

**HISTORIC MARKET SQUARE
REDEVELOPMENT AND URBAN RENEWAL PLAN**

**The Process for the Redevelopment
of the Market Square Area**



Center City Redevelopment Project No. 9

KNOXVILLE CITY GOVERNMENT

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FOREWORD

On June 14, 2001, the Knoxville City Council adopted a resolution requesting Knoxville's Community Development Corporation (KCDC) to develop a new redevelopment and urban renewal plan for the Market Square area. In response to that request, KCDC has prepared this plan and has submitted it as both a redevelopment plan under Section 13-20-203(b) of the Tennessee Code Annotated and an urban renewal plan under Section 13-20-211 of the Tennessee Code Annotated.

At the same time City Council requested the development of this plan, City Council rescinded a prior redevelopment and urban renewal plan for the Market Square area. There are at least two significant differences between this plan and the prior plan. First, the prior plan placed special emphasis on the development of technology-oriented businesses in the Market Square area. This focus has not proven to be economically viable and is not included in this plan. Second, the redevelopment process outlined in the prior plan did not facilitate the comprehensive and coordinated redevelopment of the Market Square area while permitting meaningful participation in the redevelopment process by existing property owners. This plan will hopefully achieve that goal.

The redevelopment of the Market Square area is critical to the revitalization of downtown Knoxville. Since the original Market House opened for business in 1854, Market Square has been the heart of the Knoxville community. Although a few properties in the Market Square area have been rehabilitated, a majority of the properties in the Market Square area remain underutilized or vacant. This redevelopment and urban renewal plan will hopefully be the catalyst to return the Market Square area to a prominent role in the civic, economic and cultural life of the Knoxville community.

INTRODUCTION

The redevelopment of the Market Square area as a focal point for activity in East Tennessee is a necessary step in the revitalization of downtown Knoxville. While retaining much of its original architectural character, most of the buildings in the Market Square area are either underutilized or vacant. Although significant areas of downtown Knoxville have been redeveloped in recent years, Knoxville will not be able to live up to its promise as the center of economic, social and cultural activity in the East Tennessee region until the heart of the City -- Market Square -- is reborn.

The redevelopment of the Market Square area is also a natural outgrowth of years of downtown planning. The initial master plan for Knoxville's downtown – The Downtown Knoxville Plan – was completed in 1988 and emphasized beautification and development for the downtown area. In the fall of 1995, as a follow-up to that master plan, The Downtown Organization, which had been formed as a private sector advocate for the central business district, developed "The Next BIG Steps" process, which also emphasized making downtown a beautiful place to live, work, shop and play. A vibrant Market Square, with renovated buildings and updated public areas, will help fulfill these plans.

The "Nine Counties One Vision" initiative also recently recognized that downtown Knoxville should be revitalized as the regional economic hub. "Nine Counties One Vision" is a citizen-driven strategic planning effort to identify goals and implementation strategies for an area consisting of Knox and surrounding counties. A sustainable development of the Market Square area would be an important step in achieving the vision of this plan.

Revitalization of downtown Knoxville in recent years has included the Waterfront development in the 1990's, which resulted in Volunteer Landing and Gateway Village. In addition, the City is investing \$160 million in a convention center and related improvements that are currently under construction on the World's Fair

Park. The convention center should compliment a revitalized Market Square by attracting tourists, businesses and local residents to the downtown area. This redevelopment and urban renewal plan seeks to build upon these and other initiatives in the downtown area.

PROJECT AREA BOUNDARY AND EXISTING CONDITIONS

The proposed redevelopment and urban renewal area encompasses two (2) square blocks, which total approximately seven acres. Located in the heart of Knoxville's Central Business Improvement District (CBID) and centered around Market Square, this area is generally bounded by Gay Street on the East, Union Avenue on the South, Walnut Street on the West, and Wall Avenue on the North. A boundary map depicting the project area follows this page. There is a total of 57 parcels of land within the project area. The project area is in a C-2 zone with historic overlay zoning.

The entire area is characterized by dozens of properties that are vacant, in fair or poor condition or unavailable for development due to multiple or uncertain ownership. The demand is significant for small to mid-sized properties in this sector of downtown. Proper development of the Market Square area can spread to adjacent blocks and provide Knoxville's center city with excellent growth and tax return from private sector investments.

The project area clearly is eligible to be a redevelopment project within the meaning of Section 13-20-202(a) of the Tennessee Code Annotated. Based on physical inspections of the area, the Market Square area is blighted due to dilapidation and deleterious land use. Problems with title to certain of the properties and the diverse ownership of the Market Square properties also make the area eligible as a redevelopment project. The Market Square area also clearly qualifies as an urban renewal project within the meaning of Section 13-20-212(a) of the Tennessee Code Annotated because the Market Square area, based upon physical inspection, is blighted, deteriorated and deteriorating. These findings are further supported by data contained in studies and reports conducted by various organizations within the downtown area.

PROJECT BOUNDARY MAP

PLAN OBJECTIVES

The three primary objectives of this redevelopment and urban renewal plan are:

- (1) **To promote the commercial and retail development of downtown Knoxville.** With the revitalization of commercial and retail businesses, the Market Square area will become a center-city gathering place for people to work, live, shop and dine in a metropolitan setting. Visitors and residents alike will be attracted to the urban, open-air environment unique to Knoxville.
- (2) **To restore and preserve historic character of the Market Square area.** Renovation of a significant number of the existing structures in the Market Square area is crucial to retain the historical integrity of downtown Knoxville. By restoring the original character of the structures, the Market Square area may recreate the economic vitality of the original 19th century Market Place, which was a wholesale and commercial center for the East Tennessee region, as well as preserve the area for future generations.
- (3) **To complement and further encourage tourism in downtown Knoxville.** A mixed-use economic center in the Market Square area will complement and further encourage tourism already attracted to downtown Knoxville by the waterfront development and the new convention center at World's Fair Park. A revitalized Market Square will bring a new component to the downtown area through a town-center concept of shops, offices, restaurants, entertainment and residences that are centrally located to all other downtown amenities.

RELATIONSHIP TO LOCAL OBJECTIVES

The appropriate land uses for the Market Square area are already reflected in the commercial zoning of the area (C-2) with an historical overlay. One of the primary objectives of this redevelopment plan is to restore and preserve the existing structures in the Market Square area for use by commercial and retail businesses, which is clearly consistent with existing zoning parameters. At this time, zoning and planning changes are not contemplated to facilitate the redevelopment of Market Square although such changes may become necessary based upon the proposals for redevelopment that are received by KCDC.

The downtown Knoxville area, and in particular the streets adjoining Market Square, are the hub of the area's public transportation network. The bus lines connecting downtown Knoxville to other parts of the City and the trolleys that serve the downtown area will allow for the flow of visitors and the work force throughout the city center, including the Market Square area. By providing commercial, retail and residential opportunities downtown at Market Square, use of public transportation will hopefully increase, thereby improving traffic patterns throughout Knoxville.

Public utilities are already available in the Market Square area although improvements may need to be made to those utilities to promote development. By redeveloping areas that are already fully served by public utilities, unnecessary utility construction can be avoided, and economics of scale in providing utilities can be achieved.

A revitalized Market Square area will compliment the existing recreational and community facilities located in downtown Knoxville. The new Knoxville convention center will be located just to the west of the redevelopment area, drawing tourists and businesses to the center city. The waterfront area, with pedestrian walkways connecting Gateway Village, the Tennessee Marina, restaurants, businesses and offices, plus the nearby Women's Basketball Hall of Fame south of the Market Square area,

will also attract tourists and regional residents. Cultural events at the Bijou Theatre, the Tennessee Theatre and at other venues such as the open area at Market Square will provide additional visitors to downtown during the evenings and weekends.

PROPOSED LAND USES AND BUILDING REQUIREMENTS

The properties in a redeveloped Market Square area would be primarily occupied by commercial and retail businesses in an eclectic mix and format unique to Knoxville. The center of Market Square will remain a pedestrian area, lined with retail shops, restaurants and entertainment facilities on the first floor level, and office, professional and residential space on the upper levels. The public areas that already exist in the Market Square would be enhanced to provide a pleasant open-air shopping and working experience.

Convenient and affordable parking is essential to draw area residents and tourists to the Market Square area. The City's administration has proposed a parking garage for the west end of the development on the tract that is presently surface parking lots. This garage will be essential in providing visitors with easy access to shops and offices on Market Square.

The plan anticipates rehabilitation of many of the structures in the redevelopment area to retain their historical character. Several of the buildings have already undergone partial or complete restoration. The density of buildings in the area is not expected to be affected. Many structures have not been renovated and will require restoration of their facades to promote the authentic historic character of the Market Square area.

RELOCATION OF RESIDENCES AND BUSINESSES

The Market Square area presently has only a few residents. It is not anticipated that these residents will need to be relocated during the redevelopment process. However, if any residents need to be temporarily relocated to permit redevelopment of the Market Square area, KCDC will assist such residents in temporarily relocating to housing in the downtown Knoxville area. If any residents must be permanently relocated due to redevelopment, KCDC will assist any such residents in the same manner. In either case, KCDC will comply with its own relocation policies and City ordinances with respect to relocation.

In the event that any businesses must be permanently relocated or temporarily relocated during the redevelopment of the Market Square area, KCDC will use its best efforts to assist those businesses in identifying suitable replacement space in downtown Knoxville in close proximity to Market Square. Any such relocations will be conducted in accordance with the City's relocation ordinances and KCDC's relocation policies.

REDEVELOPMENT PROCESS

Formulating a process for redeveloping Market Square presents unique challenges. A few of the property owners in the Market Square area have already rehabilitated their structures, and several property owners in the Market Square area have expressed an interest in rehabilitating their structures as part of a comprehensive redevelopment effort. These property owners should be provided with a meaningful opportunity to participate in the redevelopment process consistent with state law.

While the interests of each property owner must be considered, the Market Square area should be redeveloped in a comprehensive and coordinated manner. The involvement of a developer who has experience with downtown retail and commercial developments in cities comparable to Knoxville will be critical to the overall success of the project. Also, a piecemeal and uncoordinated redevelopment process based upon each property owners' individual rehabilitation schedule and preferences would adversely affect the promotion of the overall project area and would adversely affect the businesses that are already operating. In addition, a developer is needed to assist in formulating the covenants that will be necessary to govern the operation of the Market Square area and to help maintain the long-term integrity and economic viability of the Market Square development.

For these reasons, KCDC intends to request proposals from both existing property owners and from developers who would coordinate the development of the property. The developer who would oversee the development of the Market Square area is referred to in this plan as the "coordinating developer." This term is used instead of the term "master developer" because the term "master developer" implies that the developer would obtain ownership and control of the entire Market Square area. KCDC anticipates that the "coordinating developer" will have a major stake in the Market Square area through ownership or long-term leases of several properties. However, KCDC intends that a substantial effort will be made to permit existing

property owners who desire to participate in the redevelopment and to comply with this redevelopment plan to retain ownership of their property.

One month following the adoption of this plan, KCDC anticipates requesting proposals from existing property owners and from entities that desire to be the coordinating developer with respect to the Market Square area. Each existing property owner will be requested to specify in its proposal whether (a) the property owner feels that its property has already been adequately rehabilitated and that no further rehabilitation is necessary, (b) the property owner recognizes that rehabilitation is necessary and desires to rehabilitate the owner's property in a manner compatible with this plan or (c) the property owner does not desire to rehabilitate its property and desires to make its property available to the coordinating developer for redevelopment.

If a property owner does not submit a proposal, KCDC will assume that the property owner desires to make his property available to the coordinating developer for redevelopment, and KCDC will take the appropriate steps under state law to acquire the property. Each property owner who states an interest in retaining its property will also need to provide an engineering report with the respect to the structural status of the property owner's building or agree in the property owner's response to permit KCDC, at KCDC's expense, to assess the structural integrity of the building. Each property owner who indicates that it wants to retain its property will also be required to provide such additional information from time to time as KCDC may request to be able to evaluate the property owner's proposal, including evidence of the property owner's financial ability to complete any proposed rehabilitation project. Proposals from property owners will be due within sixty days from the date proposals are requested.

In its request for proposals from coordinating developers, each proposer will be requested to provide (a) its conceptual plan for the sustainable redevelopment of Market Square, (b) a description of the developer's experience and qualifications, (c) a description of the specific governmental assistance that the developer believes will be

necessary to permit the Market Square redevelopment to succeed, (d) evidence of the developer's financial ability to undertake a redevelopment project of this magnitude and (e) such other information as KCDC deems necessary to evaluate each developer's ability to undertake the project. Prospective coordinating developers will also be required to provide such additional information from time to time as KCDC may request to be able to evaluate the coordinating developers' proposals. Responses from coordinating developers will be due within one-hundred twenty days from the date the requests for proposals are requested.

The timetable for receiving proposals from the property owners and the coordinating developers is designed to facilitate the comprehensive redevelopment of the Market Square area while permitting a meaningful opportunity for the existing property owners in the Market Square area to participate in the redevelopment. Because requests for proposals will not be distributed by KCDC until one month after this plan is adopted, existing property owners will have at least ninety days to develop plans to redevelop their property, if necessary. During that period, KCDC also hopes to receive additional input from the Historic Market Square Association relating to the redevelopment of the Market Square area. Based on this information and the proposals that KCDC receives from existing property owners, KCDC may amend, if KCDC deems it appropriate, the request for proposals from the coordinating developers to refine the role of the coordinating developer and the scope of its services.

After receipt of the proposals from the property owners and coordinating developers, KCDC will evaluate the proposals from prospective coordinating developers and will select the developer with the proposal that best accomplishes the objectives of this plan. KCDC will then attempt to negotiate a development agreement with the prospective coordinating developer. Simultaneously with the negotiation of that agreement, KCDC will negotiate with the property owners and the prospective coordinating developer to obtain development agreements with the property owners who desire to retain ownership of their properties. KCDC contemplates that a

comprehensive development agreement with the coordinating developer and development agreements with the property owners that wish to retain ownership of their property would be executed simultaneously to achieve a comprehensive and coordinated redevelopment of the Market Square area. These development agreements would establish the responsibilities of the parties, the ownership of property within the Market Square area, the governmental assistance to be made available in connection with the redevelopment project, the financing obligations of the parties, and such other matters as are necessary to provide for the successful redevelopment of the Market Square area.

KCDC will use its best efforts to facilitate development agreements between those property owners who wish to retain ownership of their property and the coordinating developer. As a condition to entering into the development agreement with the coordinating developer, KCDC will require the coordinating developer to use its best efforts to permit the continued ownership of property by those property owners that wish to retain ownership, provided those owners are willing to redevelop their property in a manner that is compatible with the redevelopment plan and the coordinating developer's conceptual plan. If KCDC concludes that the coordinating developer is not using its best efforts to achieve that goal, KCDC may select a different coordinating developer for the project. Only if a development agreement cannot be reached among a property owner, KCDC, and the coordinating developer to permit the compatible development of the property owner's property would KCDC commence to acquire that property owner's property.

KCDC expects that the comprehensive redevelopment of the Market Square area will require covenants and restrictions to be recorded that would govern the operation and maintenance of the Market Square area. A number of existing property owners have suggested that the same goal could be achieved through restrictive zoning. Prior to entering into development agreements, KCDC, in consultation with the coordinating developer and the property owners that desire to retain their property,

will prepare covenants and restrictions or a zoning ordinance for the Market Square area. The coordinating developer and the property owners that desire to retain their property will be required to agree to subject the property in the Market Square area to these covenants and restrictions or zoning ordinance as a condition to entering into their respective development agreements.

After development agreements are entered into among the coordinating developer, KCDC and existing property owners, the redevelopment of Market Square would occur in compliance with those development agreements. Appropriate covenants would be included in any deeds for property acquired by KCDC and conveyed to the coordinating developer to ensure compliance with the applicable development agreements.

To assist in evaluating the proposals from the property owners and the proposals to be coordinating developer, the Chair of KCDC will appoint a Market Square Development Advisory Board in accordance with state law. This Advisory Board will include persons familiar with construction, planning, financing and other relevant areas. The Advisory Board will also be requested to advise KCDC in determining whether each property owner's proposal is sufficiently compatible with the objectives of this plan.

LAND ACQUISITION AND DISPOSITION PLAN

Until KCDC has negotiated development agreements with the coordinating developer for the project and with any property owners who are willing to maintain or redevelop their properties in a manner compatible with the objectives of this redevelopment plan, KCDC cannot identify with certainty those properties in the project area that will need to be acquired by KCDC to facilitate the redevelopment of the Market Square area. Once negotiations are completed, KCDC will request the necessary funding from City Council to acquire those properties that are needed to permit redevelopment. The only properties that KCDC anticipates will be acquired under this plan will be (a) those properties which the owners have elected not to develop in compliance with this plan, (b) properties that the owners have elected to convey to the KCDC, and (c) properties for which negotiations with the owner regarding plan compliance are unsuccessful. The City administration has indicated that the City intends to construct a public parking garage on the existing surface parking lots in the western part of the project area, and KCDC therefore does not expect to acquire such property as part of this redevelopment plan unless requested to do so by the City.

Properties identified for acquisition will be obtained through negotiation if possible. KCDC will only acquire property on the Market Square area by condemnation if negotiations to acquire the property are unsuccessful. Any condemnation shall be in compliance with state law and KCDC's acquisition policies.

Properties acquired by KCDC will be disposed of in accordance with state law and, in particular, Sections 13-20-204 and 13-20-210 of the Tennessee Code Annotated. As provided in those statutes, KCDC may dispose of any acquired property at such value as KCDC determines such property should be made available in order that it may be redeveloped for the purposes set forth in this plan. The disposition prices will be set pursuant to the development agreements that KCDC expects to enter into with

the coordinating developer and any existing property owners that participate in the redevelopment. Any such dispositions will be made subject to such restrictions and covenants as KCDC deems necessary to (a) ensure completion of the redevelopment project after the transfer, (b) maintain the quality of the Market Square development and (c) ensure the continued maintenance of the properties in the Market Square area.

PROPERTY MANAGEMENT

Due to construction schedules, it is anticipated that certain properties may be under management by KCDC at various times during the redevelopment process in the Market Square area. Although the primary objectives of the property management activity will be to minimize the length of occupancy of property after acquisition and to relocate occupants as quickly and efficiently as possible into appropriate accommodations in accordance with this plan, relocation and construction activities will be staged in a manner determined most beneficial to the project. Only such maintenance as may be required for the health and safety of persons lawfully remaining in occupancy will be undertaken with respect to acquired properties. KCDC does not anticipate that it will be necessary to employ security personnel to ensure protection of the site property. The property manager will make frequent tours of the acquired properties in order to keep himself informed of the condition of such properties. A rent schedule will be established for any property which is to be occupied after acquisition.

PROCEDURE FOR PLAN AMENDMENTS

In the course of implementing this redevelopment plan, amendments to this plan may be warranted. Any amendments to this plan will only be adopted by City Council after a public hearing is conducted in the same manner as the hearing was conducted prior to the adoption of this plan. Notice of any proposed amendments will be given to all property owners within the project area pursuant to the requirements of state law.

FUNDING ALTERNATIVES

Both the property owners who retain their properties for redevelopment and the coordinating developer will be expected to pay for a substantial portion of the cost of rehabilitating those buildings within the Market Square area that require rehabilitation. In particular, both the coordinating developer and such property owners will be expected to pay the costs of any tenant finishes and similar costs relating to the rehabilitation and redevelopment of the Market Square development. The financial ability to obtain the necessary funds to pay these costs will be a significant factor in selecting a coordinating developer and in permitting existing property owners to redevelop their properties.

Given the historic nature of the buildings in the Market Square area and the deteriorating condition of many of those buildings, significant governmental assistance is expected to be needed, however, to make this project economically viable. This governmental assistance can take several forms. First, the City can pay for any infrastructure costs relative to the redevelopment, such as utility, sidewalk and street improvements, and can also redevelop the public areas of the Market Square area to the extent required by the development agreements. The City can also facilitate in-lieu-of-tax agreements with the various property owners, including the coordinating developer, to assist in making the project economically viable. Third, the City can pay for structural rehabilitation costs of any buildings acquired by KCDC as part of an urban renewal project. Fourth, the City can assist property owners in utilizing historic tax credits under federal tax law and facade easements that can result in a charitable deduction. As part of the negotiation of development agreements with the coordinating developers and the property owners, KCDC expects to request the City to consider and make available these types of governmental assistance to both the coordinating developer and the existing property owners who retain their properties to the extent needed to make this redevelopment project viable.

