



**City of Knoxville  
Tennessee**

Approved  
Oct 15, 2013 7:00 PM

**Resolution  
R-348-2013**

**A Resolution approving an amendment to the Knoxville South Waterfront Redevelopment and Urban Renewal Plan to provide for Tax Increment Financing prepared by Knoxville's Community Development Corporation.**

**Information**

**Department:** Office of Redevelopment    **Sponsors:**  
**Category:** Authorization

**Attachments**

[Printout](#)  
[Baptist - TIF Financing Resolution 2013](#)  
[10-7 AMENDMENT TO SOUTH WATERFRONT REDEVELOPMENT AND URBAN RENEWAL PLAN](#)

**Body**

**COUNCIL DISTRICT(S) AFFECTED**

District 1

**BACKGROUND**

Blanchard & Calhoun Commercial have applied to the City for Development Assistance in connection with the redevelopment of the Baptist Hospital site. The project is planned to include a hotel, luxury apartments, office space, retail and student housing as well as public improvements including an events terrace and riverwalk.

The proposed amendment to the Knoxville South Waterfront Redevelopment and Urban Renewal Plan (the "Plan") provides that the Uniformity in Tax Increment Financing Act will apply to the Plan and authorization for the allocation of the tax increment revenues generated by the Baptist Hospital site to support a tax increment financing transaction in an amount not to exceed \$22,000,000 for a period not to exceed 30 years. This financing would be used for certain eligible costs related to the redevelopment of the Baptist Hospital site. This development will repurpose a key site in South Knoxville and is important in achieving the goals of the Plan. Details of the project can be found in the attached proposed amendment.

The Plan currently provides for a tax increment financing transaction secured by the tax increment revenues generated by the entire area subject to the Plan. The maximum authorized amount of the tax increment financing is \$60,000,000. The proposed amendment provides that a portion of the \$60,000,000 of authorized tax increment financing equal to \$22,000,000 would be issued in connection with the Baptist Hospital site and would be secured by the tax increment revenues generated by that site.

On October 10, 2013, KCDC will host the statutorily required public hearing on the proposed amendment to the Plan.

**RECOMMENDATION**

Approve

**PRIOR ACTION/REVIEW**

A Public Hearing on the proposed amendment to the Knoxville South Waterfront Redevelopment and Urban Renewal Plan will be held on October 10, 2013.

## **FISCAL INFORMATION**

Please see the attached document.

## Meeting History

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**Oct 15, 2013 7:00 PM**

**City  
Council**

**Regular Meeting**

 **Draft**

**DISCUSSION:**

Vice-Mayor Pavlis, Mark Senn and Rhodes Seegar from Blanchard Calhoun, Redevelopment Director Bob Whetsel and Council Member Della Volpe.

**RESULT:** **APPROVED [UNANIMOUS]**

**MOVER:** Nick Pavlis, 1st District

**SECONDER:** Duane Grieve, 2nd District

**AYES:** Nick Pavlis, Duane Grieve, Brenda Palmer, Nick Della Volpe, Mark Campen, Daniel T. Brown, George C. Wallace, Marshall Stair, Finbarr Saunders

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

## AMENDMENT TO SOUTH WATERFRONT REDEVELOPMENT AND URBAN RENEWAL PLAN RELATING TO TAX INCREMENT FINANCING

Knoxville's Community Development Corporation ("KCDC") has previously prepared a redevelopment and urban renewal plan (the "Plan") for the Redevelopment Area (as such term is defined in the Plan). 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. Since adoption of the Plan, the Uniformity in Tax Increment Financing Act of 2012 (the "TIF Uniformity Act") has been adopted in the State of Tennessee. Section 8 of the TIF Uniformity Act provides that such Act would not apply to the Plan without the concurrence of the City of Knoxville, Tennessee (the "City"), Knox County, Tennessee (the "County"), KCDC and the holder of any indebtedness secured by the tax revenues allocable pursuant to the Plan. The City is the only holder of such indebtedness at this time. The City, the County and KCDC have determined it to be in their best interest to elect for the TIF Uniformity Act to apply to the Plan. By approving this Amendment, each of the City, the County and KCDC shall be deemed to approve the application of the TIF Uniformity Act to the Plan.

Pursuant to the Plan, KCDC anticipated assisting private redevelopment projects only where such projects are essential to the implementation of the Vision Plan. Since the adoption of the Plan, Tennova vacated the former Baptist Hospital site, which occupies a prominent location in the Redevelopment Area. The City and KCDC have received a request from a developer to utilize tax increment financing in connection with a redevelopment project comprised of the redevelopment of the Baptist Hospital site. This amendment would permit the use of tax increment financing to support such project, which is essential to implementation of the Vision Plan. To achieve such purpose and the application of the TIF Uniformity Act, the section of the Plan entitled Financing Plan Including Tax Increment Financing is hereby deleted in its entirety and the following is substituted in lieu thereof:

### FINANCING PLAN INCLUDING TAX INCREMENT FINANCING PROVISION

Neither KCDC nor the City anticipate funding the cost of private redevelopment projects within the redevelopment district, although public assistance with particular projects that are essential to the implementation of the Vision Plan may be considered on a limited basis. The redevelopment of the former Baptist Hospital site is determined to be such an essential private redevelopment project and tax increment financing to support such project is authorized as provided herein. Both property owners and developers of projects within the Redevelopment Area will be expected to demonstrate the financial ability to undertake and complete any private redevelopment project.

Public improvement assistance will be provided based on consistency with the South Waterfront Vision Plan, resource availability, and the extent to which the assistance will trigger private redevelopment. Until such time as formal public improvement agreements or contracts are executed, KCDC and the City retain the right and flexibility to shift project priorities and funding allocations based on development needs. A more detailed description of the public improvement projects and estimated costs is provided in the Vision Plan.

The assistance provided by KCDC and/or the City is not limited to public improvements assistance. Other services or resources may be provided, including but not limited to, assistance with the development review and permitting process, assistance with other regulatory agencies such as the Tennessee Valley Authority (TVA) or the U.S. Army Corps of Engineers (USACE), development of homeowner retention programs, purchase of land for voluntary relocation agreements, or business relocation assistance.

The Vision Plan and the South Waterfront Action Plan that is being prepared by the City contains

a financial strategy that depends in large part on the use of tax increment financing within the Redevelopment Area to finance public improvements. KCDC and the City anticipate using tax increment financing to hasten the development of the public improvements that are needed to implement the Vision Plan and to encourage redevelopment projects that are essential to the implementation of the Vision Plan. Therefore, this Plan contains the following provisions to permit the use of tax increment financing in the Redevelopment Area.

After the date this Redevelopment Plan is approved by the City Council of the City of Knoxville and the County Commission of Knox County, Tennessee and subject to the limitations herein, property taxes levied upon real property located in the Redevelopment Area shall be divided and allocated as provided in Section 9-23-102 of the Tennessee Code Annotated and in accordance with applicable law as follows:

(a) Property taxes, if any, that were levied by the City and/or the County (collectively or sometimes individually, 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 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 the TIF Uniformity Act, any excess of taxes levied by the applicable 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(s) contemplated by the 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 KCDC's policies in effect from time to time with respect to the administration of tax increment financing, 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.

KCDC is hereby 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. Without limitation, KCDC is specifically authorized to group the parcels included within the proposed redevelopment of the former Baptist Hospital site and adjacent benefited parcels to facilitate the tax increment financing described below. 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.

The City and County shall allocate tax increment revenues to KCDC no later than May 31 in each year for the prior tax year. Delinquent payments shall be allocated as provided in the TIF Uniformity Act.

Calculations of incremental tax revenues with respect to the Redevelopment Area or any grouping of parcels within the Redevelopment Area shall be done on an aggregate basis as provided in

Section 9-23-103(c) of the TIF Uniformity Act, as codified.

Pursuant to applicable law and this Plan, up to five percent (5%) of incremental tax revenues generated by the Redevelopment Area may be set aside for administrative expenses; provided, however, such set aside shall not be applicable where tax increment revenues will be used to make debt service payments by KCDC to the City on loans made by the City to KCDC.

#### Tax Increment Financing to Support City-Implemented Redevelopment Projects

The estimated cost of the public improvements for which the tax increment financing will be available is approximately \$139,000,000 (exclusive of any amounts related to the former Baptist Hospital site described below). The City and KCDC do not anticipate, however, the amount of tax increment financing that can be issued and sold based upon current projections during the next twenty years would exceed \$60,000,000 (exclusive of any amounts related to the former Baptist Hospital site described below). The sources that are expected to be used to pay the costs of the public improvement projects are private donations, state grants, federal grants, capital funds of the City and the tax increment financing. 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. The expected impact of the use of tax increment financing in the Redevelopment Area is expected not to exceed approximately \$4,000,000 per year with respect to either the City or Knox County.

The allocation of tax revenues with respect to any property in the Redevelopment Area to pay debt service with respect to the tax increment financing described in this Section shall not exceed thirty (30) years.

#### Tax Increment Financing to Support Redevelopment Projects

The City, the County and KCDC have determined that redevelopment of the former Baptist Hospital site, which redevelopment project is known as the Bridges at Riverside Project, is essential to the implementation of the Vision Plan. Therefore, KCDC intends to allocate the tax increment revenue generated by the Baptist Hospital site and immediately adjacent benefited property to pay debt service on financing for certain public improvements identified in the Vision Plan relating to such redevelopment project and other eligible costs relating to such redevelopment project. As authorized above, KCDC shall undertake a grouping of parcels related to such redevelopment project.

The costs of and financing amounts related to the redevelopment of the former Baptist Hospital are in addition to the amounts described above related to City-implemented redevelopment projects. The estimated cost of the Bridges at Riverside Project is approximately \$165,000,000. The sources that are expected to be used to pay the costs of the Project are estimated tax increment financing of \$22,000,000, estimated bank construction financing of \$114,400,000 and estimated owners' equity of \$28,600,000. The tax increment financing for the Project is expected not to exceed \$22,000,000, and the allocation of tax increment revenues with respect to any property in the Redevelopment Area for repayment of said debt shall be for a period of not more than thirty (30) years. The expected impact of the tax increment financing related to this redevelopment project upon the City is approximately \$928,726 per year and upon the County is approximately \$1,023,541 per year.

The City should receive approximately \$527,594 in property tax revenues with respect to the parcels expected to be grouped for purposes of this tax increment financing during the term of the tax increment financing and approximately \$1,456,320 after the tax increment financing is paid. The County should receive approximately \$373,579 in property tax revenues with respect to the parcels expected to be grouped for purposes of this tax increment financing during the term of the tax increment financing and

approximately \$1,397,120 after the tax increment financing is paid.

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