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City of Knoxville Tennessee

Resolution R-58-2022

Approved
Feb 22, 2022 6:00 PM

A Resolution approving an Amendment to the Magnolia Avenue Warehouse District Redevelopment and Urban Renewal Plan to authorize tax increment financing and to amend the boundaries of the redevelopment area.

Information

Department:	Economic & Community Development	Sponsors:
Category:	Contract/Agreement	

Attachments

[Printout Resolution KCDC Magnolia Ave 2022 Amendment \(Exhibit A\)](#)

Body

COUNCIL DISTRICT(S) AFFECTED

Sixth

BACKGROUND

In 2011, KCDC prepared the Magnolia Avenue Warehouse District Redevelopment and Urban Renewal Plan (the "Plan"), which was subsequently approved by Knoxville City Council and Knox County Commission. The Redevelopment Area defined by the Plan consists primarily of commercial properties and other income-producing properties such as warehousing, office, and industrial uses, along with a significant number of vacant properties and blight. The Plan identified the need for redevelopment to diversify land uses, eliminate blight and beautify the area, improve transportation options and public utilities, and facilitate improvements to recreation and community facilities.

The City, County and KCDC desire to provide for and/or encourage the development of a transformational project that includes a multi-use stadium, complimentary residential, retail and commercial development and infrastructure in the Redevelopment Area, all of which are compatible with the goals of the Plan. As proposed through a robust public process, this redevelopment project will require financial assistance through tax increment financing (TIF), which requires an amendment to the Plan.

In connection with evaluating the Plan for this amendment, KCDC recommended that the boundaries of the Redevelopment Area be adjusted to include one commercial block bounded by Linden Avenue, N. Bertrand Street, McCalla Avenue and Harriet Tubman Street. The Plan amendment also includes a TIF district to support the public infrastructure for the redevelopment project.

KCDC held a public hearing and the Board of Commissioners of KCDC approved the Plan amendment on January 27, 2022.

OPTIONS

Approve or Deny

RECOMMENDATION

Approve

ESTIMATED PROJECT SCHEDULE

PRIOR ACTION/REVIEW

FISCAL INFORMATION

It is anticipated that combined City and County tax increment revenues not to exceed \$23,000,000 (present value) will be allocated to support the Redevelopment Project and related public infrastructure.

Meeting History

Feb 22, 2022 6:00 PM

**City
Council**

Regular Meeting

Discussion:

Mayor Kincanon, Council Member Parker, Stephanie Welch, Chief Economic and Community Development Officer and Deputy to the Mayor; Council Members Fugate, Rider, Thomas, and McKenzie

RESULT: **APPROVED [8 TO 1]**

MOVER: Gwen McKenzie, Sixth District

SECONDER: Lynne Fugate, At-Large Seat A

AYES: Lynne Fugate, Gwen McKenzie, Lauren Rider, Andrew Roberto, Seema Singh, Tommy Smith, Janet Testerman, Charles Thomas

NAYS: Amelia Parker

City County Building, 400 Main St, Knoxville, TN 37902 | Phone: Call 3-1-1

RESOLUTION

A RESOLUTION OF THE COUNCIL
OF THE CITY OF KNOXVILLE
APPROVING AN AMENDMENT TO
THE MAGNOLIA AVENUE
WAREHOUSE DISTRICT
REDEVELOPMENT AND URBAN
RENEWAL PLAN TO AUTHORIZE
TAX INCREMENT FINANCING AND
TO AMEND THE BOUNDARIES OF
THE REDEVELOPMENT AREA.

RESOLUTION NO: R-58-2022
Economic and
REQUESTED BY: Community Development
PREPARED BY: Law

APPROVED: 2-22-2022

APPROVED AS AN EMERGENCY
MEASURE: _____

MINUTE BOOK: 86 PAGE _____

WHEREAS, the City Council of the City of Knoxville has previously approved a redevelopment and urban renewal plan designated as the Magnolia Avenue Warehouse District Redevelopment and Urban Renewal Plan (“the Plan”); and

WHEREAS, Knoxville's Community Development Corporation (“KCDC”) has prepared an amendment to the Plan, attached hereto as Exhibit A and incorporated herein by reference (“the Amendment”), the purpose of which is to authorize tax increment financing for the Redevelopment Area as well as to amend the boundaries of the area subject to the Plan so as to include one commercial block adjacent to the Original Redevelopment Area (bounded by Linden Avenue, N. Bertrand Street, McCalla Avenue and Harriet Tubman Street); and

WHEREAS, KCDC conducted a public hearing on Thursday, January 27, 2022, as required by Tennessee Code Annotated Sections 13-20-203(b) and 13-20-205(c), relating to the Amendment; and

WHEREAS, a summary of the public hearing was presented to the City by KCDC; and

WHEREAS, the proposed Amendment to the Plan has been submitted by KCDC to the City.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KNOXVILLE:

SECTION 1: The Amendment to the Plan, as presented to the City Council on the date hereof, is hereby approved, and the City Recorder is hereby directed to file a copy of the Amendment with the minutes of this meeting.

SECTION 2: This Resolution shall take effect from and after its passage, the welfare of the City requiring it.

Presiding Officer of the Council

Recorder

Exhibit A

AMENDMENT TO MAGNOLIA AVENUE WAREHOUSE DISTRICT REDEVELOPMENT AND URBAN RENEWAL PLAN RELATING TO TAX INCREMENT FINANCING

Knoxville's Community Development Corporation ("KCDC") has previously prepared the Magnolia Avenue Warehouse District Redevelopment and Urban Renewal Plan (the "Plan") for the Redevelopment Area defined in the Plan (the "Original Redevelopment Area"). After a public hearing held by KCDC, the Plan was approved by the City Council ("City Council") of the City of Knoxville (the "City") and the County Commission ("County Commission") of Knox County, Tennessee (the "County").

The City, the County and KCDC desire to provide for and/or encourage a transformational redevelopment project within the Original Redevelopment Area and certain adjacent parcels, which project is expected to include a multi-use sports and entertainment stadium, complementary residential, retail and commercial developments and related infrastructure, utilities and other facilities (the "Stadium Project"). In connection with the Stadium Project, it is expected that two different redevelopment projects will require financial assistance through the issuance of tax increment financing by KCDC. The first such redevelopment project is the public infrastructure, including the construction of street improvements and public spaces (the "Public Infrastructure Project") needed to support the Stadium Project. The second such redevelopment project is a mixed-use project, including residential condominiums, that is expected to be constructed immediately adjacent to the stadium described above (the "Mixed-Use Project"). The Public Infrastructure Project and the Mixed-Use Project are collectively referred to herein as the "Redevelopment Project."

In connection with evaluating the Original Redevelopment Area in preparing this Amendment, KCDC recommended that the boundaries of the Original Redevelopment Area be adjusted and, at the request of the City, determined that tax increment financing for the Redevelopment Project was appropriate.

1. AMENDMENT OF THE AREA SUBJECT TO THE PLAN

Currently, there is one commercial block adjacent to the Original Redevelopment Area (bounded by Linden Avenue, N. Bertrand Street, McCalla Avenue and Harriet Tubman Street) that was not included in the Original Redevelopment Area subject to the Plan. The City, the County and KCDC desire to add the parcels in such block to the area subject to the Plan. Accordingly, the Plan is hereby amended to provide that such parcels are added to the area subject to the Plan, and Exhibit A to the Plan is hereby replaced with the Exhibit A attached to this Amendment. The term "Redevelopment Area" (as used in the Plan and this Amendment) shall mean the area depicted on Exhibit A attached to this Amendment.

2. AMENDMENT TO PROVIDE FOR TAX INCREMENT FINANCING

The Plan is hereby amended to provide that, subject to the limitations herein:

(a) Property taxes, if any, that were levied by the City and/or the County (the City and the County are hereinafter referred to collectively or sometimes individually, as a "taxing agency") and payable with respect to the property within the Redevelopment Area (other than any portion of such taxes that is a debt service amount) for the year prior to the date the amendment of this redevelopment plan was approved ("base taxes") and that portion of property taxes, if any, designated by a taxing agency to pay debt service on the taxing agency's debt ("dedicated taxes") shall be allocated to and 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 taxes on any property are less than the base and dedicated taxes, there shall be allocated and paid to the respective taxing agencies only those taxes actually imposed and collected; and

(b) Subject to the specific constraints of applicable law, any excess of taxes levied by a participating taxing agency, over the base taxes and dedicated taxes, shall be allocated to and shall be paid to KCDC (a "tax increment agency") for the purpose of paying principal of and interest on bonds, loans or other indebtedness incurred or to be incurred by KCDC to finance or refinance, in whole or in part, the Redevelopment Project or as otherwise provided in applicable law or reserved for purposes permitted by applicable law, provided that a portion of the excess taxes may be allocated for administrative purposes as described below. Notwithstanding the foregoing, any excess taxes beyond amounts necessary to fund or reserve the payment of debt service on tax increment financing authorized herein or to pay administrative expenses shall revert to the City's and County's general fund.

Pursuant to applicable law and this redevelopment plan, up to five percent (5%) of incremental tax revenues allocated to KCDC may be set aside for administrative expenses of KCDC, the City or the County as provided by KCDC's policies.

By approving this Amendment, KCDC, the City and the County confirm that the Uniformity in Tax Increment Financing Act of 2012 (the "Tax Increment Act") shall apply to any financing authorized by this Amendment. KCDC is hereby authorized to make all calculations of tax increment revenues on the basis of each parcel within in the Redevelopment Area instead of on an aggregate basis as permitted by the Tax Increment Act. If KCDC opts to have such calculations made based upon each parcel, KCDC shall give notice to the City and the County that such methodology will be used prior to the first allocation date of any tax increment revenues. KCDC is also authorized to separately group one (1) or more parcels within the Redevelopment Area for purposes of calculating and allocating the tax increment revenues under this Plan and applicable law, and in such cases, the allocation of tax increment revenues shall be calculated and made based upon each such parcel or group of parcels, and not the entire area subject to the Plan. KCDC shall give notice of any such grouping of parcels to the City and the County. KCDC is also authorized to designate that the allocation of tax increment revenues with respect to a parcel or group of parcels within the Redevelopment Area may begin in subsequent or different years in order to match tax increment revenues with the purposes for which such revenues will be applied as determined by KCDC. KCDC shall give notice of any such designation to the City and the County.

Notwithstanding the foregoing, pursuant to Section 9-23-103(b) of the Tax Increment Act, all tax revenues, including incremental property tax revenues, shall be retained by the City and County as to all parcels within the Redevelopment Area other than the parcels located within the "TIF District" designated in Exhibit B attached hereto unless any additional parcels to be included in the TIF District are approved by City Council and County Commission pursuant to a subsequent amendment. A list of the parcels, and base taxes for each such parcel, within the TIF District is attached here as Exhibit C

Tax Increment Financing to Support the Redevelopment Project

The estimated cost of the Public Infrastructure Project is approximately \$15,000,000, and the estimated cost of the Mixed-Used Project is approximately \$46,750,000. The entire cost of the Public Infrastructure Project is expected to be initially paid from funds contributed from the City's capital improvement fund, and then such cost will be financed as a redevelopment project by KCDC, with debt service being payable from tax increment revenues from the TIF District. Of the cost of the Mixed-Used Project, only approximately \$4,000,000 to \$8,000,000 is expected to be paid with the proceeds of tax increment financing with the remainder being paid with loans and equity obtained by the private developer of the Mixed-Use Project, and a commensurate amount of the redevelopment costs relating to

the Stadium Project is expected to be paid with the proceeds of tax increment financing secured by a portion of the tax increment relating to the Mixed-Use Project. The maximum maturity of any tax increment financing will be not later than forty (40) years from the date the financing, including any refinancing, is issued, but in no event shall the allocation of tax revenues with respect to any parcel in the TIF District to pay debt service with respect to the tax increment financing described in this Section exceed thirty (30) years.

The estimated impact of the tax increment financing provisions contained herein is expected to have a financial impact of \$23,000,000 to \$31,000,000 on a present value basis depending on the ultimate assessment of the Mixed-Use Project. However, the undertaking of the redevelopment is expected to have a positive financial impact on the City and County. Not only will both entities receive additional sales taxes from economic activity in the TIF District due to the Stadium Project, but as incremental property taxes are created, property taxes that are allocable to paying debt service on the City's and the County's general obligation debt shall be retained by the City and County. These additional taxes, as created, will immediately benefit the City and the County. After the tax increment financing is fully paid, the entire increased property tax revenues will be payable to the City and the County.

EXHIBIT A

Redevelopment Area

The boundary of the Redevelopment Area is depicted below and includes both the existing “Original Boundary” outlined in purple and the new “Expanded Boundary Area” outlined in red.

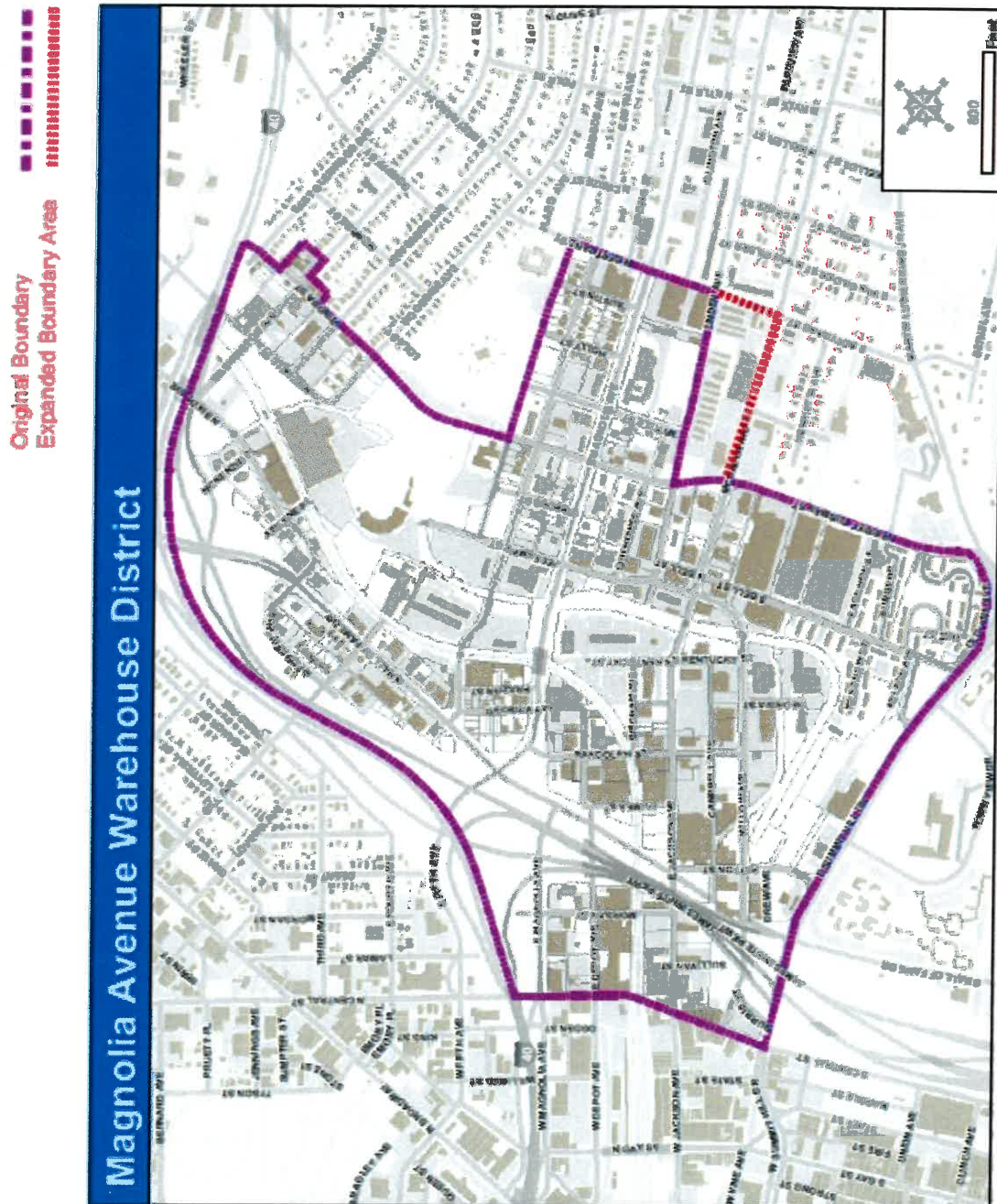


EXHIBIT B

TIF District

The boundary of the TIF District is depicted below and includes the “TIF District” outlined in blue.

MAGNOLIA AVENUE WAREHOUSE DISTRICT REDEVELOPMENT & URBAN RENEWAL PLAN

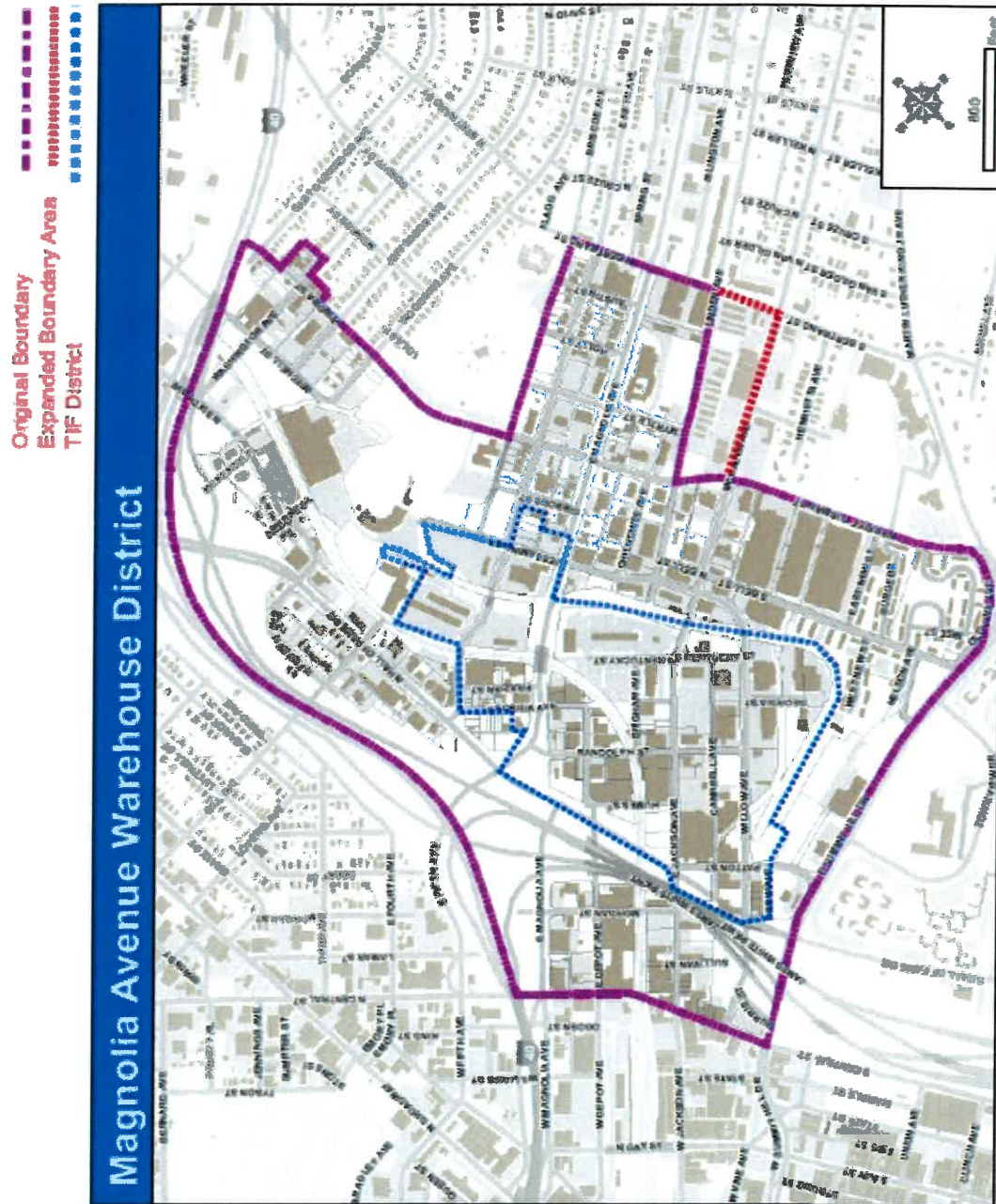


EXHIBIT C

Parcels in TIF District and Base Taxes

Parcel ID	County Tax	City Tax	Total Tax
095HB00801	\$530.00	\$615.95	\$1,145.95
095HC010	\$291.71	\$339.02	\$630.73
095HB005	\$1,014.21	\$1,178.68	\$2,192.89
095HB001	\$67.84	\$78.84	\$146.68
095HB004	\$1,395.81	\$1,622.17	\$3,017.97
095HC012	\$2,968.00	\$3,449.32	\$6,417.32
095HC013	\$3,622.66	\$4,210.14	\$7,832.80
095HC015	\$2,386.27	\$2,773.25	\$5,159.53
095HC016	\$3,721.02	\$4,324.46	\$8,045.49
095HC017	\$2,354.90	\$2,736.79	\$5,091.69
095HC021	\$0.00	\$0.00	\$0.00
095HC018	\$2,991.74	\$3,476.91	\$6,468.66
095AK023	\$2,471.07	\$2,871.81	\$5,342.88
095AK02201	\$2,241.26	\$2,604.73	\$4,845.99
095AK020	\$0.00	\$0.00	\$0.00
095AK019	\$0.00	\$0.00	\$0.00
095AK018	\$0.00	\$0.00	\$0.00
095AK01802	\$0.00	\$0.00	\$0.00
095AK01801	\$3,098.59	\$3,601.09	\$6,699.68
095HB002	\$28,342.70	\$32,939.03	\$61,281.74
095HB003	\$633.46	\$736.18	\$1,369.64
095AM021	\$434.18	\$504.59	\$938.76
095AM018	\$875.14	\$1,017.06	\$1,892.19
095AM017	\$119.57	\$138.96	\$258.53
095AM016	\$3,173.22	\$3,687.82	\$6,861.03
095AM015	\$2,178.51	\$2,531.80	\$4,710.31
095AM010	\$74.62	\$86.73	\$161.35
095AM011	\$2,561.81	\$2,977.26	\$5,539.06
095AM014	\$2,882.67	\$3,350.15	\$6,232.82
095AM012	\$877.68	\$1,020.01	\$1,897.69
095AM013	\$129.74	\$150.78	\$280.53
095AM00402	\$2,941.71	\$3,418.77	\$6,360.48
095AM008	\$613.10	\$712.53	\$1,325.63
095AM00401	\$4,181.49	\$4,859.60	\$9,041.09
095AK008	\$0.00	\$0.00	\$0.00
095AK016	\$72.93	\$84.75	\$157.68
095AK017	\$112.78	\$131.07	\$243.86
095AK003	\$91.58	\$106.44	\$198.02
095AK002	\$251.86	\$292.70	\$544.56
095AK001	\$1,143.10	\$1,328.48	\$2,471.58
095AL010	\$0.00	\$0.00	\$0.00
095AL011	\$2,792.46	\$3,245.32	\$6,037.78
095AL012	\$3,553.12	\$4,129.33	\$7,682.45
095AL014	\$809.84	\$941.17	\$1,751.01
095AL015	\$17.81	\$20.70	\$38.50
095AL016	\$66.14	\$76.87	\$143.01

Parcel ID	County Tax	City Tax	Total Tax
095AL017	\$1,117.66	\$1,298.92	\$2,416.58
095AL004	\$1,528.94	\$1,776.89	\$3,305.84
095AL003	\$702.99	\$817.00	\$1,519.99
095AL018	\$242.53	\$281.86	\$524.39
095AL019	\$1,202.46	\$1,397.47	\$2,599.93
095AL002	\$861.57	\$1,001.29	\$1,862.86
095AL001	\$664.83	\$772.65	\$1,437.48
095AL021	\$2,107.28	\$2,449.02	\$4,556.30
095AL020	\$960.78	\$1,116.59	\$2,077.38
095AB020	\$0.00	\$0.00	\$0.00
095AB021	\$0.00	\$0.00	\$0.00
095AB032	\$0.00	\$0.00	\$0.00
095AB025	\$0.00	\$0.00	\$0.00
095AB031	\$0.00	\$0.00	\$0.00
095AB026	\$0.00	\$0.00	\$0.00
095AB027	\$0.00	\$0.00	\$0.00
095AB030	\$0.00	\$0.00	\$0.00
095AB029	\$0.00	\$0.00	\$0.00
095AB028	\$0.00	\$0.00	\$0.00
095AB035	\$0.00	\$0.00	\$0.00
095AB036	\$0.00	\$0.00	\$0.00
095AB037	\$0.00	\$0.00	\$0.00
095AB038	\$0.00	\$0.00	\$0.00
095AC001	\$0.00	\$0.00	\$0.00
082PD017	\$0.00	\$0.00	\$0.00
095AC003	\$0.00	\$0.00	\$0.00
082PD015	\$0.00	\$0.00	\$0.00
082PD00401	\$0.00	\$0.00	\$0.00
095AC021	\$0.00	\$0.00	\$0.00
095AC004	\$0.00	\$0.00	\$0.00
095AC005	\$0.00	\$0.00	\$0.00
095AC006	\$0.00	\$0.00	\$0.00
095AC007	\$0.00	\$0.00	\$0.00
095AC008	\$0.00	\$0.00	\$0.00
<i>Total</i>	\$97,475.37	\$113,282.94	\$210,758.31

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