

PROPERTY TAX BASE FORECAST



PLANNING PROCESS



ZONING



Presented to the
Hamilton County Commission
March 5, 2003

CHATTANOOGA • HAMILTON COUNTY



REGIONAL PLANNING AGENCY

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SECTION I—FORECAST OF PROPERTY TAX BASE

Overview

Demographic & Economic Trends

1. Hamilton County's population dropped slightly from 1980 to 1990 then grew modestly (7.8%) from 1990 to 2000. The growth rate from 1990 to 2000 was lower than that of Knox, Davidson or Shelby County. From 1992 to 2001, there has been a net outflow of both households and individuals to other counties that border on Hamilton County. Catoosa and Walker Counties in Georgia have been the principal recipients of this outward migration.
2. Hamilton County has fared quite well with the other three large Tennessee counties in employment growth. Census data shows that Hamilton had the second highest rate of growth in employed persons between 1990 and 2000, surpassed only by Knox. The number of people working in Hamilton, regardless of where they live, grew faster between 1997 and 2001, than in any of the other three large counties.
3. 1999 median household income in Hamilton County was \$42,044, and per capita income was \$23,320 (both figures adjusted to 2002 dollars). The growth rate from 1989 to 1999 in median household income was 9.2%, higher than any of the other three large counties. The growth rate in per capita income was 18.0%, also higher than the growth rates of the other large counties.

Property Tax Base Trends

4. The estimated total acreage of taxable real property throughout Hamilton County in 2002 amounted to almost 278,000 acres, up 7.9% from 1993. Approximately 92% of this acreage is classified as Residential, Farm, Forest (RFF) property. The Commercial, Industrial, Rental (CIR) component amounted to 21,000 acres (8%). The ratio of RFF acreage to CIR acreage has remained relatively constant over the 1993 – 2002 period.
5. The total appraisal value of all taxable property, including personal property, throughout Hamilton County was \$18.1 billion in 2002. Since 1993, the value has grown at a compound rate of 5.5% per year. However, the growth rate has accelerated in the last five years to 6.3% from 1998 to 2002 versus 5.4% from 1993 to 1997.
6. 2001 is the latest year for which comparable data is available for Knox, Davidson and Shelby Counties. Over the period 1993 to 2001, Hamilton County's compound annual growth rate in appraisal values lagged behind the growth rate of the other three counties (6.01% compared to 6.95%). However, from 1997 to 2001, Hamilton's rate of growth was almost identical to the average growth rate of the other three (6.61% versus 6.63%)

Property Tax Base Forecasts

7. Two forecast methods were employed and resulted in two series of appraisal values for the years 2003 through 2007. The first method was a straight-line trend approach in which calculated trend lines were fitted to the actual data for four categories of taxable property for the years 1993 through 2002. The calculated trend line values fit the actual values exceptionally well. The trend lines were then extrapolated through the years 2003 through 2007 and then summed to yield a total appraisal value for each year. This method produces a total taxable property appraisal value of **\$22.6 billion** in 2007, up from \$18.1 billion in 2002. Using the current Hamilton County tax rate of \$3.061 per \$100 of assessed value, the estimated amount of property tax that would be generated in 2007 under this scenario amounts to **\$206.6 million** compared to \$166.8 million in 2002.
8. The second forecasting method assumes that the growth rates that each of the four property categories experienced during the most recent five years (1998 – 2002) will continue through the next five years (2003 – 2007). These compound annual rates are as follows: Residential, Forest, Farm = 7.02%; Commercial, Industrial, Rental = 5.71%; Business Personal Property = 3.49%; Public Utility = 6.38%. Under this scenario, the total appraisal values will reach **\$24.6 billion** in 2007, and generate an estimated **\$224.7 million** in property taxes using the current Hamilton County rate.

Key Drivers of Tax Base Growth

9. Hamilton County's tax base growth will depend heavily on overall economic growth within the county. Economic growth can be defined as sustained increases in the production of goods and services, employment, and income. In recent years, Hamilton County has experienced healthy growth in both employment and income levels. We expect this trend to continue over the near term. Economic development initiatives of the Chattanooga Area Chamber of Commerce and local governments hopefully will bolster this growth trend.

Character (Makeup) of Growth

10. There has been, and may continue to be, a gradual shift in the makeup of Hamilton County's property tax base. In 1993 Commercial, Industrial, Rental (CIR) properties accounted for 29% of the total appraisal values. By 2002 this proportion had dropped to 26%. Going forward over the next five years, if past trends continue as expected, the proportion of appraisal values represented by the CIR category will be 25%.
11. Based on current averages, it is estimated that 1,000 acres of newly developed and operational CIR property could generate \$2.7 million in additional real property taxes. Also, there would be business personal property tax associated with this, which could amount to perhaps \$800,000.

Where Growth Will Occur

12. Residential and commercial development is expected to continue expanding in the northern and eastern parts of Hamilton County. Several likely areas for industrial development/expansion include Enterprise South, Centre South, the area adjacent to Sequoyah Nuclear Plant, areas along Highways 58 and 27, Lookout Valley, Alton Park, the Wheland property/Riverfront Parkway area, and areas along Old Lee Highway.

Introduction

This report has been prepared in response to a request from Hamilton County Commission Chairman, Richard Casavant, for the Chattanooga-Hamilton County Regional Planning Agency (RPA) to forecast Hamilton County's property tax base over the next five years. Additionally, the RPA was asked to identify the drivers of this growth, the makeup of the growth, and where the growth will occur.

In developing the property tax base forecasts, RPA utilized data from various external sources. Data on population, employment and incomes were obtained from the U. S. Census Bureau and from the Tennessee Department of Labor. Hamilton County revenue figures were provided by the County's Finance Division. Data related to property taxes were obtained from the Hamilton County Assessor's office as well as from the office of the Tennessee Comptroller of the Treasury. The local and state offices have been very cooperative, and their assistance is much appreciated.

Various measures for Tennessee's three largest counties, Shelby, Davidson, and Knox, have been included in this report since their property tax base growth patterns have been cited recently in comparison with Hamilton County's tax base growth.

In addition to the analysis of Hamilton County's property tax base and forecasts, we have included separate sections on the planning process and on zoning. We believe these sections provide valuable background information.

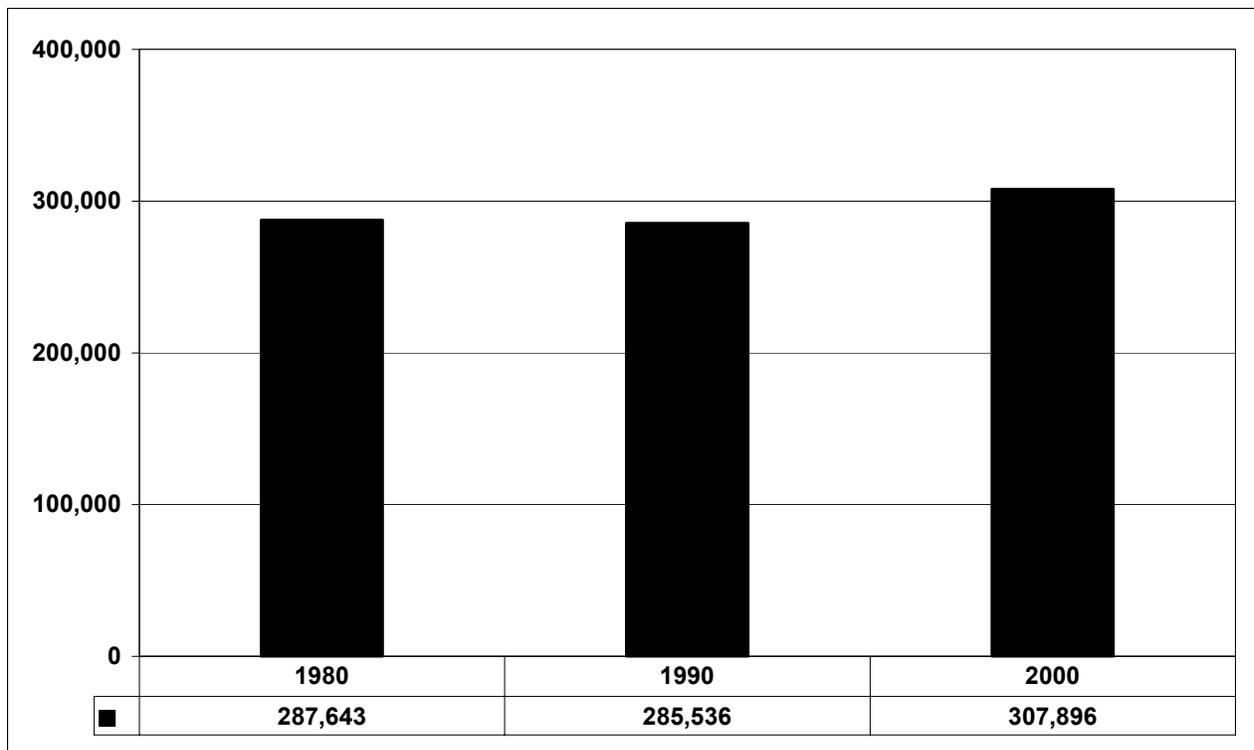
Demographic & Economic Trends

This section provides a historical review of several factors that are believed to influence the growth of Hamilton County's property tax base. Also, some comparisons between Hamilton County and Tennessee's three largest counties—Shelby, Davidson and Knox—are shown in order to add perspective to Hamilton's growth patterns.

POPULATION & HOUSEHOLDS

Hamilton County's population dropped slightly from 1980 to 1990 then grew 7.8% from 1990 to 2000. The median age increased from 30.4 in 1980 to 34.7 in 1990 and to 37.4 in 2000.

Hamilton County Population

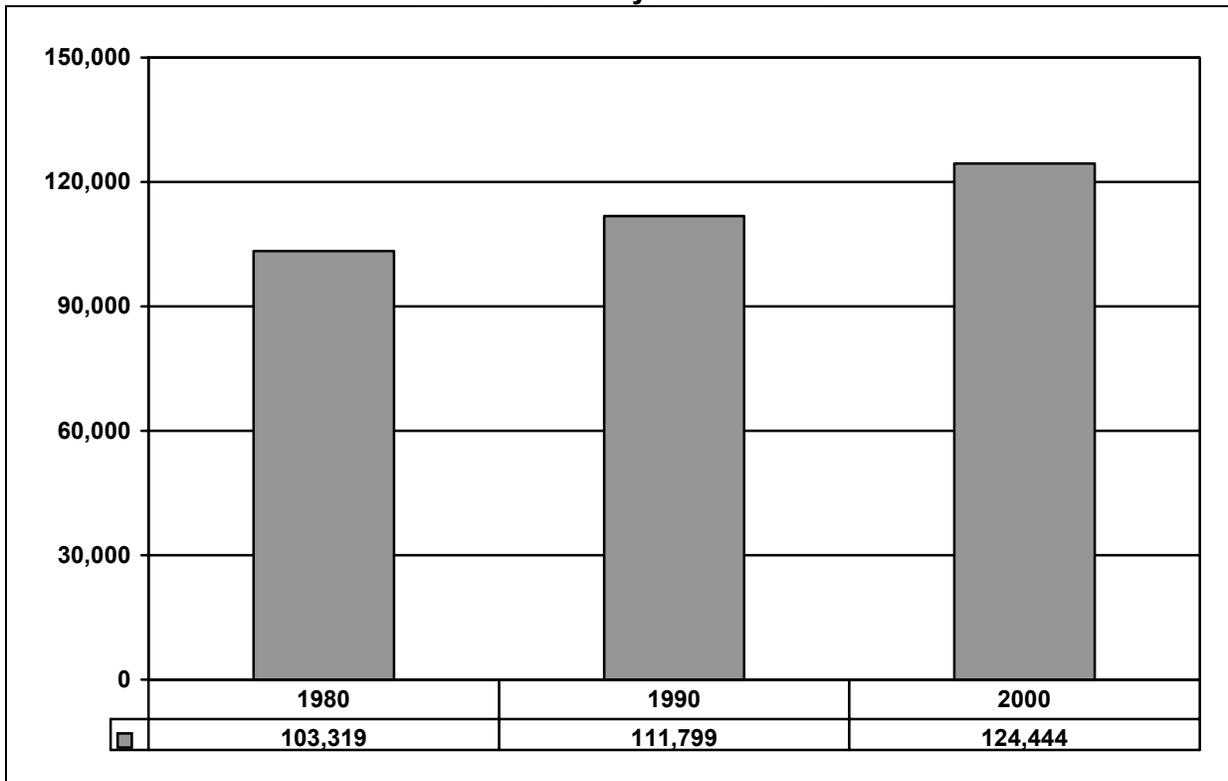


The percentage changes in population from 1990 to 2000 for the counties included in the Chattanooga MSA and are shown below.

Chattanooga MSA, Total	9.6%
Hamilton County, TN	7.8%
Marion County, TN	12.5%
Catoosa County, GA	24.8%
Dade County, GA	14.9%
Walker County, GA	4.6%

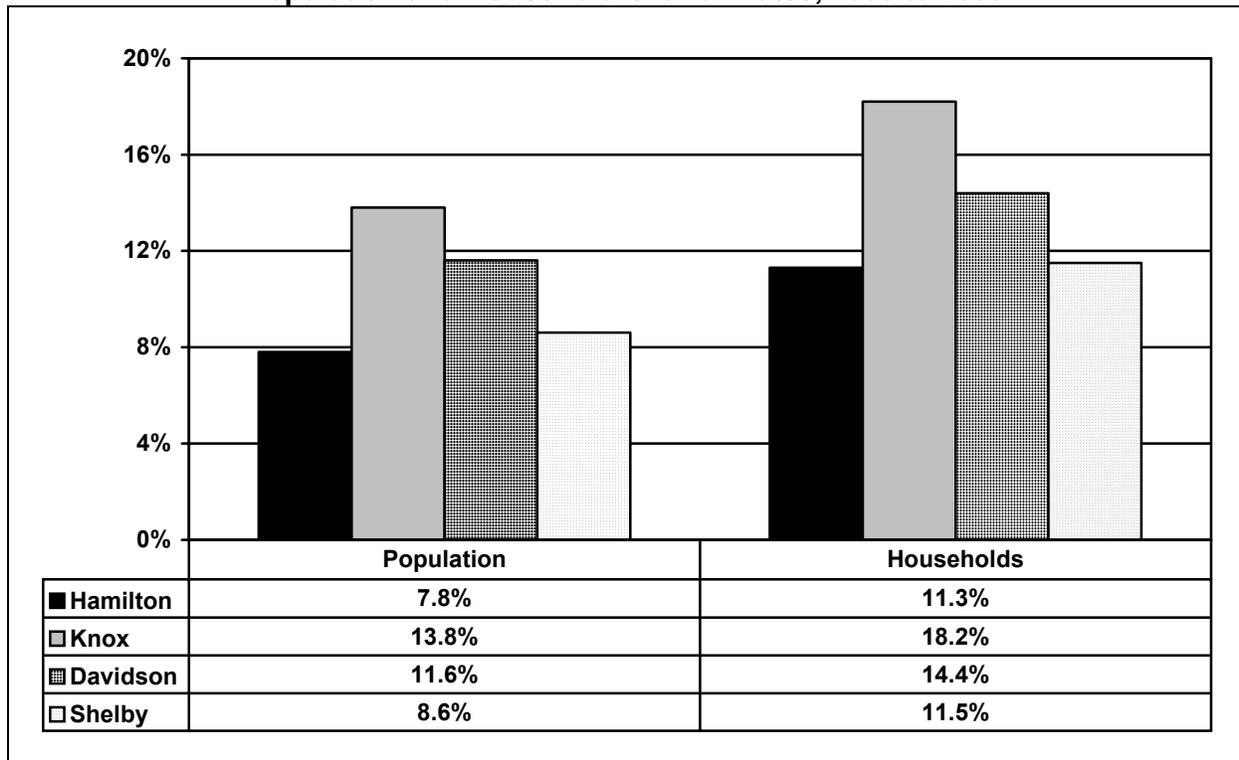
Households in Hamilton County grew faster than the total population from 1990 to 2000, increasing by 11.3%. In 2000, approximately 65% of the households were owner-occupied as opposed to renter-occupied.

Hamilton County Households



Hamilton County's 1990-2000 growth rates in both population and number of households have lagged behind the other three counties.

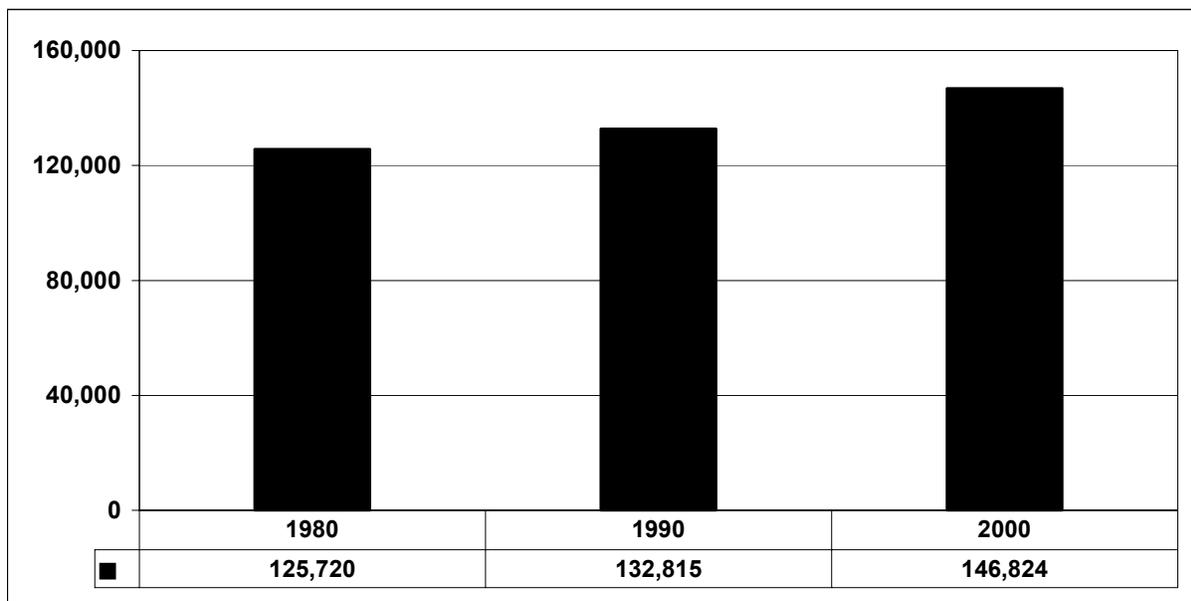
Population and Household Growth Rates, 1990 to 2000



EMPLOYMENT & INCOME

Census Bureau data show increases in employed Hamilton County residents over the past two decades. From 1980 to 1990, the number grew by 5.6%; from 1990 to 2000 it grew 10.5%.

**Employed Persons Residing in Hamilton County
(16 years and older)**



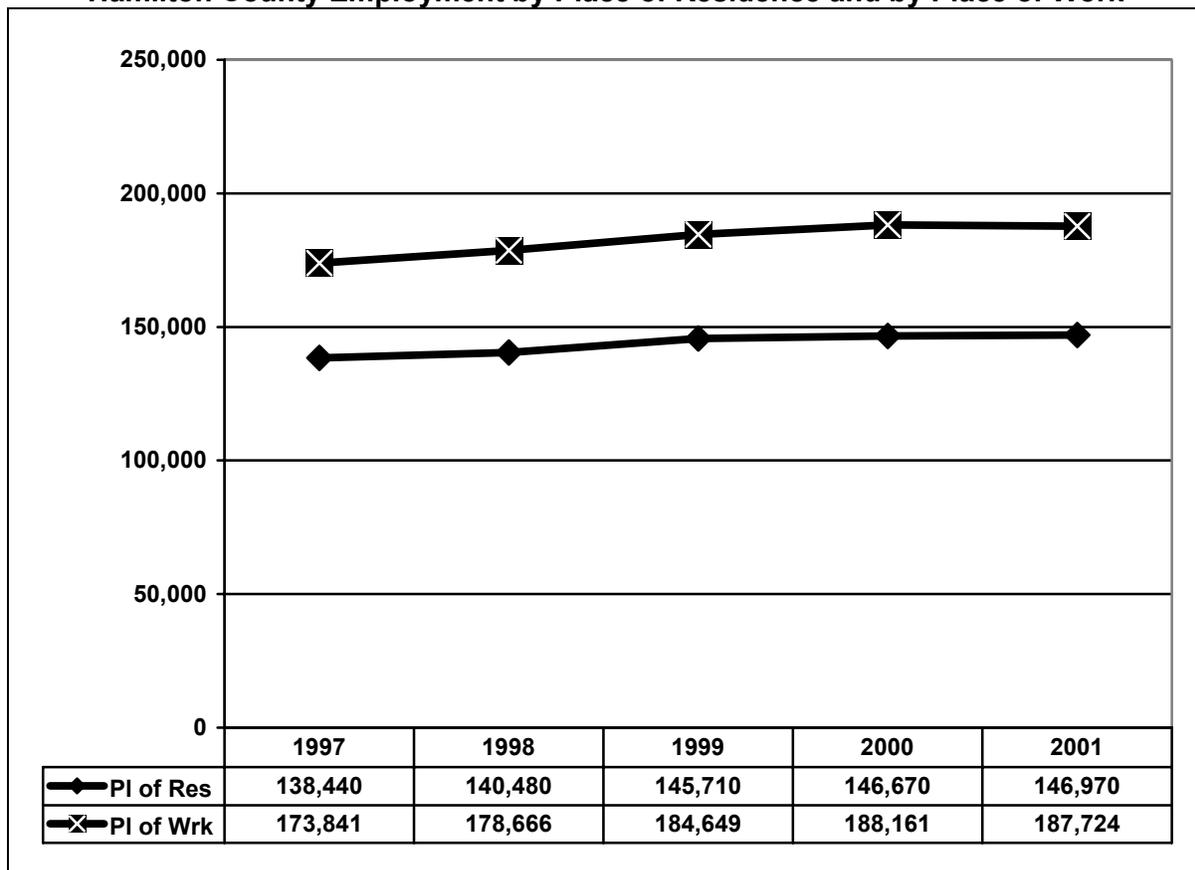
There appears to be a substantial number of people working in Hamilton County who reside in other counties. In 2000, a total of 72,682 employed people lived in the four other counties comprising the Chattanooga MSA (Marion, TN and Catoosa, Dade and Walker, GA). About one-third of these people (24,952) reportedly worked within the city of Chattanooga. Although we cannot determine the total number of people who worked in Hamilton County but lived outside the County, it is estimated to be in the neighborhood of 40,000 as indicated by the data below.

The Tennessee Department of Labor provides two series of annual employment data. The first is an estimate of Nonagricultural Employment by place of residence, and includes people living in Hamilton County regardless of where they work. This data is similar to the data reported by the Census Bureau. It shows employment growing 6.2% from 1997 to 2001, rising from 138,440 to 146,970.

The second series, tracking employees by place of work, includes all employees working in Hamilton County and covered by Tennessee unemployment insurance. Only five years of data are available for this series. During the period 1997-2001, the number of people working in Hamilton County establishments grew from 173,841 in 1997 to 187,724 in 2001, an increase of 8.0%. However, there was a slight dip of 437 workers from the year 2000 to 2001.

The difference between the two sets of data was 40,754 in 2001. This may be an approximation of the number of people who work in Hamilton County but live elsewhere—20% of the people working in Hamilton County

Hamilton County Employment by Place of Residence and by Place of Work



It is quite likely that people have moved from Hamilton County to other nearby counties but continue to work in Hamilton County. The IRS tracks taxpayer migration between counties by comparing addresses on income tax returns for the current year with the previous year's addresses. Over the 1992-2001 period, 21,738 tax returns, which can be used as a proxy for number of households, were filed from the ten counties adjoining Hamilton County after having been filed from Hamilton County in the previous year. Further, 46,455 exemptions, which can be used as a proxy for number of people, were reported on these tax returns. (Exemptions for blindness and age are not counted in these figures.)

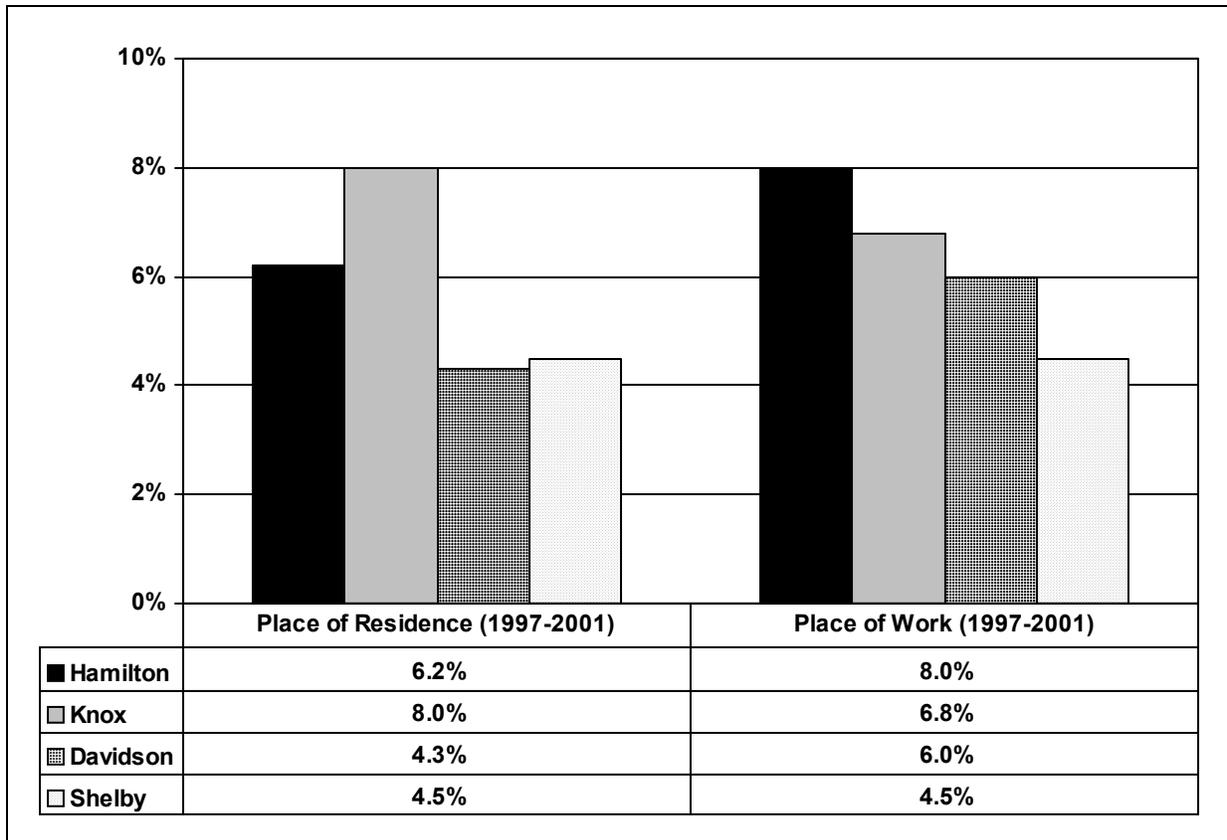
Of course, Hamilton County did experience an inflow from these same counties. However the inflow was not as large as the outflow, so there was a net out-migration of 10,390 people during the 1992-2001 period. The following table shows the net outflow from Hamilton County to adjoining counties over the ten-year period.

Net Out-Migration to Adjoining Counties, 1992-2001

Adjoining Counties	Returns (Households)	Exemptions (People)
Bledsoe, TN	-14	-126
Bradley, TN	-139	-888
Marion, TN	-103	-475
Meigs, TN	-209	-480
Rhea, TN	-99	-448
Sequatchie, TN	-87	-20
Catoosa, GA	-1337	-4,611
Dade, GA	-155	-645
Walker, GA	-345	-2,245
Whitfield, GA	29	-182
TOTAL	-2,459	-10,390

Despite trailing the other three counties in population and household growth rates, Hamilton County compares quite favorably in terms of employment growth. Based on Tennessee Department of Labor data for 1997 to 2001 showing employment according to county of residence, Hamilton County enjoyed a higher growth rate than Davidson and Shelby, but lower than Knox. When measured according to employment by place of work over the period 1997 to 2001, Hamilton County achieved a higher rate of growth than any of the other three counties.

**Percent Change in Employment by
Place of Residence and by
Place of Work**



In 2001, approximately one in every five persons working in Hamilton County was employed in a Goods Producing industry, principally manufacturing or construction. This is a significantly higher proportion than in any of the other three counties.

**Distribution of Employees by Major Industry Sector
2001**

	Goods Producing	Services Producing	Government
Hamilton	21%	66%	13%
Knox	15%	70%	15%
Davidson	12%	73%	15%
Shelby	13%	73%	14%

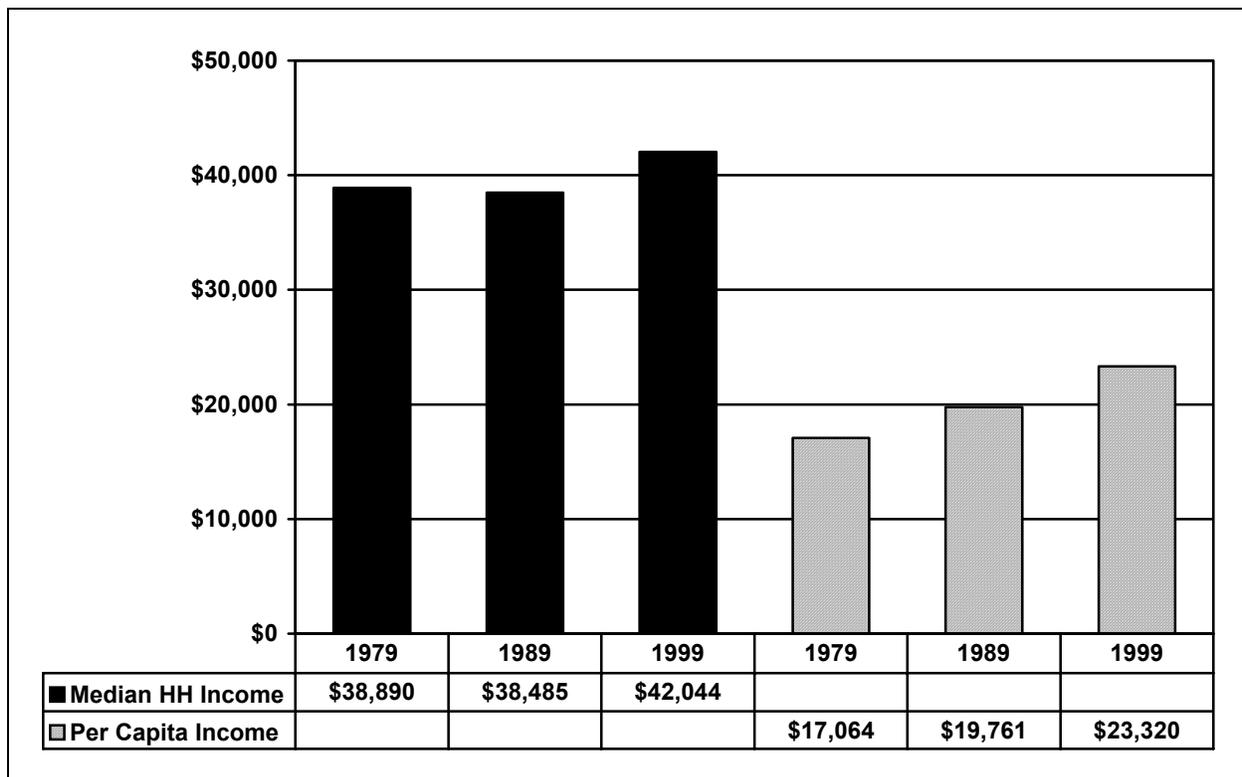
Similarly, Census data from the year 2000 shows that Hamilton County had a higher proportion of workers in Construction, Manufacturing and Transportation occupations than the other three counties.

**Distribution of Workers by General Occupation Category
2000**

	Managerial & Professional	Service	Sales	Office & Admin. Support	Construction, Manufacturing, Transportation
Hamilton	34%	14%	12%	15%	25%
Knox	37%	14%	13%	16%	20%
Davidson	37%	14%	12%	17%	20%
Shelby	34%	14%	12%	18%	22%

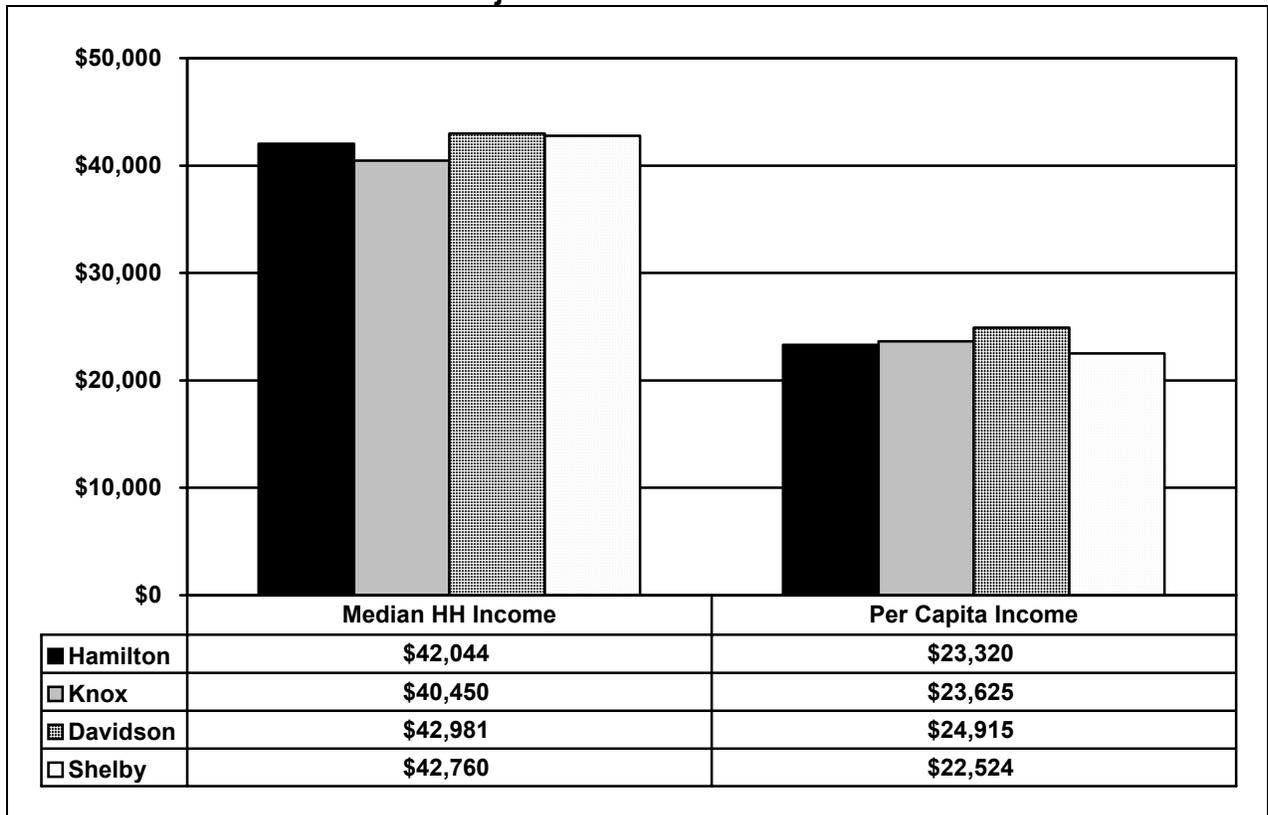
Median household income in Hamilton County, adjusted to 2002 dollars, dropped slightly from 1979 to 1989 then rose 9.2% from 1989 to 1999. Per capita income has shown steady increases over the last two decades, and grew 18% from 1989 to 1999.

**Median Household Income and Per Capita Income
Adjusted to 2002 Dollars**



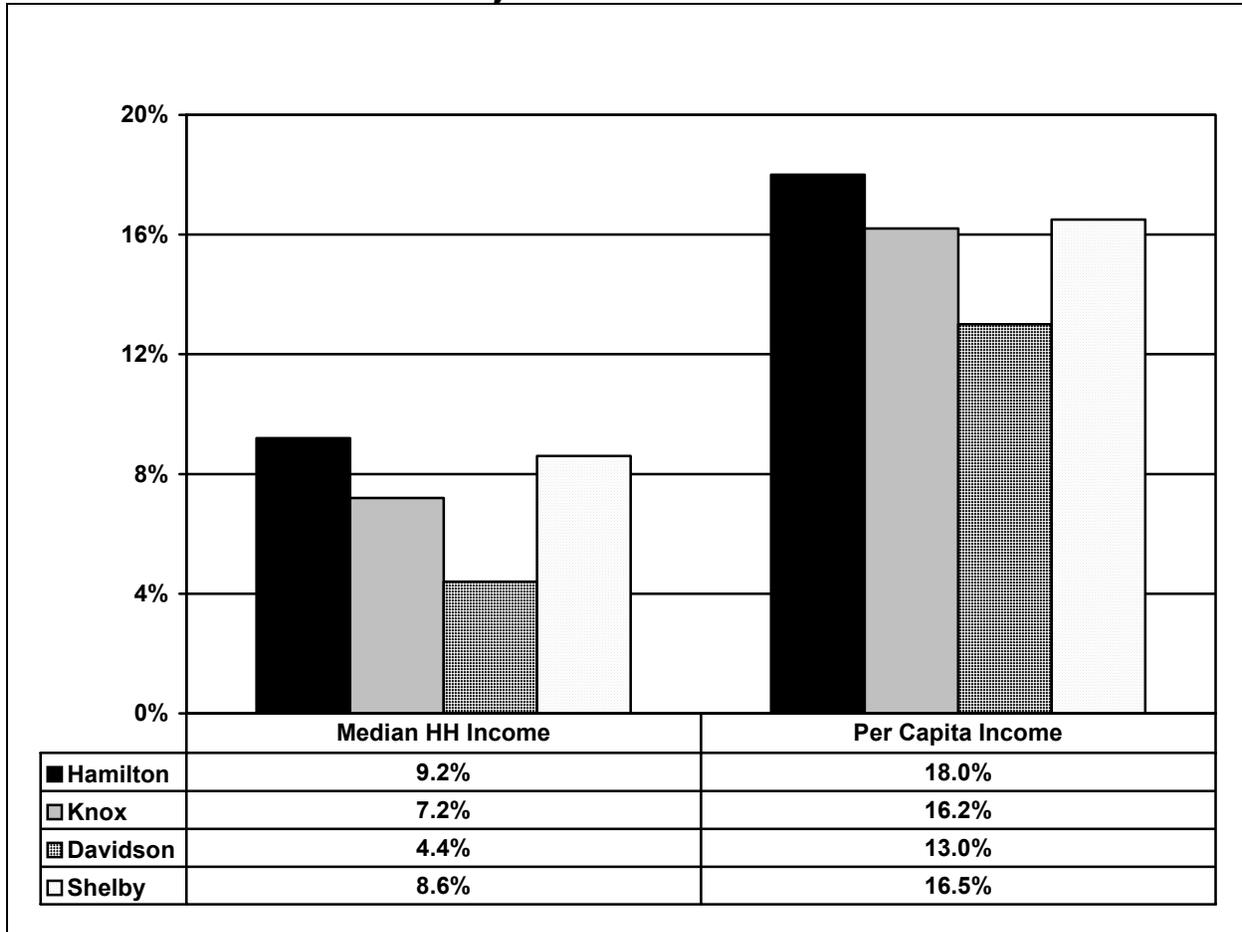
Hamilton County's Median Household Income falls slightly below Davidson's and Shelby's but slightly higher than Knox's. Our Per Capita Income falls slightly below Knox's and Davidson's but slightly higher than Shelby's.

**1999 Median Household Income and Per Capita Income
Adjusted to 2002 Dollars**



Growth percentages in Median Household Income and Per Capita Income, from 1989 to 1999, have been higher for Hamilton County than for any of the other three counties.

**Percent Change in Median Household Income and Per Capita Income, 1989-1999
Adjusted to 2002 Dollars**



SUMMARY

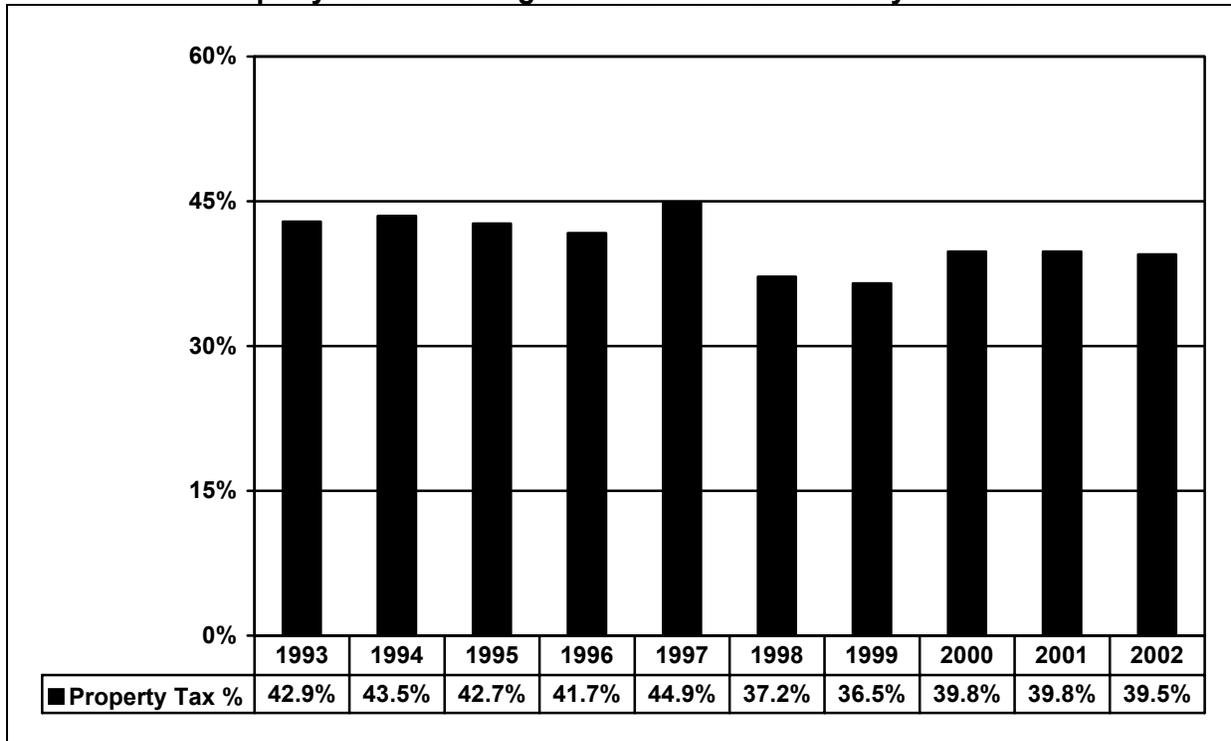
Hamilton County compares quite favorably with the other large metropolitan counties on several important measures--average incomes, and growth rates in jobs and income levels. These are fundamental drivers of economic growth, which in turn affect the growth of our property tax base.

Property Tax Base Trends

HAMILTON COUNTY REVENUE

Hamilton County's Finance Division provided historical data on the County's revenue components. Property tax has been the largest single source of revenue in each of the past ten years, and has grown at a compound annual rate of 6.3%. In fiscal year 2001-2002, property tax accounted for \$172 million of the County's total revenue of \$435 million. From 1993 to 1997, the property tax component ranged from 42% to 45% of total revenue. Since 1998, this proportion has been slightly lower at 37% to 40%.

Property Tax Percentage of Total Hamilton County Revenue



For comparison, Knox County derived 39% of its 2002-2003 budgeted revenue from property tax, Davidson County, 47% in 2002-2003, and Shelby County 54% in 1999-2000, the last year for which its data was found.

TAXABLE PROPERTY

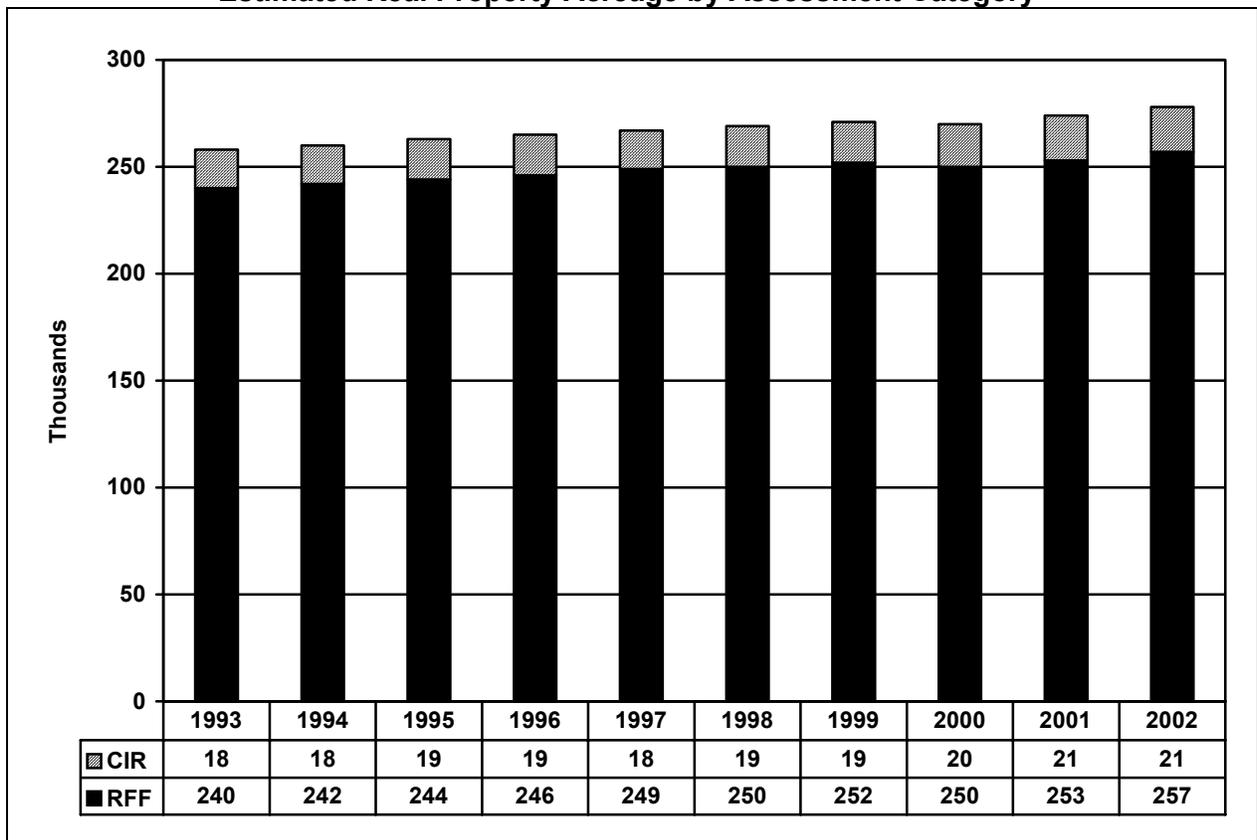
In this report, property is grouped into four categories based on assessment rate:

- Commercial, Industrial and Rental real property (**CIR**), which is assessed at 40% of appraisal value
- Residential, Farm and Forest real property (**RFF**), which is assessed at 25% of appraisal value (This category also includes some miscellaneous types of taxable property such as golf courses, open space and homesteads.)
- Business tangible personal property (**BUS**), which is assessed at 30% of value
- Public Utility property (**UTL**), which is assessed at 55% of value, except according to the State Board of Equalization, "Some public utility property is assessed at the lower industrial and commercial percentage pursuant to federal law."
- Certain types of properties such as government-owned property, some property owned by non-profit organizations, and cemeteries are exempt from taxation.

Real Property Acreage

The Regional Planning Agency has estimated the acreage of taxable properties throughout Hamilton County using existing parcel data and the tax billing rolls for 1993 through 2002. The estimated total acreage of taxable real property in Hamilton County amounted to 277,981 acres in 2002, up from 257,678 in 1993. In 2002, 92% of this acreage (256,922 acres) fell into the RFF category. The remaining 8% (21,059 acres) fell into the CIR category. The ratio of RFF to CIR acreage has not changed materially over the ten-year period.

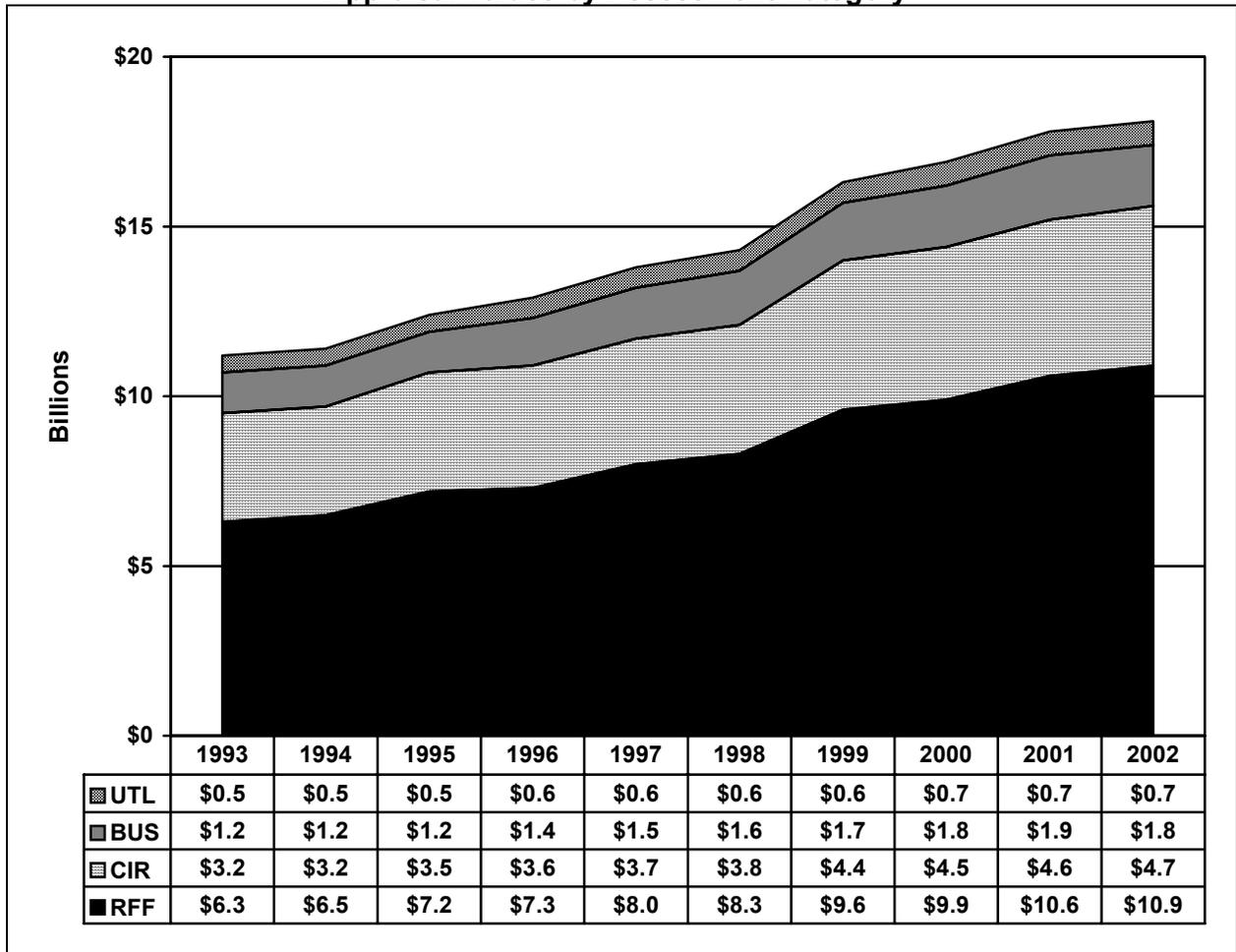
Estimated Real Property Acreage by Assessment Category



Appraisal Values

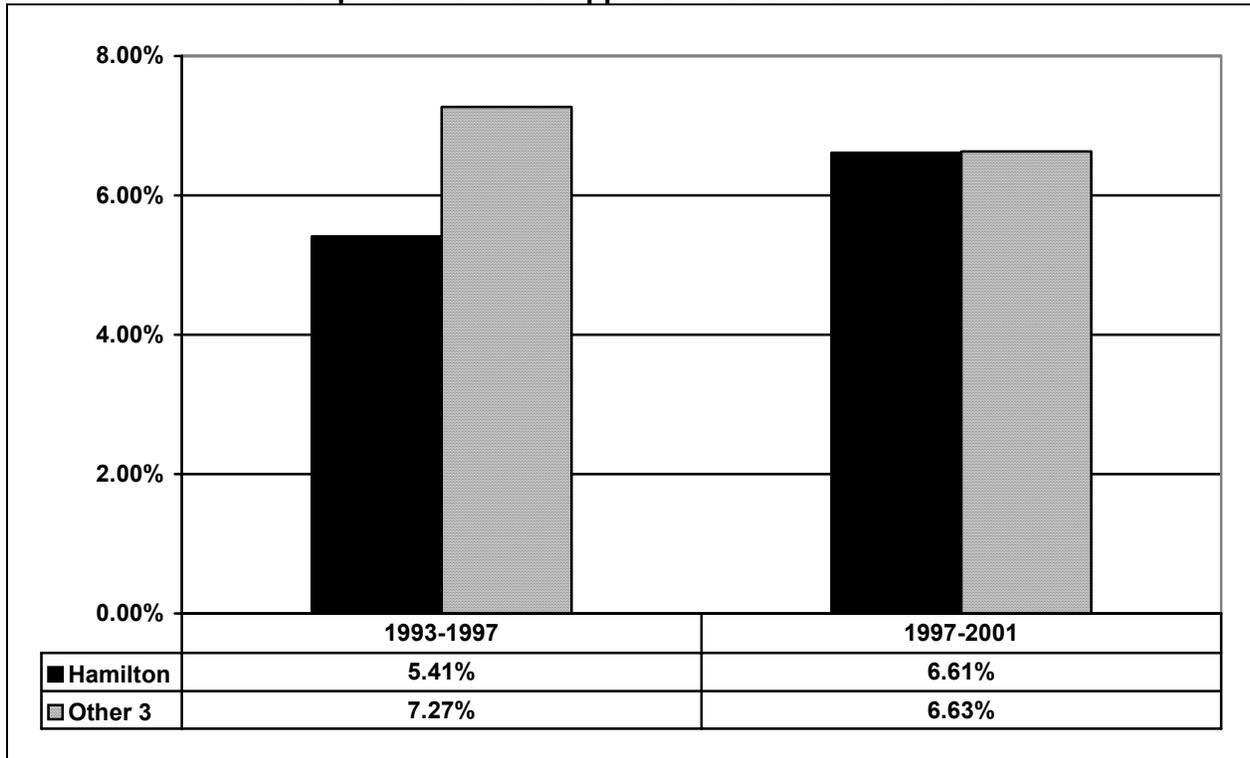
Data provided by the Hamilton County Assessor's Office show that the total appraisal value of real property, business personal property and public utility property in Hamilton County amounted to \$18.1 billion in 2002. Over the period of 1993 through 2002, the total amount grew at a compound annual rate of 5.5%. However, the rate of growth has accelerated in recent years; from 1998 to 2002 the growth rate was 6.3% versus 5.4% from 1993 to 1997. There has been a slight shift in the real property mix between RFF properties and CIR properties. In 1993, RFF properties comprised 57% of the total appraisal values, compared to CIR properties' 29%. In 2002, RFF properties accounted for 60% and CIR properties 26%.

Appraisal Values by Assessment Category



Over the period, 1993 to 2001, Hamilton’s total appraisal values grew at a compound annual rate of 6.01% compared to the 6.95% annual rate of the other three counties combined. However, as mentioned earlier, Hamilton’s annual rate of growth has increased in recent years. If we compare the compound annual growth rates from 1997 to 2001, Hamilton County’s rate was 6.61% versus 6.63% for the other three counties combined—virtually identical.

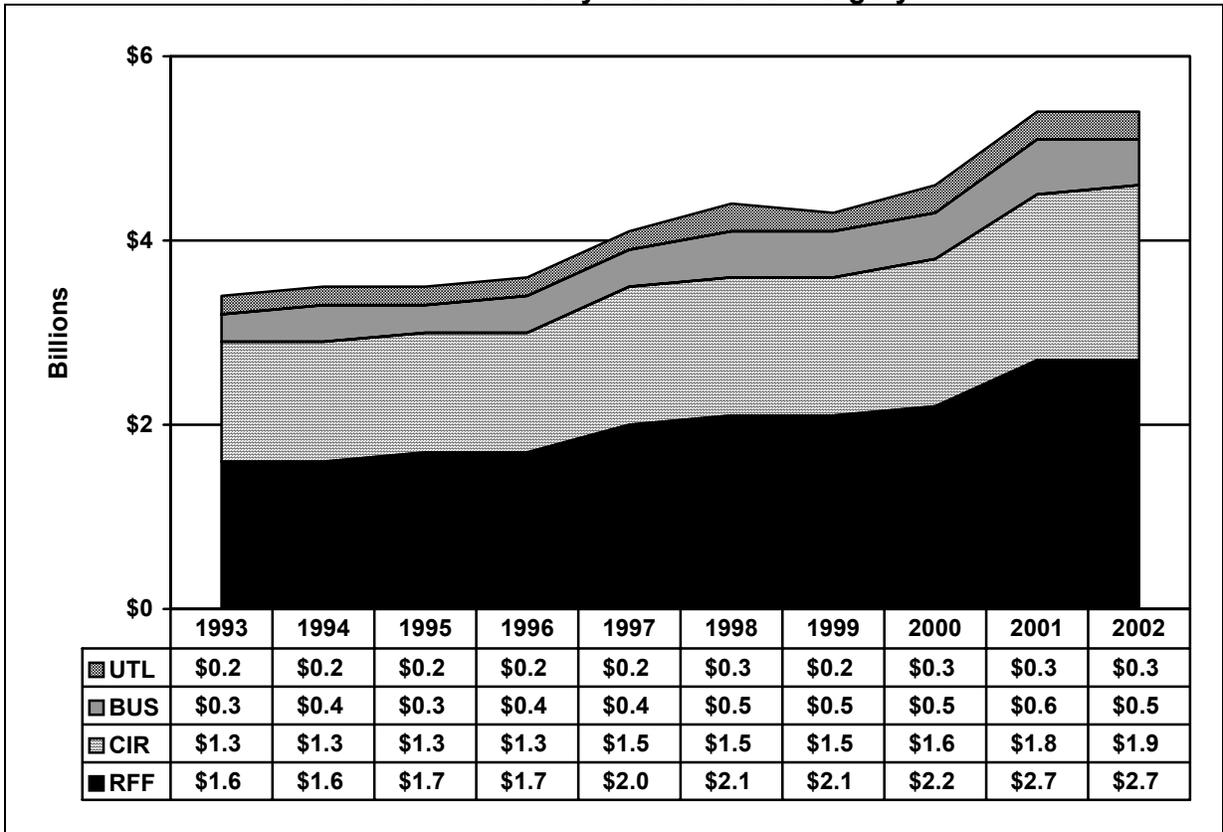
Comparison of Total Appraisal Value Growth Rates



Assessed Values

The Regional Planning Agency has calculated assessed property values by applying the appropriate assessment rate and the appraisal ratio to the foregoing appraisal values. Appraisal Ratio studies are performed in order to update market values between reappraisal years. As indicated earlier, the assessment rates for RFF and CIR properties are 25% and 40% respectively. Business personal property is assessed at 30% of appraisal value. For UTL property, the actual reported Assessed values were used for the years 1993 through 2002. The total assessed value of all property amounted to \$5.4 billion in 2002, having grown from \$3.4 billion in 1993.

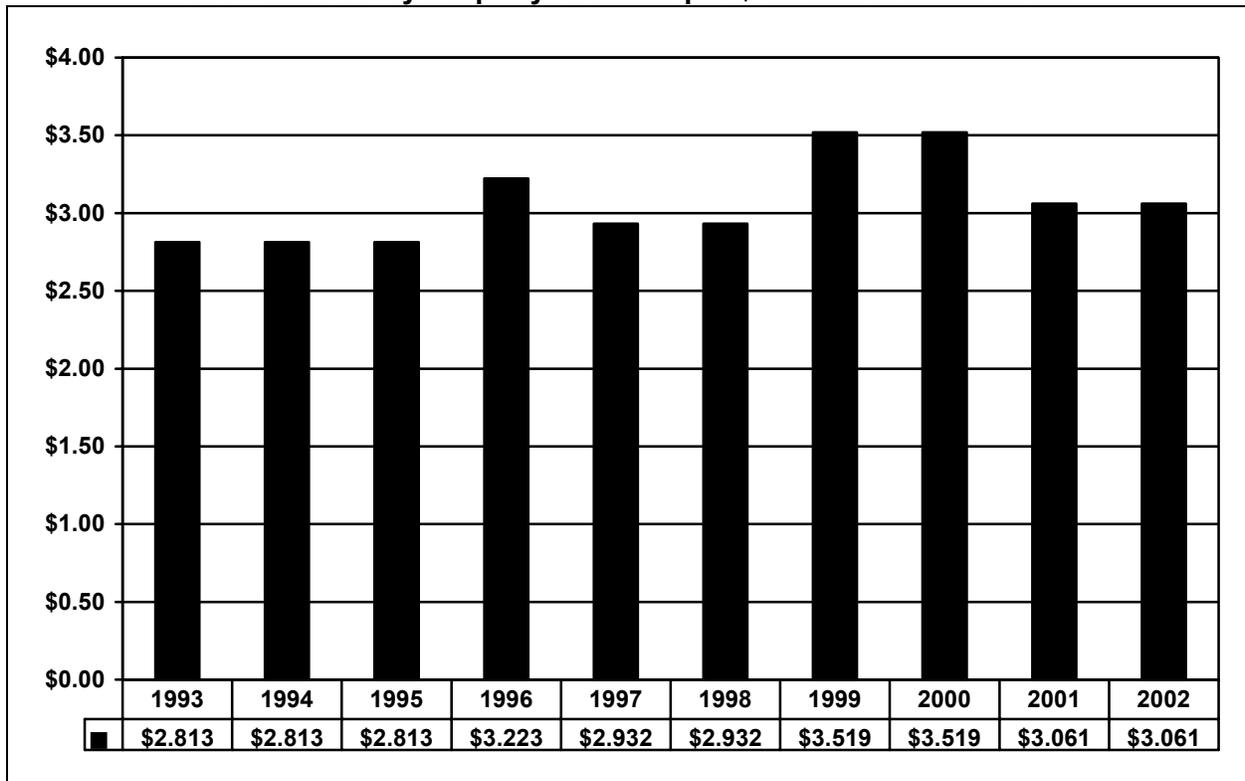
Assessed Values by Assessment Category



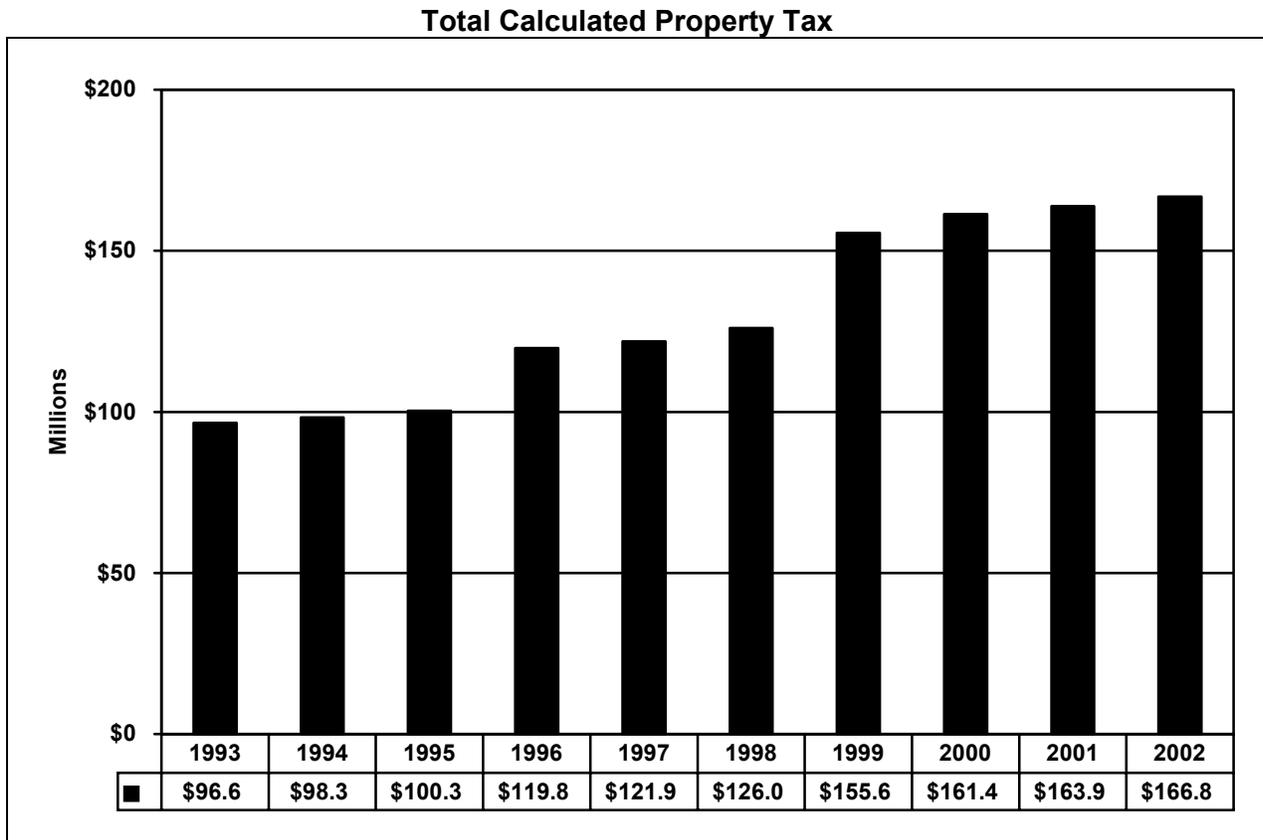
Property Tax

Hamilton County's property tax rates per \$100 of assessed value for the years 1993 through 2002 are shown below. In 1996, the rate was increased by almost 15% and then dropped 9% in 1997 as a result of reappraisals. Then in 1999, the rate jumped 20%, followed two years later by a 13% decrease after the 2001 reappraisals.

Hamilton County Property Tax Rate per \$100 of Assessed Value



Applying the foregoing rates to the previously calculated assessment values yields the property tax figures shown in the following chart.



It should be noted that these calculated tax amounts do not match exactly the actual property tax revenue reported by the County's Finance Division. The Finance Division's figures reflect all property taxes (current and prior years) reported on an accrual basis for a particular fiscal year. Certain assumptions and estimates are used in arriving at these numbers.

Property Tax Base Forecast

There are a number of different forecasting methods available, some very simple and others quite complex. We have chosen two approaches, which result in two sets of forecasts.

STRAIGHT LINE TREND (SLT) METHOD

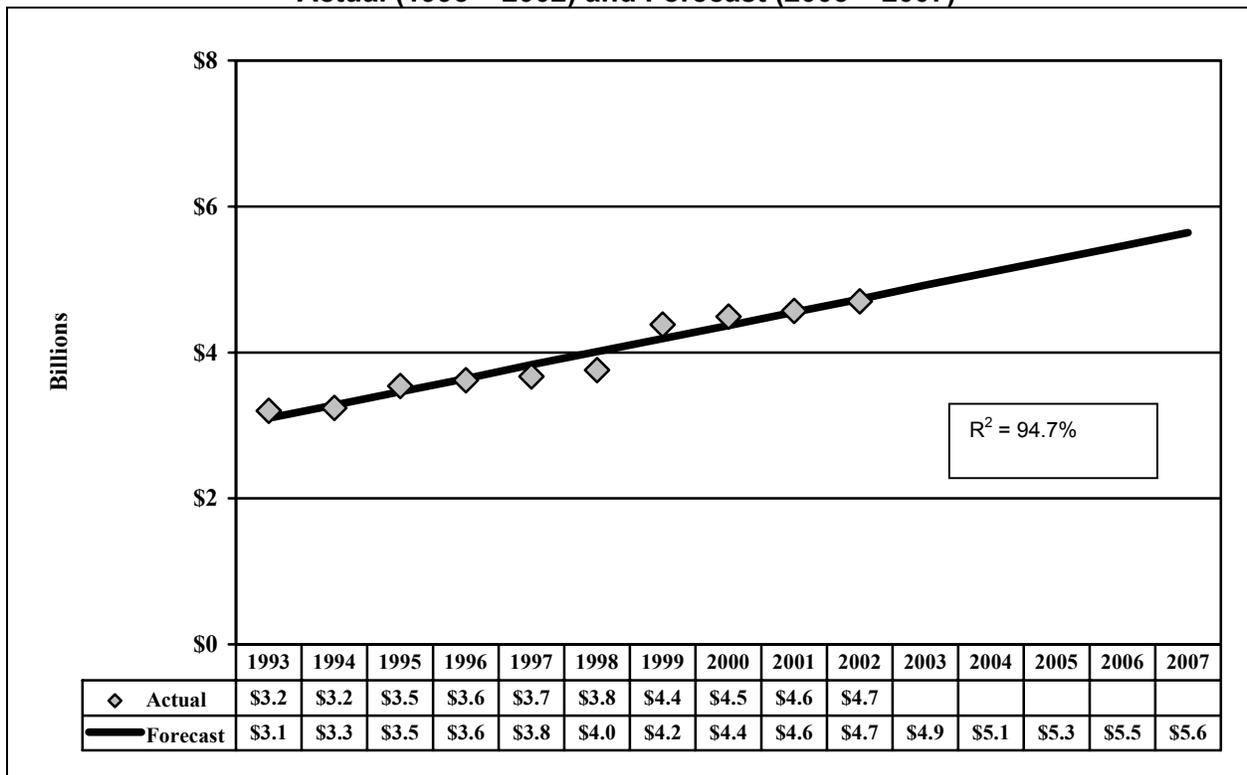
One forecasting approach used in this project is a relatively simple and conservative method, which assumes that the growth trend experienced during the past ten years will continue over the next five years. The historical growth patterns have been remarkably stable, and trend lines, calculated by the method of least squares, fit the data exceptionally well. A measure known as the *coefficient of determination* or R^2 is used to judge how well a calculated trend line fits the actual data. An R^2 of 1.00, or 100%, indicates a perfect positive correlation or match. The R^2 s for these projections ranged from 90.3% to 97.6%.

Appraisal Values

Forecasts of appraisal values were made separately for the four major property categories: CIR real property, RFF real property, Business personal property (BUS), and Public Utility property (UTL). The forecast of total appraisal values is obtained by summing these four independent forecasts. No adjustments have been made for an expected appraisal ratio study in 2003 and a scheduled reappraisal in 2005.

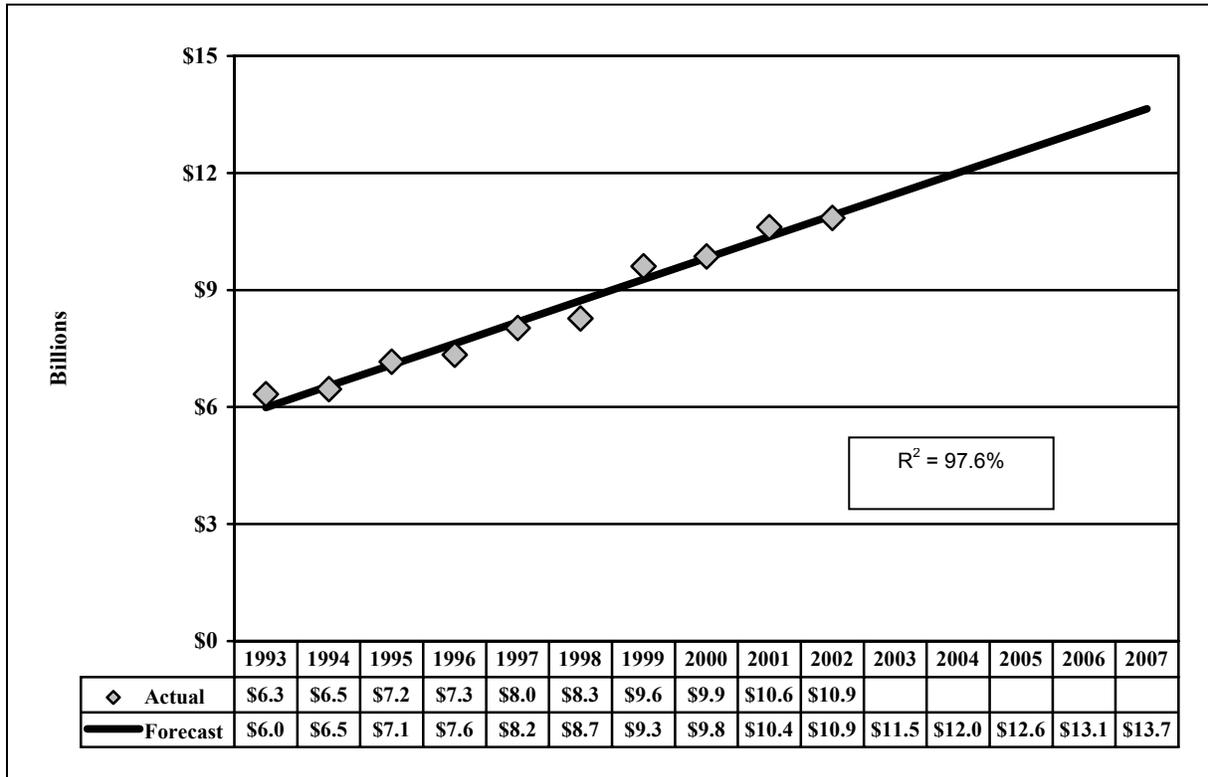
CIR appraisal values are forecast to reach \$5.6 billion by 2007, a 20.1% increase from \$4.7 billion in 2002.

**Commercial, Industrial, Rental Properties Appraisal Values
Actual (1993 – 2002) and Forecast (2003 – 2007)**



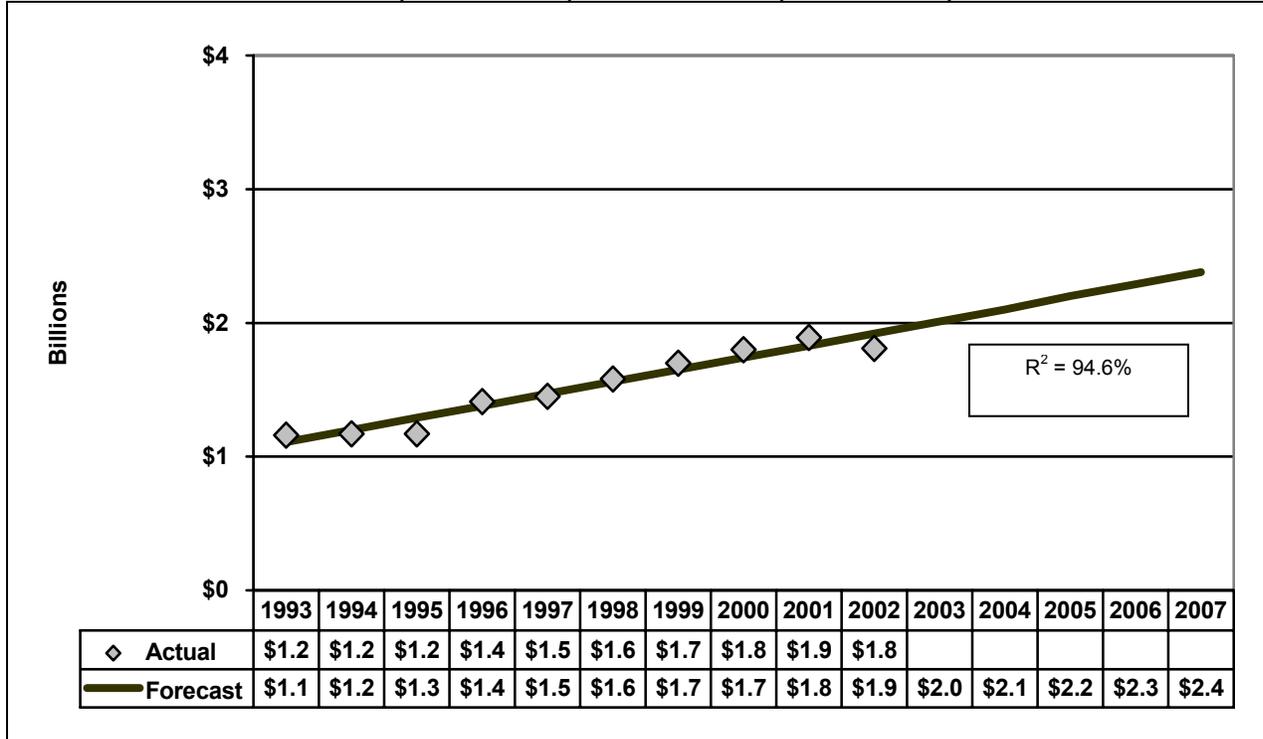
The appraisal value of RFF properties is forecast to grow from \$10.9 billion in 2002 to \$13.7 billion in 2007, an increase of 25.8%.

**Residential, Farm, Forest Properties Appraisal Values
Actual (1993 – 2002) and Forecast (2003 – 2007)**



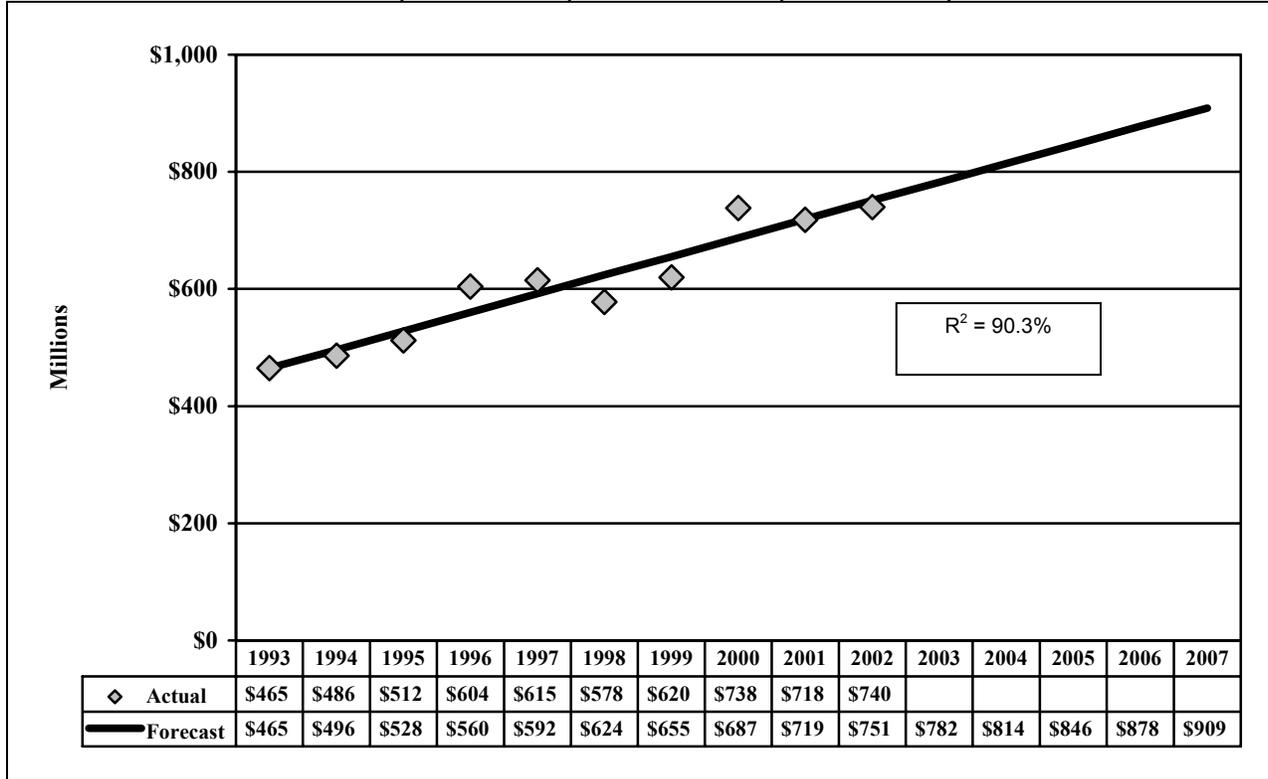
Business personal property appraisal values are forecast to reach \$2.4 billion in 2007.

**Business Personal Property Appraisal Values
Actual (1993 – 2002) and Forecast (2003 – 2007)**



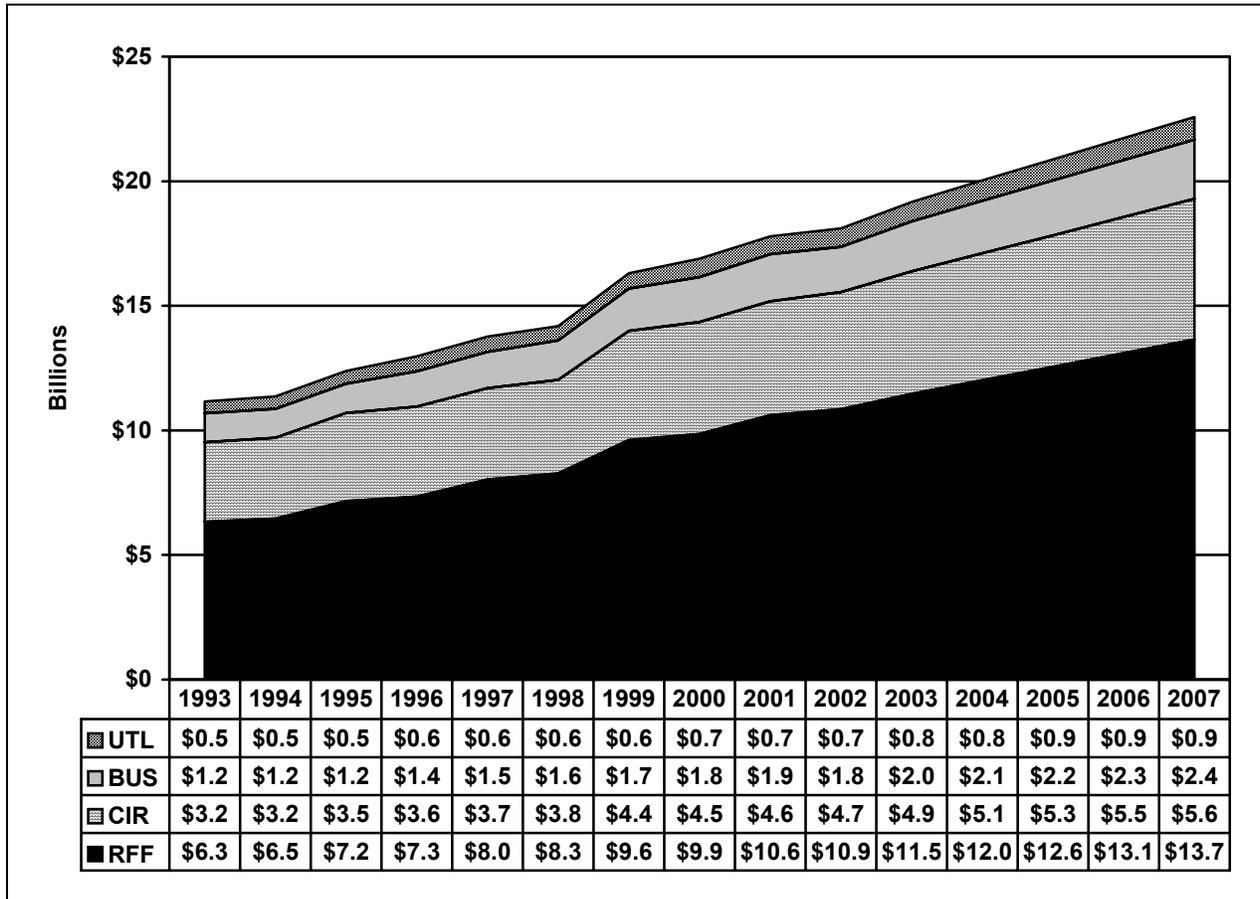
Public Utility property values are projected to grow to just over \$900 million.

**Public Utility Property Appraisal Values
Actual (1993 – 2002) and Forecast (2003 – 2007)**



Combining the forecasts for the four property categories results in a total appraisal value of \$22.6 billion in 2007, a 24.7% increase from 2002's \$18.1 billion.

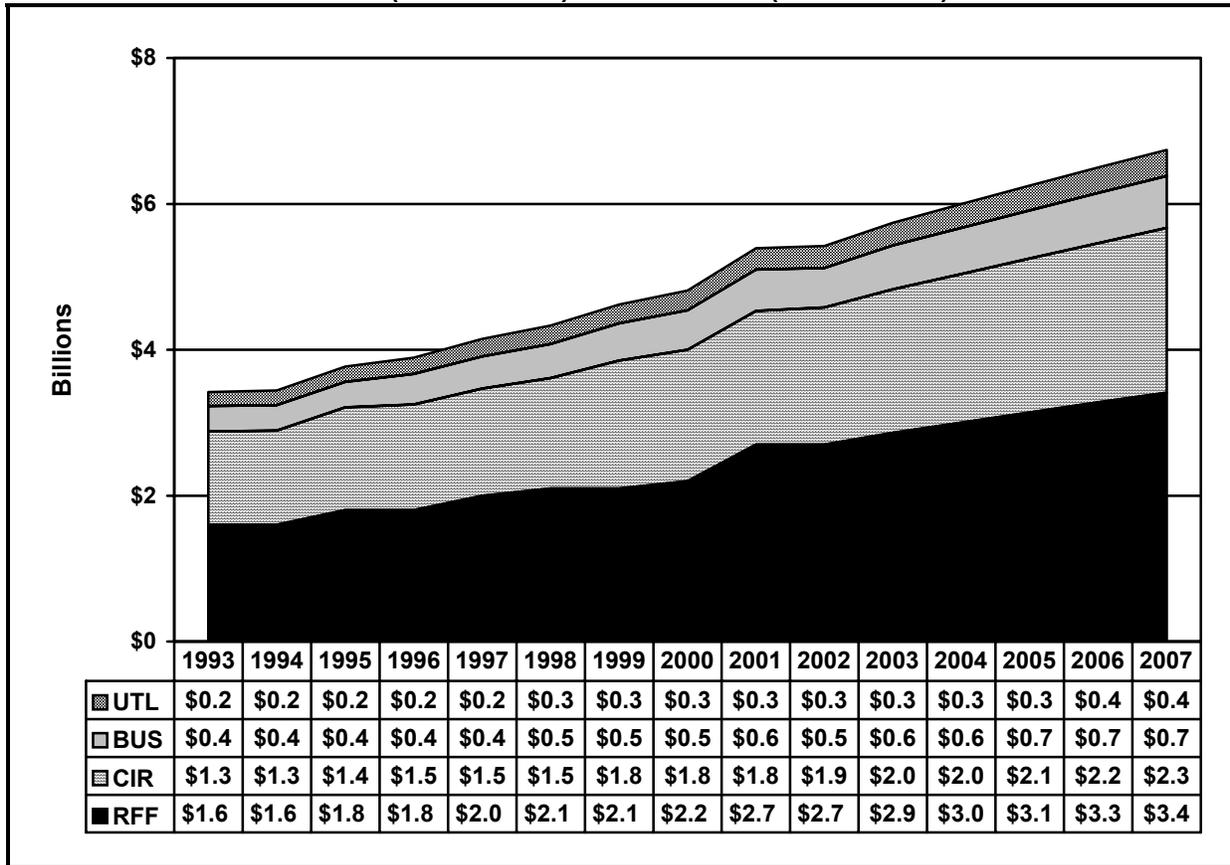
**Total Appraisal Values
Actual (1993 – 2002) and Forecast (2003 – 2007)**



Assessed Values

The total assessed value of all properties is forecast to rise from \$5.5 billion in 2002 to \$6.7 billion in 2007. These assessed values are estimated by multiplying the appraisal values by the appropriate assessment rates. No adjustments have been made for future appraisal ratio studies.

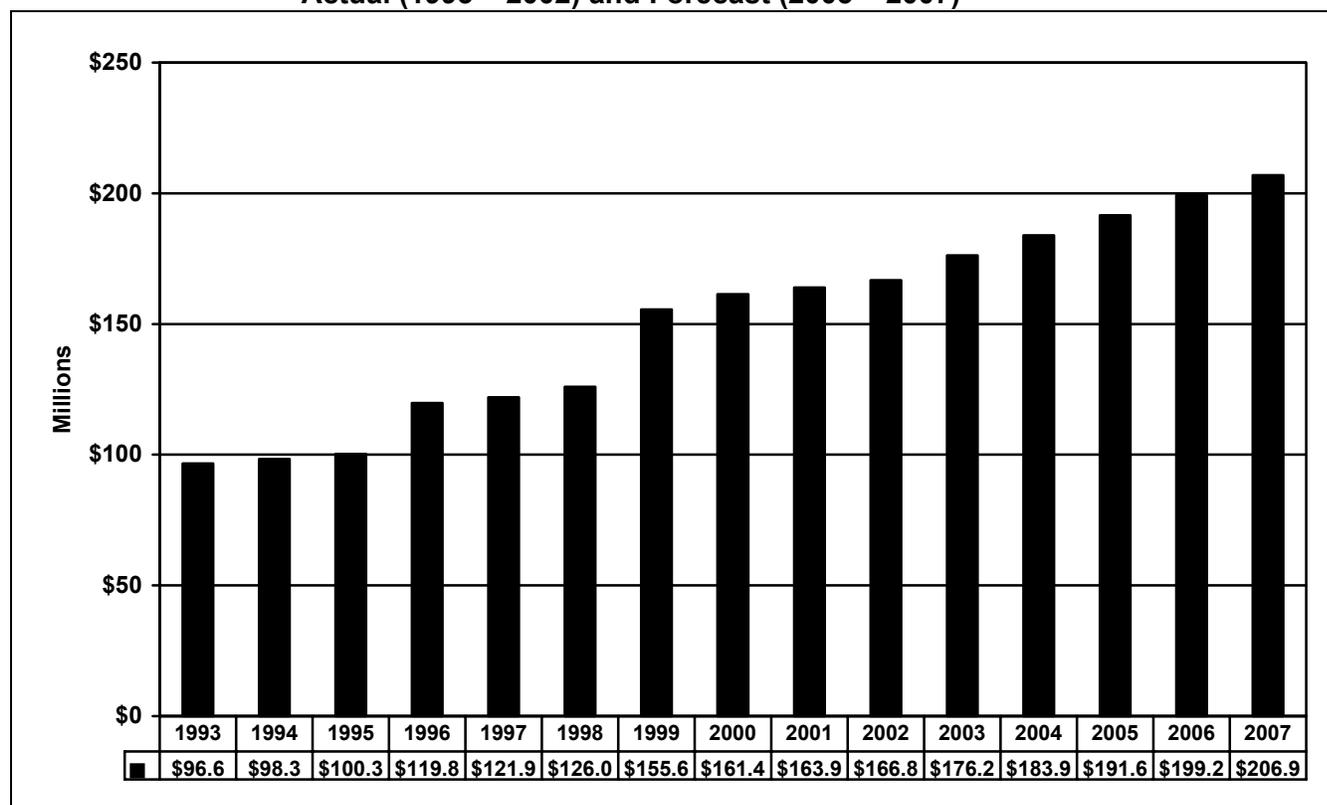
**Total Assessed Values
Actual (1993 – 2002) and Forecast (2003 – 2007)**



Property Tax

The annual amount of property tax generated by these projected tax base values will depend on the tax rate. For illustrative purposes, we have held the current rate constant at \$3.061 per \$100 of assessed value, which yields the projected figures shown in the next chart. Total property taxes are expected to reach almost \$207 million in 2007.

**Total Calculated Property Tax
Actual (1993 – 2002) and Forecast (2003 – 2007)**

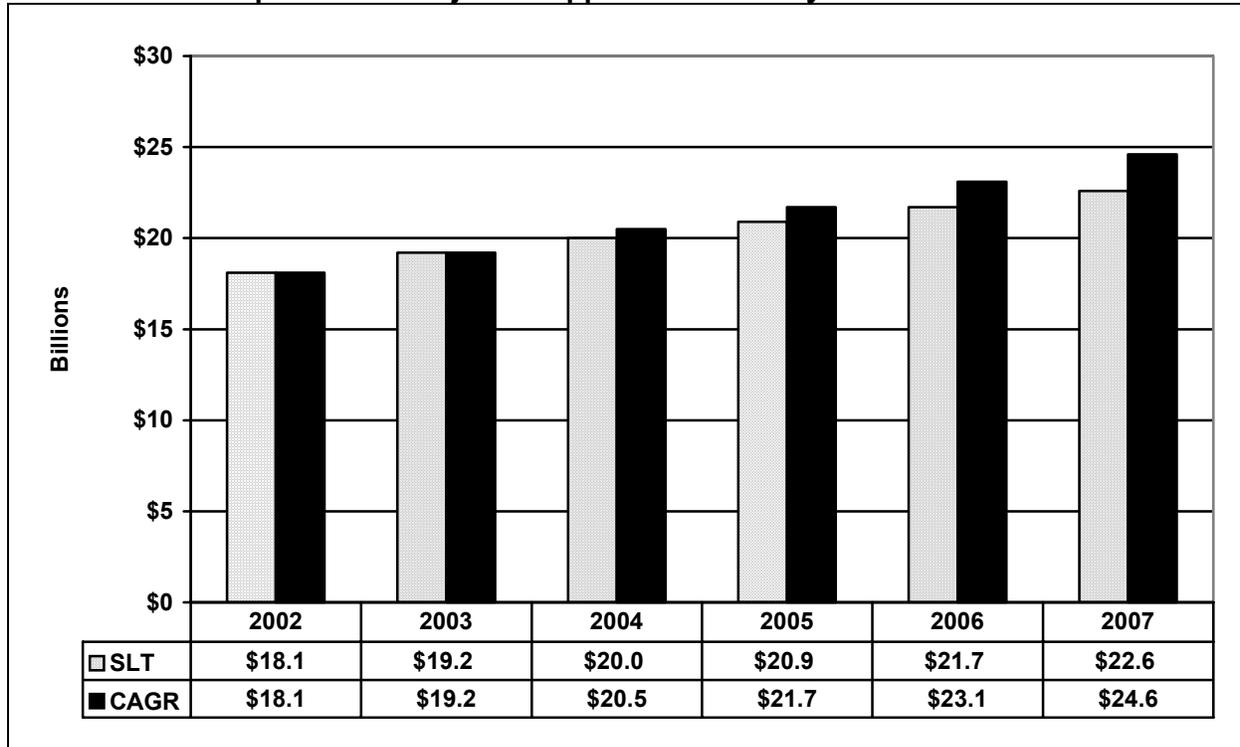


COMPOUND ANNUAL GROWTH RATE (CAGR) METHOD

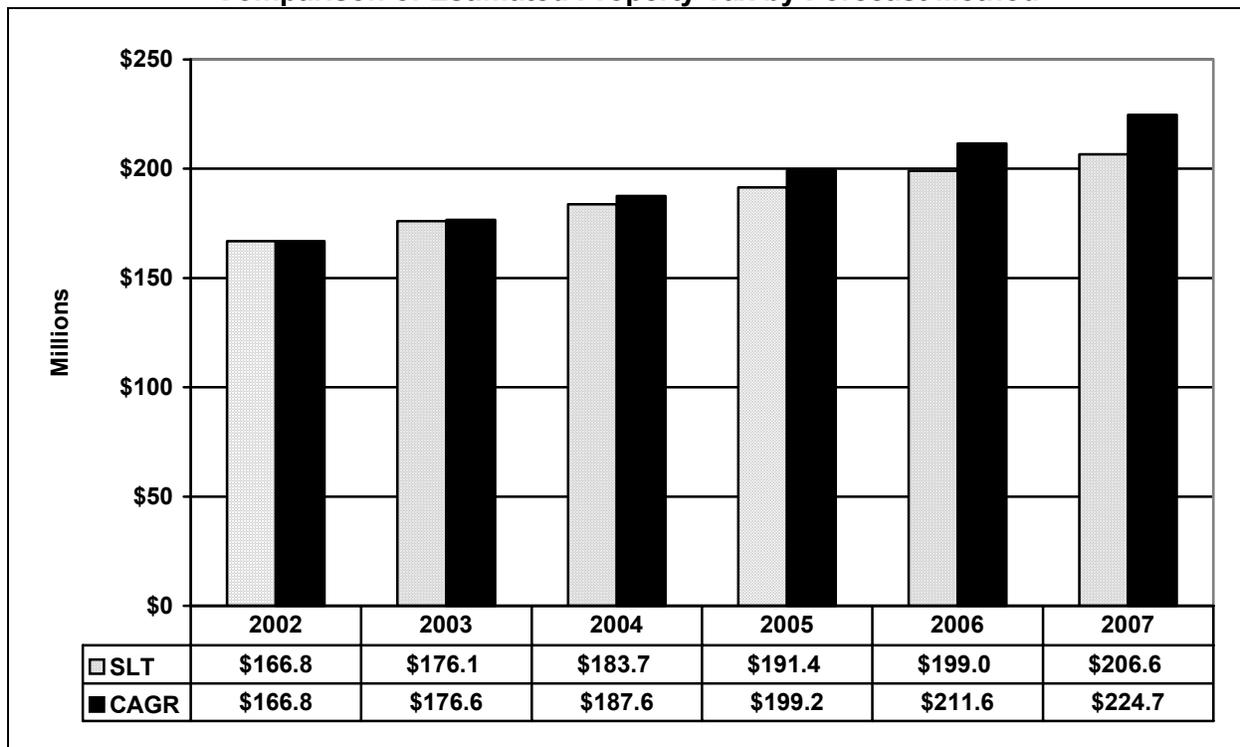
The second growth scenario assumes that the property tax base components, measured in terms of appraisal values, will grow over the next five years (2003-2007) at the same compound annual rates as during the past five years (1998-2002). This approach implies that recent trends are more likely than longer term trends to continue into the near future. The five-year growth rates are as follows: CIR, 5.71%; RFF, 7.02%; BUS, 3.49%; UTL, 7.52%

Under this scenario, the total property tax base is projected to reach \$24.6 billion in 2007, an increase of \$6.5 billion from 2002. Further, this would result in an estimated tax amount of nearly \$225 million, assuming no increase in the tax rate. Comparisons of the results of the two methods, Straight Line Trend (SLT) and Compound Annual Growth Rate (CAGR), are shown below.

Comparison of Projected Appraisal Values by Forecast Method



Comparison of Estimated Property Tax by Forecast Method



SUMMARY

Hamilton County's property tax base is expected to reach \$22.6 - \$24.6 billion in total appraisal values by 2007. This will yield an estimated property tax of \$207 - \$225 million based on the current County tax rate. The underlying assumption in these forecasts is that the forces that have shaped Hamilton County's property tax base growth over the past five to ten years will exert a similar influence in the coming five years.

Key Drivers of Tax Base Growth

Economic growth will be the overriding driver of Hamilton County's tax base growth. As stated in the 2002 *An Economic Report to the Governor of the State of Tennessee on the State's Economic Outlook*:

"Economic growth means sustained increases in the production of goods and services, employment, and income. Economic growth is clearly vital to improving the well-being of families in Tennessee and sustaining a strong tax base. Engineering strong growth is a challenge that calls for careful planning and a strong partnership between the private and public sectors."

There is a measure of total output of goods and services at the state level, which is referred to as Gross State Product (GSP), but we do not have a similar measure at the county level. However we have seen healthy growth in both employment and income, and see no reason why this trend should not continue over the next five years.

As further stated in the Economic Report to the Governor,

"...some elements of economic development may be influenced by government's strategic planning and the policies it implements. State government pro-growth strategies—ranging from education policy to targeted investments in infrastructure—can help promote economic development, in turn increasing the well-being of Tennesseans and expanding the tax base."

We believe that the same principles apply at the local level insofar as long term economic growth. Investments in education, including formal education as well as formal and on-the-job training, by the public and private sectors hopefully will improve the quality of our local labor force over time. Targeted investments in infrastructure, e.g. sewers, utilities, transportation routes, etc., hopefully will attract new commercial and industrial development, thereby helping the County's property tax base to continue growing. Economic development activities of the Chattanooga Area Chamber of Commerce and local government officials are expected to boost our local economy through expansion of existing businesses and attraction of new businesses to the area. However, the payoff from these strategic initiatives may not emerge fully within the next five years.

Character (Makeup) of Growth

The fundamental assumption in our forecasts is that Hamilton County's property tax base growth pattern will follow past trends. One scenario uses a ten-year period and the other scenario uses the most recent five years. There has been, and under these assumptions, will continue to be a gradual shift in the composition of the property tax base. This is shown in the table below, based on appraisal values.

Mix of Appraisal Value by Property Type

Property Type	1993	1997	2002	2007	
	Actual	Actual	Actual	Forecast SLT	Forecast CAGR
CIR	29%	27%	26%	25%	25%
RFF	57%	58%	60%	60%	62%
BUS	10%	11%	10%	11%	9%
UTL	4%	4%	4%	4%	4%
TOTAL	100%	100%	100%	100%	100%

Interestingly, the other large Tennessee counties—Knox, Davidson, and Shelby—have experienced similar trends in the makeup of their property tax bases, with the Residential (RFF) properties accounting for gradually increasing proportions of their overall tax bases.

The question as to what should be the character (makeup) of the tax base growth is difficult to answer because a number of variables are involved. However, a higher proportion of CIR property will generate more revenue because of its higher assessment rate. For instance, a CIR property of a certain value will produce 60% more tax revenue than an RFF property of the same value.

The RPA has estimated that there were just over 21,000 acres of CIR property in Hamilton County in 2002. The total assessed value of all CIR property amounted to nearly \$1.9 billion, and generated an estimated \$57.5 million in real property taxes. This is an average of about \$2,700 per acre. Based on this, we can estimate roughly that an additional 1,000 acres of CIR property could generate \$2.7 million in additional real property taxes. Also, there would be business personal property tax associated with this, which could amount to perhaps \$800,000.

Where Growth Will Occur

It is impossible to pinpoint specific locations where growth will occur over the next five years. However, growth is expected to follow patterns similar to those that have occurred during the past decade. Based on the past development trends, we can project generally where the potential growth areas could be.

Residential

Analyses of the Census indicated population increased generally in a crescent shape from East Brainerd, Ooltewah, Hunter Road, Wolftever Creek areas, and crossed the Tennessee River to the Middle Valley and Sequoyah areas in the last decade. The analysis also showed some growth in the downtown and UTC areas. (See map 1)

The population and subdivision trends (See map 2) showed that residential growth is expected to continue in the northern and eastern parts of Hamilton County in the next five years. Major areas likely to continue growing are:

- Soddy Daisy and areas farther to the north
- Middle Valley and Sequoyah area
- Areas north and northeast of the VAAP property (Enterprise South)
- Areas around Wolftever and Savannah Creeks
- East Brainerd and Ooltewah areas
- Lookout Valley

Commercial

Commercial development, particularly retail and services, tends to occur along the major corridors in residential growth areas. The same areas cited above as residential growth areas are likely candidates for further commercial development/expansion.

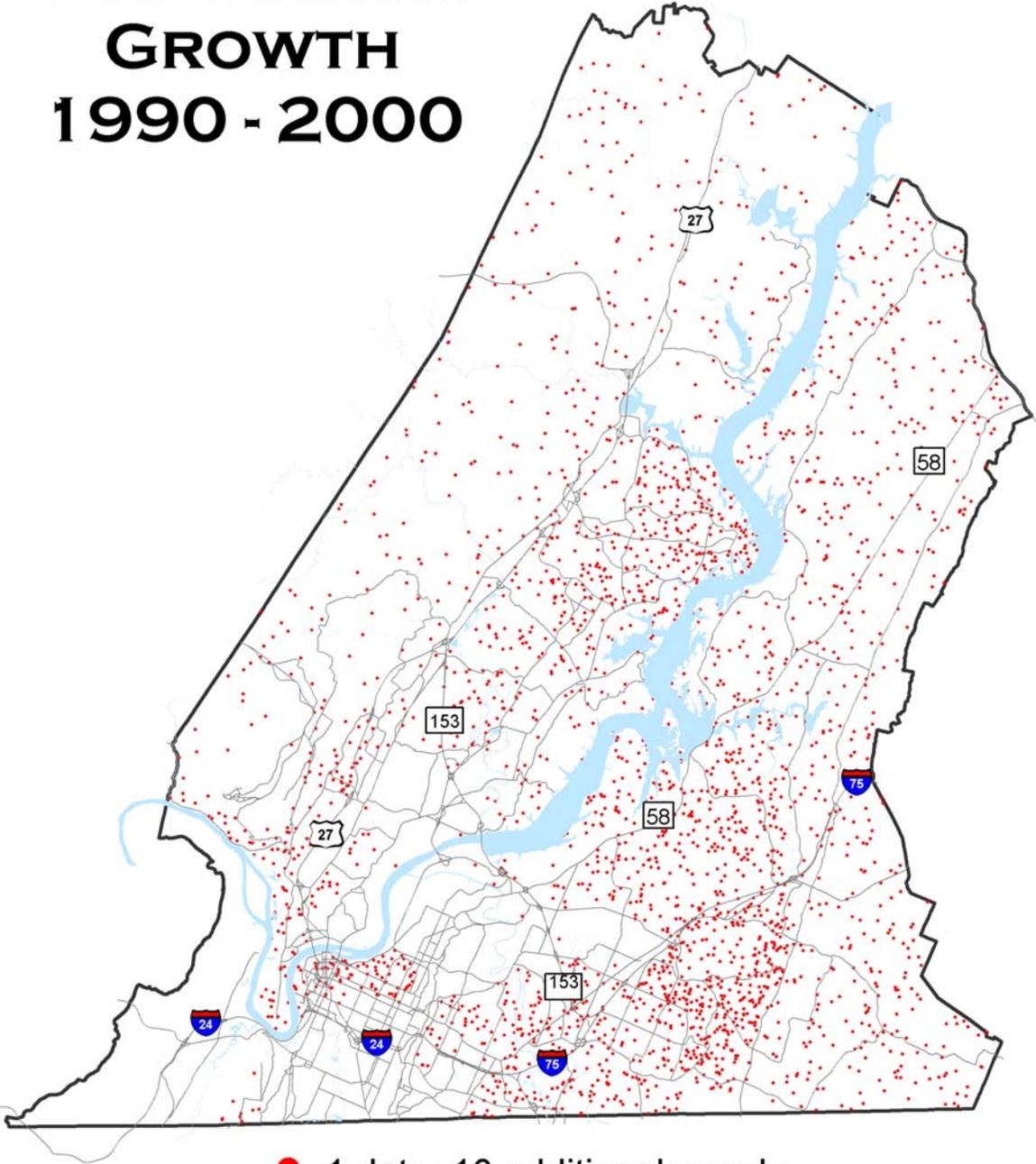
Industrial / Business

The principal areas for possible industrial and business development/expansion (See map 3) are:

- Lookout Valley
- Alton Park
- Wheland property/Riverfront Parkway
- Centre South
- Highway 153/Shallowford Industrial Park area
- Enterprise South
- Area adjacent to Sequoyah Nuclear Plant
- Areas along Highways 58 and 27, and the Sale Creek area
- Summit area along Old Lee Highway and Little Debbie Parkway

MAP 1

POPULATION GROWTH 1990 - 2000



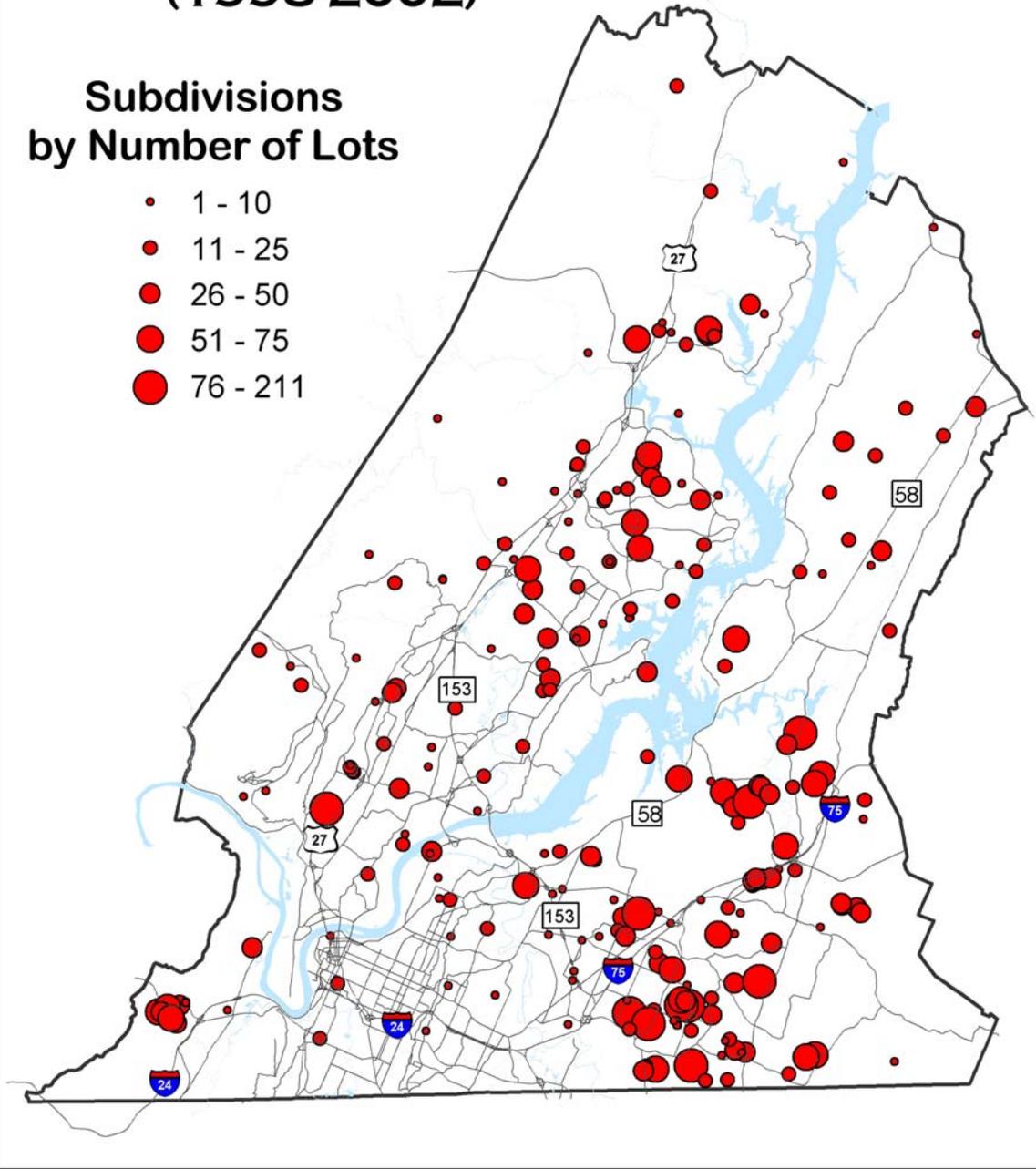
● 1 dot = 10 additional people

MAP 2

5 YEAR GROWTH TREND BY PLATTED SUBDIVISIONS (1998-2002)

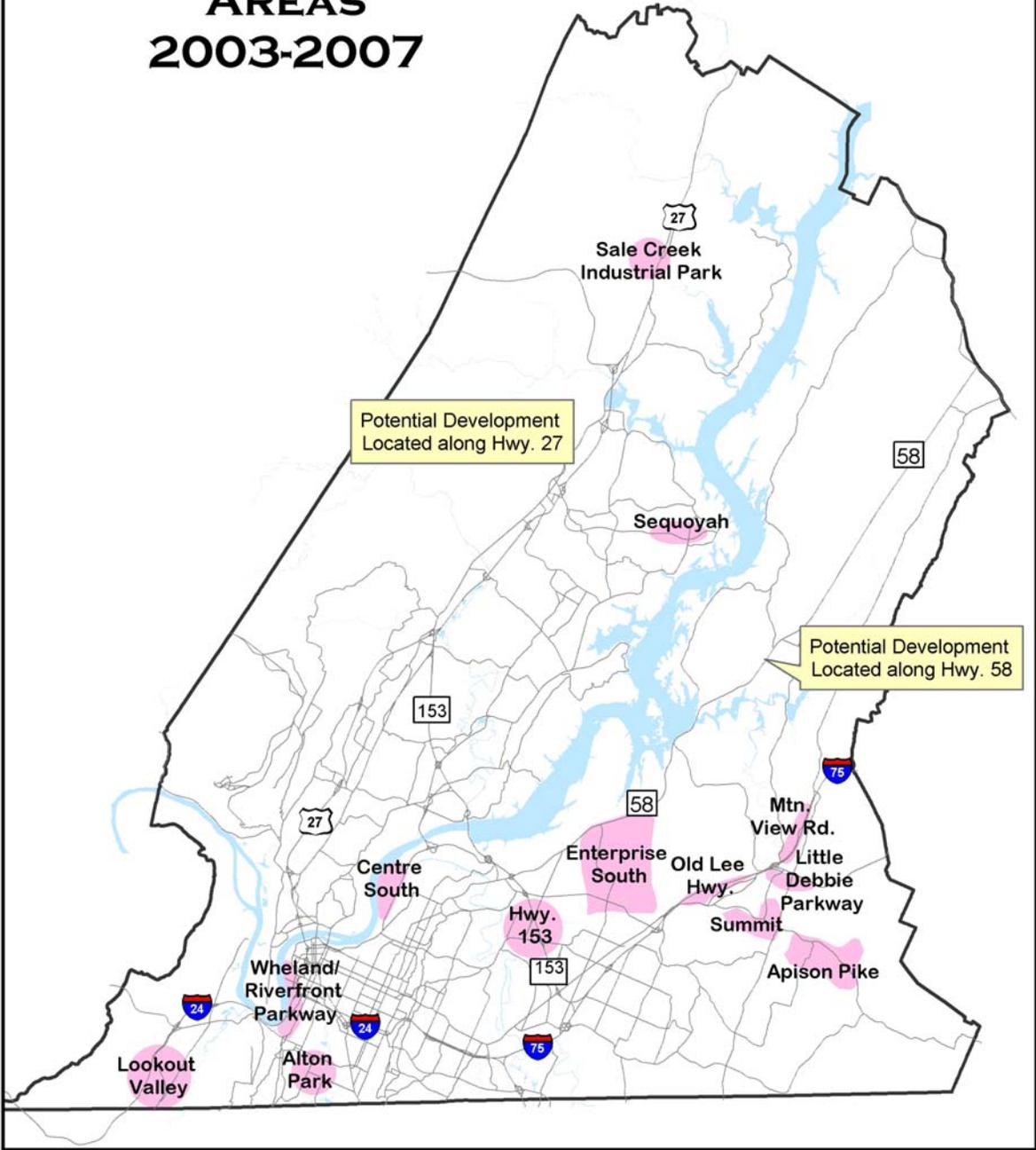
Subdivisions by Number of Lots

- 1 - 10
- 11 - 25
- 26 - 50
- 51 - 75
- 76 - 211



MAP 3

POTENTIAL INDUSTRIAL GROWTH AREAS 2003-2007



SECTION II—PLANNING PROCESS

We believe for a better future and to enhance the quality of life, we need to integrate growth with the conservation of resources through a proactive course of action ----PLANNING. Our mission is to provide a comprehensive vision and guide for the community that enhances the quality of life by integrating growth with the conservation of resources. This vision will include both short and long range goals and strategies that public and private community leaders can use to implement these objectives.

Quality of Life

High Quality of Life

In October 2002, the Chamber of Commerce commissioned a report on Locational Assessment. According to the Chamber, the essential components when attracting new businesses to the region are as follows:

- High quality of life
- Good accessibility
- Governmental incentives
- Defined business cluster
- Marketing strategies for the region

According to the Chamber, the Chattanooga Metropolitan Statistical Area (MSA) rates highly in many of the key indicators for quality of life criteria.

- Chattanooga is recognized as one of the most progressive and livable mid-sized cities in the U.S. In this decade, the City has won three national awards for outstanding "livability," and nine Gunther Blue Ribbon Awards for excellence in housing and consolidated planning.
- The City boasts the most productive affordable housing program in the nation. According to Claritas, Inc. (a leading national demographic data vendor), the 2002 median home value in Chattanooga was \$86,359. Home costs in Chattanooga are 30.3% less expensive than the U.S. average of \$123,940.
- Public education for Chattanooga's 40,000 primary and secondary students is provided by 79 public schools. More than 11,000 students are enrolled in the 28 private and parochial schools in the Chattanooga area. More than 15 institutions of higher learning offer diverse curricula that include the humanities as well as vocational and technical education.
- The City has received national recognition for the renaissance of its downtown and redevelopment of its riverfront. The City and County have developed an extensive greenway system that includes five miles of constructed riverwalk beginning downtown and meandering through the historic art district and several parks.
- Chattanooga enjoys a moderate climate.
- Area attractions include the Tennessee Aquarium, Lookout Mountain, Civil War battlefield sites, the African-American Museum, the Creative Discovery Museum for children, and the Appalachian Trail.

Good Accessibility

According to the Chamber, the overall accessibility to and from the area is good. The following is a summary of the connectivity of the region:

- Chattanooga is well served by a network of interstate, U.S., state, county and local roads.
- The county is served by CSX Corporation and Norfolk Southern (but no commuter rail).
- Air service at the Chattanooga Metropolitan Airport is provided by several carriers offering passenger and air cargo service.
- There are a number of public and private port facilities along the Tennessee River.

Governmental Incentives

Governmental incentives are an ever-popular way of enticing new businesses to relocate or open new plants in a region. The State, County, and City can all provide certain incentives to prospective companies. Some of the incentives that can tempt a business to relocate are the following:

- Industrial revenue bonds
- Small business investment financing
- Tennessee Valley Authority economic development loans
- Tennessee Industrial Infrastructure Program
- Tennessee Industrial Highway Program
- Tax Credit Programs
- Job Tax Credits
- Machinery and Equipment Tax Credits
- Work Opportunities Tax Credits

Defined Business Clusters

Recruiting targeted industries for this region has been a priority. According to the Locational Assessment report, the region should be able to capture more businesses in the following sectors: Insurance Services, Food and Beverage Manufacturing, Plastics Manufacturing, and Business and Information Services.

Marketing Strategies For the Region

The Chamber's primary marketing strategy to foster economic development in the region is the *Tell The World!* campaign. It aims to create new jobs, retain businesses already operating in Chattanooga, and attract new employers. In fact, this is considered a vital tool for making the Enterprise South Industrial Park initiative a success. Many agree it is an aggressive strategy, using face-to-face sales efforts, internet marketing approaches, national public relations campaigns, direct mailings, and trade publication advertising.

Planning

What is a Plan?

A Plan is a set of principles, guidelines, strategies, and recommendations that serve to direct the growth of a city and county. It is a policy guide for future community improvements and rezoning requests. Plans manage growth by directing it to the most suitable areas and ensure the most efficient use of tax dollars.

Why do we need a Plan?

As stated in the following paragraph, the official stated purpose of a plan is for the *protection of public health, safety, and welfare*.

Tennessee Code Annotated, section 13-205. (passed 1935, amended 1950) states:
General purpose of plan.- The regional plan shall be made with the general purpose of guiding and accomplishing a coordinated, adjusted, efficient and economic development of the region which will, accordance with present and future needs and resources, best promote the health, safety, morals, order, convenience, prosperity and welfare of the inhabitants, as well as efficiency and economy in the process of development, including , among other things, such distribution of population and of the uses of the land for urbanization, trade, industry, habitation, recreation, agriculture, forestry and other uses as will tend to create conditions favorable to transportation, health, safety, civic activities and educational and cultural opportunities, reduce the wastes of financial and human resources which result from either excessive congestion or excessive scattering of population, and tend toward an efficient and economic utilization, conservation and production of the supply of food, water, minerals, drainage, sanitary and other facilities and resources.

Simply stated, the purpose of planning is to help people develop great communities.

Other reasons for having a plan:

- A plan helps lay a solid foundation for physical growth.
- A plan helps in making wise capital expenditure decisions.
- A plan helps integrate and soften the impact of varying land uses.
- A plan addresses urban design, land use, transportation, historic preservation, the environment, and many other issues.
- A plan helps serve as the focus for coordinating government services and neighborhood association activities.
- A plan helps to maintain property values.
- A plan helps to stabilize neighborhoods and preserve their quality.
- A plan helps to maintain and preserve a community's choice of lifestyle whether that lifestyle is urban, suburban, rural, or something in between.
- A plan provides necessary information for potential industrial and commercial developers in the site selection process.
- A plan helps to provide uniform regulations throughout each district.
- A plan offers good support for positions the neighborhood may wish to take
- A plan helps foster community leadership.
- Some funding sources may require that a plan be in place.
- A plan helps improve a community's quality of life.

How is a Plan created?

The planning process involves three critical steps:

Vision

It all starts with a vision or goal. This involves creating a description of what a community wants to accomplish.

Plan Design

This involves preparing a plan that makes note of existing conditions and develops strategies and recommendations for achieving immediate and future goals. These strategies and recommendations are based on a set of basic Land Use & Transportation Planning Principles.

Land Use & Transportation Planning Principles:

- Community input is important.
- Continue to accommodate growth in existing communities, through good planning and design as well as provide for new locations for development.
- Infrastructure should lead development.
- Maintain an attractive and vibrant business environment.
- Preserve natural amenities, such as flood areas, woodlands, open space and hillsides.
- Maintain and improve the quality of life in our neighborhoods.
- Take advantage of existing community assets.
- Provide for a range of housing opportunities and choices.
- Promote distinctive, attractive pedestrian-friendly communities with a strong sense of place, including the rehabilitation and use of historic buildings and sites.
- Plan for green infrastructure, including greenways and corridors connecting larger preserved areas.
- Provide a variety of safe and efficient transportation choices.
- Make development decisions predictable, fair, and cost-effective.
- Encourage citizen and stakeholder participation in development decisions.

Implementation

This involves stating how the plan will become reality including identifying areas of responsibility and funding sources, among other things.

Who creates the Plan?

Citizens expect to be part of public decisions. A successful plan uses the input and ideas from community constituents or "stakeholders". These stakeholders include everyone who has an interest in their community, from residents to industrial developers. Planners, along with the public, collaborate with the stakeholders and elected officials to create a plan. This collaboration is achieved through Public Planning Workshops. A wise planner plans *with* a community not *for* them.

Other reasons for public participation:

- Public participation reflects the needs of the community more accurately.
- Public participation creates a greater sense of plan ownership.
- Public participation empowers people to envision and prepare for their community's future.
- Public participation helps public officials understand their constituent's needs.

How is a Plan implemented?

Parts of a plan can be implemented by individual citizens and neighborhood groups. Volunteers can form committees to work on simple projects. These projects may range from beautification efforts to applying for funding grants.

Sometimes implementation involves placing items in the capital budget. Funding for recommended capital improvement, such as new roads, sidewalks, schools, or sewers, must *still* be approved by the local government. However, an *adopted* Plan increases the priority level for these capital projects.

Sometimes implementation involves using zoning as the tool for implementing land use recommendations. Adoption of a Plan does not imply immediate changes in zoning or development projects. As stated earlier, it serves as a *guide* for decision-makers.

Tennessee Code Annotated, section 13-403. (passed 1935, amended 1950) states: Purposes of zoning regulations.- Such regulations shall be designed and enacted for the purpose of promoting the health, safety, morals, convenience, order, prosperity and welfare of the present and future inhabitants of the state and of its counties, including, among other things, lessening congestion in the roads or reducing the wastes of excessive amount or roads; securing safety from fire and other dangers; promoting adequate light and air; preventing, on the one hand, excessive concentrations of population and, on the other hand, excessive and wasteful scattering of population or settlement; promoting such distribution of population and such classification of land uses and distribution of land development and utilization as will tend to facilitate and conserve adequate provisions for transportation, water flowage, water supply, drainage, sanitation, educational opportunity, recreation, soil fertility, food supply and the protection of both urban and non-urban development.

Metropolitan Planning Organization

In addition to creating land use plans, the RPA handles transportation planning, including infrastructure. Infrastructure is an important component when creating economic development. Without well-planned infrastructure, it becomes more difficult to recruit new, large corporations.

The RPA staffs the Metropolitan Planning Organization (MPO). The MPO was established in 1977 in compliance with the Federal Aid Highway Act of 1973 and the Urban Mass Transportation Act of 1964 (as amended). The MPO coordinates continuing, cooperative, and comprehensive transportation planning activities within the Chattanooga Urban Area in cooperation with the Tennessee and Georgia Departments of Transportation. The MPO planning activities are performed on a day-to-day basis by a professional staff at the Chattanooga-Hamilton County Regional Planning Agency, subject to the concurrence of the MPO Executive Board and Executive Staff.

The MPO creates both short-term and long-term transportation plans, which include a transportation improvement program, prioritizing needed improvements. Responsibilities include collecting transportation documents and data for participating agencies and the public. In addition, the MPO works with business and civic groups interested in achieving transportation improvements throughout the community.

SECTION III—Zoning

Zoning Background

In the early beginnings of our country, cities like Savannah, Philadelphia, and Washington were laid out in detail with street grids and parks and plazas. Neighborhoods were building in and around the central downtown core where the commercial and industrial developments were located. Workers would locate near their places of employment for easy commutes by either foot or streetcar, and stores and shops were also within a sort distance. Developers built and marketed tracts of homes whose neighborhoods looked as if they had been subject to the uniform standards of a zoning law, with uniform set backs from the street, which is a hallmark of later zoning laws, yet zoning was nowhere in sight.

In the early 1900's, owners of real estate and building operations appeared to realize the danger of unrestricted buildings, and were ready and anxious to favor action to prevent further congestion, conserve real estate values and stabilize the desirable character of districts and improve it where it was not otherwise.

The push for zoning

Zoning started in the United States a little after 1910 almost simultaneously in cities across the nation and quickly spread to small towns. The conventional explanation for zoning's birth arose after the need to deal with incompatible uses by means other than traditional nuisance law and private covenants. Protection of single-family homes was paramount from the outset. Even New York City, whose pioneering ordinance is often regarded as the product of commercial interests, was pressed to protect its residential districts as early as 1916.

Support for zoning came from developers that were based on the need to induce homeowners to invest their savings in a large, diversified asset. Without zoning, undesirable properties could encroach upon areas of well maintained and good income-bearing properties were established. Since there was no stability or trust in real estate as an investment, zoning was seen as a way to provide an insurance policy that the single-family homeowner's investment would be protected in a stable neighborhood communities.

Zoning is a set of predetermined formulas for setbacks, parking allowances, and density. It does insure from, the most undesirable uses being located near residential neighborhoods, but it doesn't promote mix use communities as some proponents support.

Where do we go from here?

Yes, there are other ideas being recommended to replace the outdated zoning laws, but the move to change is slow. No matter the course we chose, you can expect an equal number against the change.

In an article by Neal Pierce in 2003 Washington Post Writers Group, he quotes Peter Katz, founder and former director of the Congress for the New Urbanism, "new codes focus less on what's forbidden and more on what's desired – the kind of town or city people indicate they want. Basic rules are specified – for example a range of acceptable building types in any given area, from apartments and townhouses to detached villas or high-rise towers (leave individual design, for the part, to owners). Typically, the new codes specify minimum and maximum

height, seek to avoid blank walls, and require building out to the sidewalks to create a sense of place". To accomplish this you must have a strong plan and elected officials to support it.

Zoning is the main tool used to implement Plans and a guide for development, just zoning large areas industrial or commercial does not insure they will be developed, a lot depends on the recruitment efforts of Chamber of Commerce's and local governments to provide the needed infrastructure for large developments.

Zoning Process

The Chattanooga-Hamilton County zoning process is an extremely thorough two-three month procedure. It begins when an application is filed with the RPA office requesting a change in zoning for a specified piece of property. The application is then assigned a case number for tracking and filing. As a courtesy to residents in the area of the rezoning request, the RPA requires the applicant to display bright yellow zoning notice signs on the property to be rezoned. As an additional courtesy, property owners who abut the property to be rezoned are notified by mail of the rezoning request.

Each rezoning case is reviewed by the RPA planning staff and representatives from other City and County departments. One or more planners will personally visit the property in question for assessing various factors. Photos of the site are also taken for presentation in subsequent meetings. The RPA planning staff and other City and County agency representatives then meet and discuss each rezoning case to arrive at a recommendation for approval or denial. Decisions made take into account the Land Use & Transportation Planning Principles mentioned above in the section How Is A Plan Created?

The Planning Commission is a voluntary body of 15 members largely appointed by the Mayor of the City of Chattanooga and the County Executive for staggered three-year terms. Its role is to make zoning and land use recommendations to the local legislative bodies and to make final decisions on subdivision requests for Hamilton County and all municipal governments, except Collegedale, Red Bank, Signal Mountain, and Soddy-Daisy. The RPA staff does serve as the staff for Red Bank, Signal Mountain and Soddy-Daisy. In 1996, to alleviate the confusion, the staff of the Planning Commission was named Chattanooga-Hamilton County Regional Planning Agency.

Since the RPA is the staff for the Chattanooga-Hamilton County Regional Planning Commission, the staff recommendations are sent to the Planning Commission. The Planning Commission reviews each rezoning request along with the planning staff recommendations. The Planning Commission then makes a decision to agree or disagree with the planning staff recommendation and vote to approve or deny the rezoning request. The Planning Commission's final recommendation is then sent to the appropriate municipality for final approval or denial along with the staff recommendations.

The appropriate municipality governing body makes the final decision on zoning cases.

The zoning regulations of Chattanooga and Hamilton County have undergone extensive changes and improvements with over 100 amendments and a complete re-codification just within the past two years. The RPA is continuing to look for alternative and better ways to address land-use regulations in order to create the most efficient and user-friendly regulations possible, regulations which not only simplify the development process and provide for new and

innovative development practices but provide the highest degree of protection for the citizens of the community. This is now, and will continue to be, a priority effort by the RPA.

The Zoning Process Time and Fee Schedule

The process for rezoning to manufacturing/industrial is very similar among Hamilton, Knox, and Davidson counties. While the procedure takes from three to six months in Knox and Davidson Counties, it takes two to three in Hamilton County. In Shelby County rezoning to manufacturing/industrial does not usually fall into the standard rezoning process because of the usual proximity to residential areas and can become complicated. Most of the industrial rezoning requests are considered a planned development where the entire process can easily take six to ten months.

Below list the rezoning fee schedule for industrial / manufacturing among the four major counties in Tennessee. It shows the rezoning fee in Hamilton County is well below the other three counties.

<i>Hamilton County</i>	\$185.00 (Includes TCA required advertisement cost)
<i>Knox County</i>	
<5 acres	\$570.00
5-20 acres	\$640.00
>20 acres	\$700.00
<i>Davidson County</i>	
Up to 5 acres	\$400.00
6-100 acres	\$400.00 + \$5 per acre
6-100 acres	\$400.00 + \$2.50 per acre
<i>Shelby County</i>	
Planned Development:	
Preliminary plat	
Up to 5 acres	\$1,000.00
>5 acres	\$1,000.00 + \$75 for each acre w/maximum of \$5,000.00
Final plat	
Fee is the same as preliminary plat unless the plat developed is smaller than the preliminary plat	
Standard Development	
<5 acres	\$750.00
>5 acres	\$750.00 + \$50.00 for each acre

The zoning ordinances of the three other large metropolitan counties are similar to ours in Hamilton County; some go into more detail and have more zones for each use. Some do allow for mixed-use zones for compatible land uses.

Appendix



HAMILTON COUNTY BOARD OF COMMISSIONERS

111 Courthouse / Chattanooga, Tennessee 37402

Richard Casavant
Commissioner
District Two

Telephone (423) 209-7200
Fax (423) 209-7201

114 River Point Road
Signal Mountain, TN 37377
423/886-5403

November 20, 2002

Mr. Barry Bennett
Executive Director
Chattanooga-Hamilton County Regional Planning Agency
2000 Development Resource Center
1250 Market Street
Chattanooga, Tennessee 37402

Dear Mr. Bennett:

Request that the Regional Planning Agency (RPA) forecast how much (magnitude) and how (the drivers) Hamilton County's property tax base (residential, commercial, and personalty) will grow (increase) for each year in the next five years. What will and what should be the character (makeup) of this growth? Where in the county will growth occur and why?

Also, request that the RPA state if they believe that the present set of regulations, practices, zoning, etc. can be reviewed and integrated in a way that is more coherent. If yes, how and when will this be done?

Please give a date when to expect answers to the above questions.

Sincerely,

A handwritten signature in cursive script that reads "Richard Casavant".

Richard Casavant
County Commissioner
District Two

RC/cc

Note: Please limit your study to properties that pay property tax to local municipal and/or county governments.