

RESOLUTION NO. 31982

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHATTANOOGA APPROVING A MEMORANDUM OF
UNDERSTANDING RELATING TO THE FINANCING AND
DEVELOPMENT OF A MULTI-USE STADIUM

WHEREAS, the City Council (the “Council”) of the City of Chattanooga, Tennessee (the “City”), has met pursuant to proper notice; and

WHEREAS, the Council is interested in preserving and promoting the economic welfare, employment opportunities, educational growth, and vitality of the City; and

WHEREAS, the Council has previously determined that the construction of a multi-use sports and entertainment stadium (the “Stadium”) and related facilities in the South Broad District of the City will be in the public interest of the citizens of the City and Hamilton County, Tennessee (the “County”) and will encourage and foster economic development and prosperity for the City and the County; and

WHEREAS, the City expects that substantial private development will occur proximate to the Stadium, with an expected cost substantially in excess of \$100,000,000 as described in Section 67-6-103(d) of the Tennessee Code Annotated; and

WHEREAS, the Council, pursuant to Chapter 67, Title 7, Tennessee Code Annotated (the “Act”), has previously approved the creation of The Sports Authority of the County of Hamilton and the City of Chattanooga, Tennessee (the “Authority”), for the purpose of exercising all powers granted to a sports authority by the Act, including, without limitation, the ownership, financing, constructing, and leasing of the Stadium; and

WHEREAS, the Authority was jointly created with the County with the approval of the Board of Commissioners of the County; and

WHEREAS, it is expected that the Authority will issue bonds to pay for a portion of the costs of the design, development and construction of the Stadium (the “Sports Authority Bonds”); and

WHEREAS, pursuant to the requirements of Section 7-67-109(15) of the Act, the City has previously approved the issuance of the Sports Authority Bonds in a principal amount not in excess of \$80,000,000; and

WHEREAS, to enhance the marketability of the Sports Authority Bonds and to reduce the interest costs thereon, and to otherwise provide assistance to the Authority as authorized under the Act, the City has made certain agreements with the Authority and the County relating to the financing and operation of the

Stadium, including an agreement (i) to provide certain funding to the Authority in the event of a shortfall in revenues needed to pay debt service on the Sports Authority Bonds; (ii) to pledge certain revenues of the City and the County to secure such funding; and (iii) to provide funding for a capital repair and replacement fund with respect to the Stadium; and

WHEREAS, such agreements were made pursuant to an Interlocal Cooperative Agreement (Multi-Use Stadium Project) (the “Interlocal Cooperative Agreement”), between the County, the City and the Authority; and

WHEREAS, due to an increase in the estimated cost of the Stadium, the County, the City and the Authority, in consultation with the current owner of the Stadium site and the proposed lessee for the Stadium have developed an updated financing plan to provide additional sources of funds to provide for the construction of the Stadium and agreed upon other terms relative to the development of the Stadium; and

WHEREAS, the City administration has been presented to Council the form of a non-binding Memorandum of Understanding that outlines the proposed terms to implement the updated financing plan and the development of the Stadium, and the Council has been requested to authorize the execution of such Memorandum of Understanding in order to indicate its support for the updated financing plan and related terms so that the applicable parties can create the necessary documentation to implement the terms of the Memorandum of Understanding.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA:

SECTION 1: The Council hereby authorizes and approves the execution and delivery of the Memorandum of Understanding by the Mayor of the City. The Memorandum of Understanding shall be in the form presented to this meeting and shall not be a binding obligation of the City. All obligations of the City relating to the matters described in the Memorandum of Understanding, together with the Interlocal Agreement, shall only be effective upon the approval of such documents by the City as may be necessary to implement the Memorandum of Understanding.

SECTION 2: The Mayor and all other officers of the City and the Authority and its officers and representatives are hereby authorized to take such actions and request such approvals as are necessary or are deemed advisable to effectuate the terms of this resolution and the Memorandum of Understanding.

ADOPTED: February 27, 2024

NON-BINDING MEMORANDUM OF UNDERSTANDING
AMONG THE CITY OF CHATTANOOGA, TENNESSEE
HAMILTON COUNTY, TENNESSEE
AND
THE SPORTS AUTHORITY OF THE COUNTY OF HAMILTON AND THE CITY OF
CHATTANOOGA, TENNESSEE
RELATING TO PROPOSED MULTI-USE STADIUM

This non-binding memorandum of understanding (this "Memorandum of Understanding") will serve as a statement of the mutual intent of the parties acknowledging this Memorandum of Understanding with respect to the negotiation of essential terms relating to the development and financing of a multi-use stadium (the "Stadium") in the South Broad District to be undertaken by The Sports Authority of the County of Hamilton and the City of Chattanooga (the "Sports Authority"), which is a public entity jointly formed by the City of Chattanooga, Tennessee (the "City") and Hamilton County, Tennessee (the "County"). To facilitate the development of the Stadium, the Sports Authority intends to issue bonds, with the financial support of the City and County, and other indebtedness to finance a portion of the cost of the Stadium and to lease the stadium to a private entity that will operate a minor league baseball team and schedule other events. The City, County and the Sports Authority acknowledge that the financing and development of the Stadium will require cooperation between the parties hereto. The respective Mayors of the City and the County have indicated their mutual support for the terms of the development and financing of the Stadium as described in this Memorandum of Understanding. The parties hereto therefore desire to acknowledge the terms that the parties mutually expect to be included in the relevant agreements in order to guide their representatives in negotiating and finalizing the terms of such agreements.

1. Terms of Transaction.

The proposed terms governing the development and financing of the Stadium and the lease of the Stadium are as described on the Term Sheet attached as Exhibit A to this Memorandum of Understanding. The Term Sheet is incorporated as part of this Memorandum of Understanding. If this Memorandum of Understanding is acknowledged by the parties hereto, the provisions of the Term Sheet are expected to be incorporated in the various documents necessary to implement the transactions and agreements described in the Term Sheet, and the parties acknowledging this Memorandum of Understanding shall negotiate the terms of the definitive agreements consistent with such terms.

2. Public Announcement.

The parties hereto acknowledge that they do not intend to issue any press release or make any public announcement of or relating to the matters described herein without first notifying the other parties hereto and seeking to make a joint announcement with respect thereto.

3. Non-Binding.

This Memorandum of Understanding is intended to be, and shall be construed only as, a non-binding memorandum of understanding summarizing and evidencing the discussions between the parties hereto to the date hereof. Any legally binding obligation of the parties with respect to the matters discussed herein shall exist only upon the execution and delivery of definitive agreements, into which this Memorandum of Understanding and all prior discussions shall merge. It is expressly understood that this Memorandum of Understanding is not a contract to execute any definitive agreement or otherwise to consummate any agreement. The parties will cooperate in negotiating definitive agreements providing for

the transactions contemplated by this Memorandum of Understanding, but each party reserves the right of final approval or disapproval, for any reason, of such documentation.

The parties signing below have acknowledged this non-binding Memorandum of Understanding as of February __, 2024.

HAMILTON COUNTY, TENNESSEE

By: _____
Weston Wamp, Mayor

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Tim Kelly, Mayor

THE SPORTS AUTHORITY OF THE COUNTY
OF HAMILTON AND THE CITY OF
CHATTANOOGA, TENNESSEE

By: _____
Chairman

Exhibit A

Term Sheet

37313754.2

February 28, 2024

TERM SHEET

Relating to the Development and Financing of Chattanooga/Hamilton County Stadium Project

For discussion purposes only and does not constitute a commitment to enter into any transaction.

Project:	A multi-use stadium (the “Stadium”) to be designed to satisfy Major League Baseball’s standards for a “AA” baseball stadium. The Stadium will be located on a site to be donated as described herein for such purpose (the “Stadium Site”), which site is within a larger site that was formerly home to the Wheland Foundry and U.S. Pipe Companies (the “Wheland Foundry Site”).
Owner of Stadium:	The Stadium will be owned by The Sports Authority of the County of Hamilton and the City of Chattanooga (the “Sports Authority”), which is a public entity jointly formed by the City of Chattanooga (the “City”) and Hamilton County (the “County”).
Lease of Stadium:	The Sports Authority will lease the Stadium pursuant to a Lease Agreement (the “Lease”) to Chattanooga Professional Baseball, LLC, an affiliate of Hardball Capital, LLC (collectively, the “Team), which will operate a professional development league baseball team known as the Chattanooga Lookouts at the Stadium and will also host other events at the Stadium.
Ownership and Development of Wheland Foundry Site:	Pipe Properties, LLC (“Pipe Properties”), Perimeter Properties, LLC, and Gateway View, LLC (collectively, the “Wheland Foundry Site Owners”) are presently the owners of various portions of the Wheland Foundry Site. The Wheland Foundry Site Owners have retained New City, LLC or an affiliated entity (the “Master Developer”), to master plan and undertake the redevelopment of the Wheland Foundry Site. The Wheland Foundry Site Owners have previously sold a portion of the Wheland Foundry Site to Core Properties (“Core”) to be developed by Core (the “Core Site”).
Design of Stadium:	The Stadium is presently being designed by DH&W Architects (the “Architect”) pursuant to an agreement between the Sports Authority and DH&W Architects. The plans and specifications for the Stadium shall be subject to the approval of the Sports Authority, the Master Developer and the Team.
Contractor:	The Stadium is expected to be constructed by EMJ Construction (“EMJ”) under a construction manager at risk contract with a guaranteed maximum price (“GMP”) addendum. EMJ will provide performance and payment bonds to secure its performance under its construction contract.

<p>Financing Sources:</p>	<p>The cost of the Stadium will be paid from four sources. The first source is the proceeds of bonds to be publicly offered by the Sports Authority with a principal amount of \$80,000,000 at a true interest cost not in excess of 6% with a maturity date not later than thirty years after the Stadium is expected to open (the “Sports Authority Bonds”). It is expected that the Sports Authority Bonds will be sold at a premium so that capitalized interest during construction of the Stadium and costs of issuance would be paid from such premium and the amount available for construction costs would be \$80,000,000 plus approximately \$1 million in interest earnings thereon. The second source of funding would be two tax increment notes (the “Tax Increment Notes”) issued by The Industrial Development Board of the City of Chattanooga, Tennessee (the “City IDB”) to the Team and the Wheland Foundry Site Owners (or financial institutions designated by them) as described below in a principal amount not to exceed \$26,000,000. The third source of funding would be a contribution from the Team in the amount of \$3,000,000 as described further below. The fourth sources of funding would be a note (the “Sports Authority Note”) in a principal amount not to exceed \$5,000,000 that would be payable from tax increment revenues derived from City property taxes not needed to pay the Sports Authority Bonds and would also be secured by a financial assistance agreement from the City under which the City would agree to make available to the Sports Authority hotel/motel tax revenues and local option sales tax revenues derived from Wheland Foundry Site received by the City to pay debt service on the Sports Authority Note. If the final total cost of the Stadium is less than \$115,000,000 (or to the extent investment earnings on the proceeds of the Sports Authority Bonds exceed \$1,000,000), the principal amount of the Sports Authority Note shall be reduced accordingly.</p>
<p>Sources of Payment for Sports Authority Bonds:</p>	<p>Debt service on the Sports Authority Bonds would be paid from four sources. First, certain state and local sales tax revenues (excluding local sales taxes allocated to education) derived from sales at the Stadium would be allocated to pay debt service pursuant to an applicable State law. Second, annual rent payments of \$1,000,000 payable by the Team under the Lease would be applied to pay debt service on the Sports Authority Bonds (to be allocated to the taxable portion of the Sports Authority Bonds). Third, certain incremental real property tax revenues of the City (the “City Tax Increment Revenues”) and certain incremental real property tax revenues of the County (collectively, the “Tax Increment Revenues”) that are realized from the South Broad District tax increment area (the “Tax Increment Area”) created by economic impact plans approved by the City and the County and payable to the Sports Authority under intergovernmental agreements will be applied to pay debt service on the Sports Authority Bonds. To the extent such sources are not adequate to pay debt service on the Sports Authority Bonds, any shortfall would be paid (equally) by the City and the County under an Interlocal Agreement between the Sports Authority, the City and the County.</p>

<p>GMP and Stadium Budget:</p>	<p>A GMP for the Stadium will be provided by EMJ and approved by the Sports Authority, the Team and Master Developer prior to the issuance of the Sports Authority Bonds. Upon receipt of such GMP, the Sports Authority, in collaboration with representatives of the City, the County, the Team and the Wheland Foundry Site Owners, shall develop a final budget for the development of the Stadium (the "Stadium Budget"), which Stadium Budget shall include the GMP, reasonable contingencies, all design costs and other soft costs, including permits, fees and the cost of an owner's representative. To the extent the total amount of such Stadium Budget exceeds \$115,000,000, the Wheland Foundry Site Owners and the Team will agree to pay any excess costs over \$115,000,000 as is described below. If value engineering and/or any changes to the components of the Stadium are undertaken to lower the budget for the Stadium to \$115,000,000, the Sports Authority, the City, the County, the Team and the Wheland Foundry Site Owners, through their representatives, will have the right to approve any such budgetary reductions.</p>
<p>Terms of the Tax Increment Notes:</p>	<p>The City IDB will issue one Tax Increment Note to the Team and will issue another Tax Increment Note to the Wheland Foundry Site Owners (collectively, the "Tax Increment Notes") in a total not to exceed principal amount of \$26,000,000. Either the Team or the Wheland Foundry Site Owners may designate a financial institution to purchase its applicable Tax Increment Note pursuant to terms acceptable to the City IDB. The Tax Increment Notes will mature not later than the April 1, 2056 (which is when the allocation of Tax Increment Revenues will end). The City IDB will contribute the proceeds of the Tax Increment Notes to the Sports Authority to pay costs relating to the construction of the Stadium. The Tax Increment Notes shall be payable only from City Tax Increment Revenues, and neither the City IDB, the City nor the County will be required to provide funds to pay debt service on the Tax Increment Notes other than the City Tax Increment Revenues. If the City Tax Increment Revenues are not sufficient to pay debt service on the Tax Increment Notes upon the maturity thereof, any remaining balance on the Tax Increment Notes will not be paid. The interest rate on the Tax Increment Notes may be a variable or fixed rate acceptable to the City IDB and the City, not exceeding the lesser of a market rate of interest or the interest rate that the Team and Wheland Foundry Site Owners commit to pay in connection with any loans obtained by either of them to fund the acquisition of the Tax Increment Notes. The Tax Increment Notes will be prepayable by the City IDB, in whole or in part, at any time, including through refinancing, without penalty. Interest shall be payable on April 1st of each year from City Tax Increment Revenues, with any remaining City Tax Increment Revenues being applied to the principal amount of the Tax Increment Notes. If the City Tax Increment Revenues are not sufficient to pay accrued interest in any year, such shortfall shall accrue, without interest on such unpaid amount, and shall be paid with any available City Tax Increment Revenues as City Tax Increment Revenues become available (or may be applied to reimburse the Team or the Wheland Foundry Site Owners for interest payments if paid previously by such parties). City Tax Increment Revenues will be applied first to accrued interest (both prior and current accrued interest) and then to principal. The obligation of the Team and the Wheland Foundry Site Owners to fund the Tax Increment Notes, if such Tax Increment Notes are not fully funded upon the issuance of the Sports Authority Bonds, shall be secured by letters of credit or similar security acceptable to the Sports Authority.</p>

Application of Tax Increment Revenues:	<p>The Tax Increment Revenues shall be applied first to the payment of debt service on the Sports Authority Bonds. A portion of the City Tax Increment Revenues may be applied to fund the capital reserve fund as provided below. If the City Tax Increment Revenues exceed the amount needed to pay debt service on the Sports Authority Bonds, after applying the sales taxes and rent payments described above, and after making any capital reserve fund contribution and paying debt service on the Sports Authority Note, the excess shall be applied to the payment of debt service on the Tax Increment Notes.</p>
Capital Reserve:	<p>A capital reserve fund, held by the bond trustee for the Sports Authority Bonds, would be funded as provided in the Interlocal Agreement. The Interlocal Agreement provides for an annual payment of \$150,000, with the City and the County each paying one-half of such amount. As the amounts provided in the Interlocal Agreement are not expected to be adequate to fund such capital reserve fund at a level necessary to maintain the Stadium in a first-class condition, additional contributions will be made to the capital reserve fund as described in this paragraph. To the extent the rent payable by the Team exceeds \$1,000,000 in any year, such excess shall be deposited in the capital reserve. If such excess is not fully adequate to fund the capital reserve fund in accordance with a schedule to be agreed upon by the City, the Sports Authority and the Team, the difference between the actual percentage of tax increment revenues retained by the City to pay taxes in each year to pay debt service and 25% of such tax increment revenues would be contributed to the capital reserve to the extent needed to fund the capital reserve in accordance with the approved schedule of payments and to make up any shortfalls not paid in prior years.</p>
Team Contribution:	<p>The Team will agree to contribute \$3,000,000 toward the costs included in the Stadium Budget. Such amount shall be contributed at the time of the issuance of the Sports Authority Bonds, or with the consent of the Sports Authority, contributed when needed to pay costs in the Stadium Budget but secured by a letter of credit acceptable to the Sports Authority.</p>
Interest Earnings on Bond Proceeds:	<p>Interest earnings on the proceeds of the Sports Authority Bonds to be applied to pay the costs of the Stadium, which are expected to be at least \$1,000,000, shall be applied to pay costs of the Stadium.</p>
Stadium Cost Overruns:	<p>If there are any cost overruns relating to the cost of the Stadium in excess of the Stadium Budget if the Stadium Budget exceeds \$115,000,000 for any reason whatsoever unless caused by the Sports Authority, the Team and the Wheland Foundry Site Owners will jointly agree to pay such cost overruns. Such commitment shall be secured in a manner satisfactory to the Sports Authority.</p>
Application of Financing Sources to Stadium Costs:	<p>Except as described below as to site preparation costs, the available proceeds of the Sports Authority Bonds, including interest earnings, shall be applied first to the payment of the costs of the Stadium, then the additional costs shall be paid from proceeds of the Tax Increment Notes, then from the Team's contribution, then from the proceeds of the Sports Authority Note.</p>
Completion Date:	<p>The contract with EMJ shall provide that the Stadium shall be completed no later than March 1, 2026.</p>

<p>Essential Lease Terms:</p>	<p>The Lease will have terms typical for the lease of a stadium to a professional sports team. At a minimum, the Lease will include the following terms: (i) the rental payments shall be \$1,000,000 annually increasing 1.5% per year until the Tax Increment Revenues and other available sources (without City/County contributions) are sufficient to pay debt service on the Sports Authority Bonds; (ii) the Team shall pay all expenses of operating and maintaining the Stadium other than certain capital expenditures to be paid from a capital reserve fund; and (iii) the Team will retain all revenue from the operation of the Stadium including naming rights. Rent payment dates will be established so that rent will be available at such times to be available to pay debt service on the Sports Authority Bonds and consistent with the projected completion date of the Stadium. If the Stadium is not completed by its expected completion date, and such delay is not caused by the Sports Authority, rent payments shall still commence under the Lease.</p>
<p>Donation of the Stadium Site:</p>	<p>Pipe Properties will donate the Stadium Site to the Sports Authority contemporaneously with the issuance of the Sports Authority Bonds.</p>
<p>Site Preparation:</p>	<p>The Sports Authority and the Wheland Foundry Site Owners (or their designee) will enter into a post-closing site preparation agreement pursuant to which the Wheland Foundry Site Owners will grade and prepare the Stadium Site and undertake all required environmental remediation. The cost of such site preparation shall be subject to the approval of the Sports Authority and shall be included in the Stadium Budget. To the extent the Wheland Foundry Site Owners pay the costs of such site preparation, such payments shall be considered advances under the Tax Increment Note in favor of the Wheland Foundry Site Owners up to the maximum amount thereof.</p>
<p>Parking:</p>	<p>The Wheland Foundry Site Owners and the Sports Authority will enter into a Master Parking Agreement to govern the availability of parking for the Stadium. The Master Parking Agreement will provide that the Wheland Foundry Site Owners will initially provide adequate parking spaces (approximately 2,000) near the Stadium at sites approved by the Sports Authority. Such parking areas will be graded and paved by the Wheland Foundry Site Owners at their expense and shall be available for use not later than the completion of the Stadium. If the Wheland Foundry Site Owners desire to develop any area that has been designated for parking, the Master Parking Agreement will permit the Wheland Foundry Site Owners to relocate all or a portion of such parking areas, from time to time, to new locations within a reasonable walking distance of the Stadium. Such new parking areas shall be graded and paved by the Wheland Foundry Site Owners as a condition to relocation. The Master Parking Agreement will also include a process for evaluating when adequate street and structured parking is available on the Wheland Foundry Site to serve the Stadium and dedicated surface parking is no longer required. The Sports Authority right to use the parking areas described above for the Stadium shall be evidenced by easements or comparable legal commitments that will not be subordinate to any liens that could result in the termination of such parking rights. When not needed for events, including baseball games, at the Stadium, the Wheland Foundry Site Owners may utilize such parking areas as parking for other purposes and keep any income therefrom. The Team will manage the parking areas described above pursuant to a parking management agreement among the Team, the Sports Authority and the Wheland Foundry Site Owners at no cost to the Sports Authority. All revenues from parking shall be retained by the Team and/or the Wheland Foundry Site Owners, as may be agreed upon between such parties.</p>

Public Infrastructure:	The City will make improvements and extensions to 26 th Street to provide improved access to the Stadium Site provided that in no event shall the City be required to incur more than \$10,000,000 in costs relating to such public infrastructure improvements. The Wheland Foundry Site Owners shall donate property and/or grant easements as are needed for the City to make such public infrastructure improvements. The Wheland Foundry Site Owners shall pay for any other public infrastructure costs necessary to provide access or utility services to the Wheland Foundry Site.
School Investment:	In furtherance of fostering positive community impact, the County will commit to a \$10 million upfront investment towards community-related assets at The Howard School. This investment shall be made no later than one year from the opening of the Stadium, ensuring the County's largest school directly benefits from the redevelopment of the South Broad District. An additional \$5,000,000 will be allocated by the County for capital investments over a span of four years beginning no later than two years after the opening of the Stadium. These investments will be directed towards public schools within the Tax Increment Area, schools feeding into the Tax Increment Area or those located in immediately adjacent school zones. None of these capital investments will encompass projects outlined in the County's final 2024 School Facilities Plan. This commitment explicitly ensures that the identified capital investments do not duplicate or coincide with those projects ultimately approved by the Hamilton County Commission and Hamilton County School Board in such School Facilities Plan.
Support of Affordable Housing	The development of new retail establishments on the Wheland Foundry Site will result in additional local option sales tax revenues to the City. The City intends to dedicate a portion of such local option sales tax revenues to support affordable housing initiatives in the Tax Increment Area.
Private Development Commitment:	Contemporaneously with the issuance of the Sports Authority Bonds, the Whelan Foundry Site Owners and/or entities created for such purpose shall agree to commence, contemporaneously with the construction of the Stadium, specified private development to be agreed upon among the parties in a development agreement consistent with the master development plan prepared by the Master Developer. The Wheland Foundry Site Owners shall also agree to cause the phased development of the Wheland Foundry Site as will be provided in such development agreement so as to ensure the Stadium will be in a development that complements the Stadium and the public investment therein. The Wheland Foundry Site Owners will record restrictive covenants relating to the Wheland Foundry Site that are satisfactory to the Sports Authority that will protect the quality of the development around the Stadium. Core will also give assurances that it intends to proceed with development of the Core Site once construction of the Stadium commences.
Environmental Conditions:	Through the use of Brownfield Voluntary Agreements or indemnification or satisfactory other means, the Sports Authority shall be protected from being required to remediate any existing environmental contamination on the Stadium Site in a manner satisfactory to environmental counsel to the Sports Authority. The Wheland Foundry Site Owners will remediate, to the extent required by the Brownfield Voluntary Agreement and/or applicable law, any environmental conditions on the Stadium Site as part of the site preparation to be undertaken by the Wheland Foundry Site Owners.