitary Sewer:  - Pipe, 8 inches and Larger  
  - Manholes
- City Purchases Material / Developer Pays Sales Tax
- Title to Materials Remains with City
- Developer Responsible for Installation and Other Material Costs

**Qualifications**
- Inside Corporate Limits
- Major Subdivision (3 Lots or More)
- Utilities Available
Residential Utilities Extension Program

**Process**
- Preliminary Plat Approval by Planning Commission
- Utilities Designed per City and State Requirements
- Material Quantity Estimated by City
- Material Pricing Obtained by the City
- Agreement Approved by City Council
- Developer Posts Surety in Form of Cash or Letter of Credit for Material Costs
- City Purchases Material
- Developer Pays Sales Tax
- Developer Completes Installation of the Infrastructure
- Licensed Contractor
- City and State Specifications
- City Inspection
- Record Drawings
- Acceptance by City
- Surety Returned to Developer
Residential Utilities Extension Program

City Recovery of Material Costs

• Water and Sewer Tap Fees

• The Greater of Current City Tap Fees or Per Lot Tap Fees Based on Material Costs

• Current Tap Fees
  ▪ Sanitary Sewer = $1,000
  ▪ Water = $800
Residential Building Plans
Redevelopment Districts
Tax Increment Financing (TIF)

Joel A. Conkin

WILSON WORLEY
ATTORNEYS AT LAW
What is TIF?

Tax increment financing is a development tool designed to use the future tax revenue growth in a redevelopment area to pay for redevelopment activities within the redevelopment area.
Where can TIF be used?

Housing authorities are only authorized to use TIF within a redevelopment district for the purposes of removing, preventing, or reducing blight, blighting factors, or the causes of blight.
What does "blighted" mean?

Blighted areas are defined in Tennessee Code Annotated 13-20-201 as:

"Areas, including slum areas, with buildings or improvements that, by reason of dilapidation, obsolescence, overcrowding, lack of ventilation, light and sanitary facilities, deleterious land use, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community. "Welfare of the community" does not include solely a loss of property value to surrounding properties, nor does it include the need for increased tax revenues."
Can property in good condition be within a redevelopment district?

Yes. Tennessee courts have held that a redevelopment agency must approach the problem of blighted areas of the community on an area, rather than on a structure by structure basis, and it is immaterial that some particular structure within such area may be safe, sound, and well kept.
How long can a TIF last?

- An IDB plan can last no longer than 20 years without a state waiver.

- A Housing Authority TIF can last no longer than 30 years without a state waiver.

- Many jurisdictions limit TIFs to 15-20 years.
Who can initiate the TIF process?

- Only Housing Authorities and Industrial Development Boards have legal authority under TN law to initiate a TIF plan.

- All TIFs must be approved by the City and County if both entity’s tax revenues are impacted.
**Housing Authority TIFs**

- 30 years maximum term
- Blighted areas only
- More flexibility regarding eligible costs
Industrial Development Board TIFs

- 20 year maximum term
- Eligible for non-blighted areas
- Limited to authorized IDB projects (commercial, industrial, retail, etc.)
Tax Increment Financing (TIF)

Joel A. Conkin
How is Tax Increment Financing Implemented?
Step-by-Step
Step 1:

A. Public hearing regarding TIF

B. Approve Redevelopment Plan containing Tax Increment Financing Procedures.
**Step 2:**

Determine project area's current property tax assessment. This is the "base assessment."
Step 3:

Determine assessed value of new improvements made within the project area. This can be done via appraisal upon completion of improvement and estimated in advance by the tax assessor's office. All taxes in excess of the base assessment is the "tax increment."
**Step 4:**

The taxing agency collects and deposits all or a portion of (depending on the terms of the redevelopment plan and agreement) the tax increment (but excluding the debt service portion of the tax rate) into a special fund of the housing authority to retire debt incurred by the housing authority used to reimburse the developer for certain qualified improvements in the project area.
Step 5:

Upon payment of the TIF debt, the tax increment revenue is then paid to the taxing agency like "normal" property taxes.
Tax Increment Financing (TIF)

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Property Taxes Paid by Property Owners are Divided as Follows:

1. Property taxes on base assessment amount retained by taxing agency
2. Property taxes paid as a result of property tax increase above base assessment ("TIF revenue")
3. Debt service on "new" assessment retained by taxing agency as well as any "holdback" negotiated in the TIF Agreement

TIF revenue forwarded to redevelopment authority by taxing agency

TIF revenue used to repay funds borrowed by authority to reimburse developer for eligible expenses
Tax Increment Financing (TIF)

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TIF INDEBTEDNESS
Step-by-Step
Step 1:

Redevelopment authority commits funds to developer via development agreement
Step 2:

Developer builds project
Step 3:

Authority borrows funds via non-recourse loan (No city or county guarantees)
Step 4:

Authority reimburses developer for eligible expenses with loan proceeds.
Step 5:

Developer guarantees any shortfall in TIF revenue to repay loan. Developer is solely responsible for any loan payment shortfalls.
Step 6:

Property owners pay property taxes to taxing agency who then sends required increment percentage (less debt service) to authority to pay TIF loan.
## TIF Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tr>
<td>Total Original Assessed Value</td>
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<tr>
<td>County Tax Rate</td>
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<tr>
<td>City Tax Rate</td>
<td>2.1912</td>
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<tr>
<td>Total Proposed Assessed Value</td>
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<tr>
<td>County Debt Service Set Aside</td>
<td>0.22</td>
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<tr>
<td>City Debt Service Set Aside</td>
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<tr>
<td>Total Proposed County Taxes</td>
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<td>Current County Taxes</td>
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<td>Proposed County Increment</td>
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<td>County Debt Service Set Aside</td>
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<tr>
<td>Total Available County Increment</td>
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<tr>
<td>Net County Increment after Fee</td>
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<tr>
<td>Total Proposed City Taxes</td>
<td>$23,773.00</td>
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<td>Current City Taxes</td>
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<td>Proposed City Increment</td>
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<td>Total Available City Increment</td>
<td>$20,412.00</td>
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<tr>
<td>Net City Increment After Fee</td>
<td>$19,391.40</td>
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<tr>
<td>Net Available City and County Increment</td>
<td>$41,716.40</td>
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</tbody>
</table>
Tax Increment Financing (TIF)

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What is TIF?

How is TIF implemented?

TIF Bond Flowchart

TIF Indebtedness

Questions
Questions??

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Tax Increment Financing (TIF)

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What is TIF?

How is TIF implemented?

TIF Fund Flowchart

TIF Indebtedness

Questions
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