

WORLD'S FAIR PARK

REDEVELOPMENT AND
URBAN RENEWAL PLAN

KNOXVILLE CITY GOVERNMENT

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*Center City Redevelopment Project Number 12
Knoxville, Tennessee
December, 2005*

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INTRODUCTION

The World's Fair site is a major sub area of downtown and as such the area has significant potential for Knoxville's economic development. Its urban design potential lies in the fact that its status as the only major open space venue creates an important activity focus. The area enjoys pedestrian linkages with the existing center city business core and any carefully planned new development which may occur within the balance of the Fair site. Accordingly, the City of Knoxville issued a request for proposals for the re-development and/or adaptive re-use for the Knoxville Sunsphere, Tennessee Amphitheatre, Candy Factory and/or Victorian Houses along 11th Street.

Upon review of those proposals the City Administration secured City Council approval to select Kinsey Probasco & Associates to redevelop the seven Victorian houses and the Candy Factory. These are blighted properties in need of much repair. Due to the major repair required, the area qualifies as blighted under Section 13-20 of the Tennessee Code Annotated.

Blighted areas constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety and general welfare of the people of these communities. Such areas present difficulties and handicaps which are beyond remedy and control solely by the regulatory processes in the exercise of police power. They contribute substantially and increasingly to the problems of, and necessitate excessive and disproportionate expenditures for, public services and private investment.

State law defines "blight" or "blighted areas" as "areas with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals or welfare of the community."

To help illustrate what blight is, the following is a list of characteristics that constitute blight or blighting influences. Specifically, blight is an area or property characterized by both of the following conditions:

1. An area or property that is predominantly urbanized and an area in which the combination of conditions set forth below is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or government, or both, without significant investment.

2. An area or property that is characterized by one or more of the following:
 - a. Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, serious deferred exterior maintenance or renovation, defective design or physical construction, faulty or inadequate utilities or other similar factors.
 - b. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate size given present standards and market conditions, lack of parking, public improvements or utilities.
 - c. Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.
 - d. The existence of subdivided lots of irregular form and shape inadequate size for proper usefulness and development that are in multiple ownership.
 - e. Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to those properties containing hazardous wastes that require the governmental authority.

Following the selection of Kinsey Probasco as the developer for the Victorian Houses and the Candy Factory, the Knoxville City Council adopted a resolution on August 30, 2005, requesting Knoxville's Community Development Corporation ("KCDC") to create a redevelopment and urban renewal plan for the World's Fair Park Redevelopment District to include a tax increment financing provision in order to facilitate the revitalization of the area. Accordingly, KCDC has prepared this plan as a result of that request and has submitted the plan 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 with a provision for tax increment financing.

A. DESCRIPTION OF THE PROJECT AREA

The World's Fair Park Redevelopment and Urban Renewal Area is located within a portion of the boundaries of the old Lower Second Creek Redevelopment Plan. The area is generally bounded by the Western Avenue viaduct on the north, the Clinch Avenue viaduct on the South, 11th Street on the west, and the area to the rear of the Candy Factory on the east as shown on the map in the appendix labeled "Exhibit A". The area contains residential, retail, and commercial uses. Areas around the Victorian houses and the Candy Factory have experienced numerous public improvements over the past few years; however, the subject properties have not received any public expenditure except for minimal necessary maintenance.

Despite the various improvements to the subject area, the general condition of the World's Fair Park Redevelopment and Urban Renewal District is blighted with deteriorated and dilapidated buildings. The revitalization of these buildings through design controls with a private developer will return the properties to the tax rolls and eliminate blighting conditions and the prevention of its recurrence.

B. REDEVELOPMENT PLAN OBJECTIVES

- * To facilitate the redevelopment of the area with mixed land uses, including commercial, office, cultural and residential uses.
- * To protect the unique architectural and historic character of the redevelopment district.
- * To eliminate conditions of blight and blighting influences and incompatible and inappropriate land uses.
- * To assist the development of the area through tax increment financing.
- * To re-establish private ownership and return the property to the tax rolls

1. KINSEY PROBASCO AND ASSOCIATES PROPOSAL

Kinsey Probasco and Associates ("KPA") proposes to purchase the Candy Factory from the City of Knoxville for \$1,612,020. Additionally, KPA will spend approximately \$8,060,100 on the exterior and interior renovations to the building. When complete, KPA anticipates that the Candy Factory will be a Class A multi-use facility which will include a ground floor restaurant/lounge and retail space, designated arts and art-related galleries, working studios, and,

perhaps, a residential component. Preliminary discussions have also been held with Knox County regarding the possibility of the Candy Factory housing a Creative Discovery Museum for Children. This is in accord with their proposal submitted to the City of Knoxville.

KPA proposes to purchase the Victorian Houses from the City of Knoxville for \$215,580. Additionally, KPA will spend approximately \$1,077,900 on exterior and interior renovations to the houses and to Fort Kid. When complete, KPA anticipates that the houses will continue to be used as studios, galleries and/or shops for arts, crafts and related items, especially works/items indigenous to the East Tennessee region. This was also in accord with their proposal to the City of Knoxville.

2. RELATIONSHIP TO LOCAL OBJECTIVES

Public Utilities

The redevelopment area presently has full access to all public utilities. It is likely, however, that some utility improvements may be required in order to meet the demands of the renovated or newly developed structures.

Recreational and Community Facilities

The redevelopment area is resplendent with recreation and community facilities. The World's Fair Park surrounds the redevelopment area. The two year old Convention Center is also located within the park area. The Knoxville Museum of Art is next door to the Candy Factory as is the Kid's Fort. The University of Tennessee campus is a block away from the park site.

Improved Traffic and Public Transportation

The downtown area is the center of the public transportation network for Knoxville. The present system of trolleys serving the entire downtown market and the existing bus lines serving adjoining areas are adequate to meet the needs of the redevelopment area.

Other Public Improvements

Areas adjacent to the South Gay Street redevelopment area are presently being redeveloped under three other plans, primarily the Market Square, Gay Street and Jackson/Depot areas. Future improvements are also planned by the Tennessee Department of Transportation for the Gay Street Viaduct and the Church Street Bridge, both of which are major arteries to the South Gay Street plan area. The redevelopment of the properties in the South Gay Street area is necessary to create a cohesive downtown Knoxville in which there may be interaction among the

businesses and residents of all of areas. Redevelopment of the South Gay Street area will therefore enhance opportunities for downtown workers, visitors and guests throughout the City.

3. RELOCATION OF RESIDENCES AND BUSINESSES

It is not anticipated that any residences or businesses will need to be relocated as a result of the redevelopment and urban renewal plan. However, in the event that any residents or businesses need to be temporarily or permanently displaced to permit redevelopment of the district, KCDC will assist such residents with relocation benefits and payments. If the need for any displacement arises, KCDC will comply with its own relocation policies and City relocation ordinances. Additionally, in the event that any businesses must be permanently relocated or temporarily displaced during the redevelopment of the area, KCDC will use its best efforts to assist those businesses in identifying suitable replacement space in the area in close proximity to the area they currently occupy. Any such relocations will be conducted in accordance with applicable policies.

4. LAND ACQUISITION AND DISPOSITION

Properties acquired by KCDC will be disposed of in accordance with state law and specifically Tennessee Code Annotated Sections 13-20-204 and 13-20-210. 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 the plan. 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 redevelopment area, and (c) ensure the continued maintenance of the properties in the area.

C. LAND USE PLAN

The City's One Year Plan shows the area as CBD and the zoning is C-2 (Central Business District) with an H-1 Historic Overlay meaning that exterior building restoration or renovation, depending on the extent of the work, may need the Historic Zoning Commission's approval before a building permit is issued. C-2 allows a wide range of uses including retail, office, public/institutional and residential; off street parking is not required in the district.

C-2 CENTRAL BUSINESS DISTRICT

A. GENERAL DESCRIPTION:

This district, with complementary office, medical, civic, residential, and historical areas, forms the metropolitan center for commercial, financial, professional, governmental, and cultural activities. The intent here is to protect and improve the central business district for the performance of its primary functions. In addition, uses are discouraged which do not require a

central location or would create friction in the performance of functions that should be centralized.

B. USES PERMITTED:

The following uses shall be permitted in the C-2 Central Business District:

1. Retail store, sales and display rooms and shops.
2. Offices.
3. Hotels and motels.
4. Financial institutions.
5. Eating and drinking establishments.
6. Personal service establishments.
7. Business service establishments.
8. Commercial and job printing.
9. Establishments offering repair services on items brought in by customers.
10. Amusement and recreation establishments.
11. Wholesaling from sample stocks only, provided that no manufacturing or storage for distribution shall be permitted on the premises.
12. Business schools, studios, vocational schools not involving processes of light or heavy industrial nature.
13. Laboratories and establishments for production and repair of jewelry, eyeglasses, hearing aids, and prosthetic appliances.
14. Clubs and lodges.
15. Churches.
16. Public buildings and lands other than elementary or high schools.
17. Amended 5-15-90.
18. Utility sub-stations, easements, alleys and rights-of-way, and transportation

easements, alleys and rights-of-way.

19. Outdoor advertising as regulated in Article 5, Section 10.

20. Other uses and structures which are customarily accessory and clearly incidental to permitted or permissible uses and structures and are not of a nature prohibited under "Prohibited Uses and Structures."

21. Any other store or shop for retail trade or for rendering personal, professional, or business service which does not produce more noise, odor, dust, vibration, blast or traffic than those enumerated above.

22. Dwelling units.

23. Private day nurseries and kindergartens, subject to:

- a. Total building area shall equal seventy (70) square feet of usable play area per child. At least thirty-five (35) square feet of this area per child shall be designated for large motor skill activities.
- b. There shall be a minimum of fifty (50) square feet of usable outdoor play area for each child on the playground at one time (maximum number of children to be permitted on the playground at one time to be established by the Tennessee Department of Human Services at the time of licensing).
- c. The outdoor play area shall be fenced to a minimum height of four (4) feet.
- d. The fenced play area shall be thirty-five (35) feet from any public street. Where the thirty-five (35) foot setback cannot be met, the applicant may have the option of installing a vehicle barrier that will meet the objectives of separation and safety. The barrier alternative shall be subject to approval by the Department of Engineering.
- e. Asphalt, concrete, and other non-resilient surfaces shall be prohibited under and around outdoor play equipment where children could possibly fall more than one (1) foot. This includes:
 1. At least two (2) feet around any climbing apparatus.
 2. At least four (4) feet beyond the end of any slide.
 3. At least two (2) feet beyond the end of the arc of any swing.

24. Recycling collection facility as an accessory use only as regulated by Article 5, Section 18, B.

25. Call centers.

C. USES PERMITTED ON REVIEW:

1. Parking facilities consistent with the adopted Downtown Plan.
2. Marinas, subject to the requirements set forth in Article 5, Section 3(F).
3. Commercial telecommunications towers.

D. PROHIBITED USES AND STRUCTURES:

The following uses are prohibited in the C-2 Central Business District:

1. Gasoline service stations, repair garages.
2. Manufacturing, except for production of products for sale at retail on the premises or as involved in production of jewelry, eye-glasses, hearing aid, and prosthetic appliances.
3. Service or repair of gasoline or diesel motors.
4. Warehousing and storage except as necessary to a permitted principal use.
5. Storage of goods except in completely enclosed buildings.
6. Elementary or high schools, public or private.
7. All uses and structures not of a nature specifically permitted herein.
Article 4, Section 8 C-2 Central Business District
8. Any use which the Planning Commission upon appeal and after investigating similar uses elsewhere, shall find to be potentially noxious, dangerous, or offensive to adjacent occupancies in the same or neighboring districts or to those who pass on public ways, by reason of odor, smoke, noise, glare, fumes, gas, vibration, threat of fire or explosion, emission of particulate matter, interference with radio or television reception, or radiation, or likely for other reasons to be incompatible with the character of the district.

E. AREA REGULATIONS:

The following requirements shall apply to all uses permitted in this district:

1. Front Yard:

There shall be a first story setback for all buildings on vehicular streets of not less than five feet.

2. Side and Rear Yard:

There are no specified side or rear yard requirements.

5. Maximum Lot Coverage:

Stories	Coverage
6	100%
7 - 12	95%
13 - 16	90%
17 - Over.....	85%

F. HEIGHT REGULATIONS:

Unlimited.

G. OFF-STREET PARKING:

None required.

H. OFF-STREET LOADING AND UNLOADING REQUIREMENTS:

As regulated in Article 5, Section 9.

D. TAX INCREMENT FINANCING

The Plan is to provide that, subject to the limitations herein, taxes, if any, levied each year upon real property leased or sold by KCDC to private developers for development as part of a redevelopment project shall after the date this plan is approved by the City Council of the City of Knoxville and the County Commission of Knox County, Tennessee shall be divided as follows:

(1) That portion of taxes which would be produced by the rate at which the tax is levied each year by each taxing agency, upon the assessed value of such property as shown upon the assessment roll of the appropriate assessor, as of the date of the most recently determined valuation prior to the acquisition of such property by KCDC (the assessed value being herein called the "base assessment") shall be allocated to, and when collected, shall be paid to, the respective taxing agencies as taxes levied by such taxing agencies on all other property are paid; provided, that in any year in which the actual assessment of the area comprising a redevelopment project is less than the base assessment, there shall be allocated and paid to the respective taxing agencies only those taxes actually produced by the application of the current tax rates against such actual assessment;

(2) All the taxes levied in each year in excess of the amount provided for in subdivision (1) shall be allocated to and, when collected, shall be paid into a special fund or funds of KCDC to pay the principal of and interest on bonds, loan or other indebtedness incurred or to be incurred by KCDC to finance or refinance, in whole or in part, the redevelopment project contemplated by such redevelopment plan. If any portion of the taxes received by KCDC pursuant to this provision are not needed within the next six-month period to pay scheduled debt service payments, such excess shall either be used to prepay such indebtedness or to reimburse any guarantor of such indebtedness for payments made by such guarantor with respect to such indebtedness;

(3) Upon the retirement of all bonds, loans or other indebtedness incurred by KCDC and payable from such special fund or funds or at such time as moneys on deposit in such special fund or funds are sufficient for such purpose, all the taxes referred to in subdivision (2) shall, when collected, be paid to the respective taxing agencies as taxes levied by such taxing agencies on all other property are paid, and KCDC shall give notice to the City of Knoxville and Knox County of such retirement. Any incremental taxes received by KCDC during the last tax year that the indebtedness is outstanding that is in excess of the amount needed to pay the remaining debt service on such indebtedness may be used to reimburse any guarantor of such indebtedness for payments made by such guarantor with respect to such indebtedness. Thereafter, all incremental tax revenues shall be retained by the appropriate taxing agency; and

(4) Taxes shall be levied and collected over all or any part of the area comprising a redevelopment project in the manner provided by the law with the following exceptions:

(A) The appropriate assessor shall, in each year during the period in which taxes are to be allocated to KCDC pursuant to subdivision (2), compute and certify the net amount, if any, by which the current assessed value of all taxable property located within the redevelopment project which is subject to taxation by the particular taxing agency exceeds the base assessment. The net amount of any such increase is referred to in this subdivision (4) as the incremental value for that particular year;

(B) In any year in which taxes are to be allocated to KCDC pursuant to subdivision (2) in which there is an incremental value, the appropriate assessor shall exclude it from the assessed value upon which the appropriate assessor computes the tax rates for taxes levied that year by the taxing agency. However, the appropriate assessor shall extend the aggregate tax rate of such taxes against the base assessment and the incremental value and shall apply the taxes collected therefrom, subject to any other provisions of this plan or any other legal limitations, as provided above; and

(C) For purposes of this section, if in any year property comprising a portion of a particular redevelopment project shall be removed from the tax rolls of a taxing agency, the base assessment for the area of such redevelopment project shall be reduced by the amount of the base assessment allocable to the property so removed for each subsequent year in which taxes are to be allocated to a particular authority pursuant to the above provisions.

Notwithstanding the foregoing, this tax increment financing provision shall only apply to real property acquired by KCDC that is approved by the City Council of the City of Knoxville and the County Commissioners of Knox County, Tennessee pursuant to a subsequent amendment to the Plan, provided, however, that this provision shall apply without any further approvals to the real property located in the redevelopment area and known as the “Candy Factory located at 1060 World's Fair Park Drive and the Seven Victorian Houses located along 11th Street and to be owned by two separate Limited Liability Corporations.

E. ECONOMIC INFORMATION RELATING TO TAX INCREMENT

The estimated cost of the Candy Factory (Art Lofts at the Candy Factory, LLC) is approximately \$11,696,000. Estimated project sales are \$13,000,000. The sources that are expected to be used to pay the costs of the Candy Factory Project are a bank loan of \$8,296,000, tax increment financing of \$1,400,000 and equity of \$2,000,000. The estimated amount of the tax increment financing for the Project is \$1,400,000 and the final maturity is expected to be 15 years after the tax increment financing is issued. The expected impact of the tax increment financing amendment upon the City of Knoxville is approximately \$72,100 per year and on Knox County approximately \$86,450 per year.

The estimated cost of the Seven Victorian Houses Project (Victoria Station KPH, LLC) is approximately \$1,710,580. The sources that are expected to be used to pay the costs of the Seven Victorian Houses Project are a bank loan of \$1,150,000, tax increment financing of \$200,000 and equity of \$360,580. The estimated amount of the tax increment financing for the Project is \$200,000 and the final maturity is expected to be 15 years after the tax increment financing is issued. The expected impact of the tax increment financing amendment upon the City of Knoxville is approximately \$9,553 per year and on Knox County approximately \$11,455 per year.

F. CERTAIN TAXES EXCLUDED

Notwithstanding anything to the contrary in this section, taxes levied upon property subject to tax increment financing provisions by any taxing agency for the payment of principal of and interest on all bonds, loans or other indebtedness of such taxing agency, and taxes levied by or for the benefit of the State of Tennessee, shall not be subject to allocation as provided in subsection (a), but shall be levied against such property and, when collected, paid to such taxing agency as taxes levied by such taxing agency on all other property are paid and collected.

G. PLAN AMENDMENTS AND TERMINATION

In the course of implementing this redevelopment plan, amendments to this plan may be warranted, particularly in connection with the utilization of tax increment financing for particular redevelopment projects. 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 and, where applicable, in compliance with the requirements of Section 13-20-205 of the Tennessee Code Annotated. Notice of any proposed amendments will be given to all property owners within the project area pursuant to the requirements of state law. If County Commission's approval of any amendment is required by state law, such approval will also be requested.

This plan and the provisions thereof shall terminate on the date that is the later of (i) the date that no tax increment financing remains outstanding with respect to any portion of the redevelopment area or (ii) twenty (20) years from the date of approval of this plan by the City Council of the City of Knoxville.

H. SEVERABILITY

The invalidation of any or more of the foregoing provisions of this Redevelopment Plan as approved by the Knoxville City Council of Knoxville, Knox County, Tennessee or any part thereof by judgment of any Court of competent jurisdiction shall not in any way affect the validity of any other of such provisions of the Plan but the same shall remain in full force and effect.

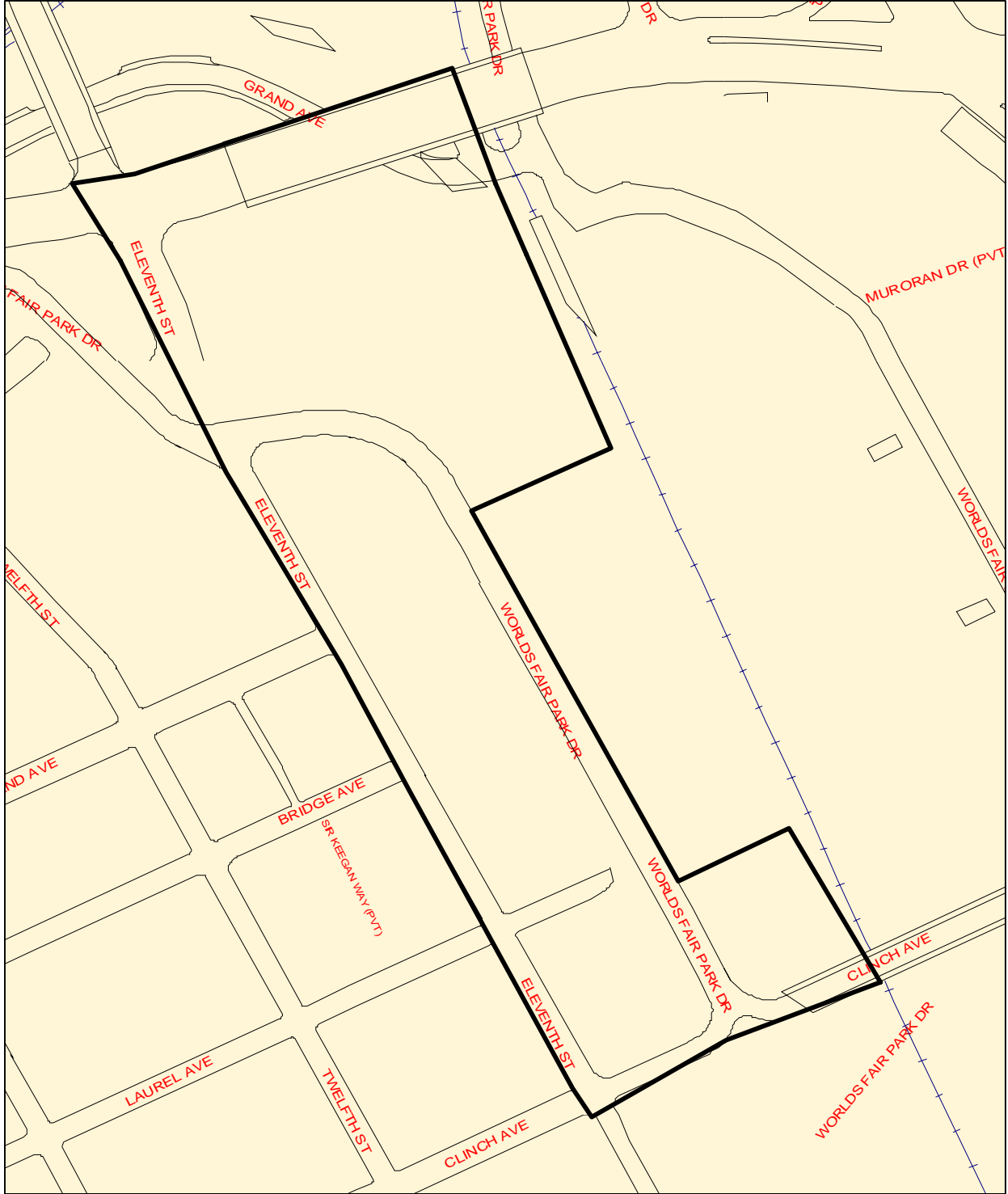


EXHIBIT A
PROJECT BOUNDARY MAP

