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**City of Knoxville
Tennessee**

Approved
Aug 4, 2015 7:00 PM

**Resolution
R-261-2015**

A Resolution approving a tax increment financing amendment to the Magnolia Warehouse District Redevelopment and Urban Renewal Plan prepared by Knoxville's Community Development Corporation to support the redevelopment of real property located at 120 S. Central Street and 122 S. Central Street.

Information

Department: Office of Redevelopment **Sponsors:**
Category: Tax Increment Financing (TIF)

Attachments

- Printout
- RESOLUTION Magnolia Warehouse TIF
- EXh. A - KCDC Next Step 2015 TIF Amendment
- Map
- Application for Development Assistance (6 8 2015)
- TIF Worksheet Combined July 17 2015, 120122 S Central
- 120-122 Rendering & floor Plans

Body

COUNCIL DISTRICT(S) AFFECTED District 6

BACKGROUND Next Step Development Group, LLC has applied to the City for development assistance in connection with the demolition of buildings located at 120 and 122 South Central Street and the construction of a new mixed use facility. The redevelopment of this location will result in approximately 15 residential units as well as some commercial/retail space. The buildings will also have some dedicated parking.

The proposed amendment to the Magnolia Avenue Warehouse District Redevelopment & Urban Renewal Plan contains authorization for tax increment financing in an amount not to exceed \$600,000. The allocation of tax increment revenues with respect to the properties located at 120 and 122 South Central Street will not exceed 15 years. This financing would be used for certain eligible costs related to the demolition of the buildings and the construction of a new mixed use facility. The redevelopment of this location will facilitate the remediation of blight in the Magnolia Avenue Warehouse District Redevelopment Area. Details of the project can be found in the attached proposed amendment.

On July 23, 2015, KCDC hosted the statutorily required public hearing on the proposed amendment to the Magnolia Avenue Warehouse District Redevelopment & Urban Renewal Plan.

RECOMMENDATION Approve

ESTIMATED PROJECT SCHEDULE Begin late 2015 complete late 2016

PRIOR ACTION/REVIEW City and KCDC staff review. A Public Hearing on the proposed amendment to the Magnolia Avenue Warehouse District Redevelopment & Urban Renewal Plan was held on July 23, 2015.

FISCAL INFORMATION No direct cost to city. See attachments for tax implications.

Meeting History

Aug 4, 2015 7:00 PM **City Council** **Regular Meeting**

 **Draft**

Council Member Grieve recused himself from this vote because he is the project architect.

Discussion:

Council Member Della Volpe, Office of Redevelopment Director Bob Whetsel, Council Member Wallace; and Representatives of Next Step Development Group, LLC Daniel Smith, T.C. Whittaker, and Jared Smith, Council Member Brown

RESULT: **APPROVED [7 TO 0]**
MOVER: Finbarr Saunders, At-Large Seat C
SECONDER: Daniel T. Brown, 6th District
AYES: Brenda Palmer, Nick Della Volpe, Mark Campen, Daniel T. Brown, George C. Wallace, Marshall Stair, Finbarr Saunders
ABSENT: Nick Pavlis

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 A TAX INCREMENT FINANCING AMENDMENT TO THE MAGNOLIA WAREHOUSE DISTRICT REDEVELOPMENT AND URBAN RENEWAL PLAN PREPARED BY KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION TO SUPPORT THE REDEVELOPMENT OF REAL PROPERTY LOCATED AT 120 S. CENTRAL AND 122 S. CENTRAL STREET.

RESOLUTION NO: R-261-2015

REQUESTED BY: Office of Redevelopment

PREPARED BY: Law

APPROVED: 08-04-2015

APPROVED AS AN EMERGENCY MEASURE: _____

MINUTE BOOK: 79 PAGE

WHEREAS, on May 31, 2011 and by Resolution Number R-154-2011, the City Council of the City of Knoxville previously approved a redevelopment and urban renewal plan designated as the Magnolia Avenue Warehouse District Redevelopment and Urban Renewal Plan (the "Plan"); and

WHEREAS, Next Step Development Group, LLC applied to the City for development assistance in connection with the demolition of buildings located at 120 and 122 South Central Street and the construction of a new, mixed-use facility, which would

result in approximately 15 residential units and some commercial/retail space (the “Project”); and

WHEREAS, the proposed amendment to the Plan contains authorization for tax increment financing for the Project in an amount not to exceed Six Hundred Thousand Dollars (\$600,000.00) and for a period not to exceed fifteen years; and

WHEREAS, the redevelopment of this location will facilitate the remediation of blight in the Plan area; and

WHEREAS, Knoxville's Community Development Corporation (“KCDC”) has prepared the attached tax increment financing amendment to the Plan, attached hereto as Exhibit A and incorporated herein by reference (“the Amendment”), the purpose of which is to provide tax increment financing to the Project; and

WHEREAS, KCDC conducted a public hearing on July 23, 2015, 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 Magnolia Avenue Warehouse District Redevelopment & Urban Renewal Plan, attached hereto as Exhibit A and incorporated

herein by reference, 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: The tax increment financing for the Next Step Development, LLC is hereby approved for the Project located at 120 and 122 South Central Street (Parcel ID Nos. 095HA004 and 095HA003) in an amount not to exceed \$600,000.00 and for a time period not to exceed fifteen years.

SECTION 3: This Resolution shall take effect from and after its passage, the welfare of the City requiring it.

Presiding Officer of the Council

Recorder

**TAX INCREMENT AMENDMENT TO THE MAGNOLIA
AVENUE WAREHOUSE DISTRICT REDEVELOPMENT &
URBAN RENEWAL PLAN**

Knoxville's Community Development Corporation ("KCDC") has previously prepared a redevelopment and urban renewal plan (the "Plan") for the Magnolia Avenue Warehouse District area (the "Plan Area"). After a public hearing held by KCDC, the Plan was approved by the City Council of the City of Knoxville and the County Commission of Knox County, Tennessee. KCDC has received a request from a developer for a redevelopment project within the redevelopment area to utilize tax increment financing in connection with its project. The purpose of this amendment to the Plan is to permit the use of tax increment financing for such purpose.

TAX INCREMENT FINANCING PROVISION

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

(a) Property taxes, if any, that were levied by the City of Knoxville (the "City") and/or Knox County, Tennessee (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 plan 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 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 contemplated by the amendment of this redevelopment plan or as otherwise provided in applicable law or reserved for purposes permitted by applicable law, provided (i) a portion of the excess taxes may be allocated for administrative purposes as provided by applicable law, and (ii) excess taxes beyond amounts necessary to fund or reserve for eligible expenditures under applicable law, may be applied to principal and interest of debt incurred to finance such eligible expenditures, or shall revert to the taxing agency general fund.

Pursuant to applicable law and this redevelopment plan, up to five percent (5%) of incremental tax revenues generated by the redevelopment project may be set aside for administrative expenses.

By approving this amendment to the Plan, KCDC, the City and the County confirm that the Uniformity in Tax Increment Financing Act of 2012 shall apply to any financing authorized by this amendment to the Plan.

Notwithstanding the foregoing, this tax increment financing provision shall only apply to a redevelopment project 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 amendment shall apply without any further approvals to the real property located in the

redevelopment area at 120 and 122 South Central Street and presently owned by Next Step Development Group, LLC.

ECONOMIC INFORMATION RELATING TO TAX INCREMENT

The project is known as the Next Step Development Project located at 120 and 122 South Central Street. The estimated cost of the Project is approximately \$4,792,939. The sources that are expected to be used to pay the costs of the Project are: a construction loan of \$2,575,995, tax increment financing of \$600,000 and owners' equity of \$1,677,529. The tax increment financing for the project is expected not to exceed \$600,000, and the allocation of tax increment revenues with respect to the property located at 120 and 122 South Central Street for repayment of said debt shall be for a period of not more than fifteen (15) years. The expected impact of the tax increment financing amendment upon the City of Knoxville is approximately \$27,777 per year and on Knox County approximately \$25,590 per year.

CERTAIN TAXES EXCLUDED

Notwithstanding anything to the contrary in this section, 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.