

# PARK CITY

## REDEVELOPMENT & URBAN RENEWAL PLAN



## **I. INTRODUCTION**

The City of Knoxville (the “City”) has identified the Redevelopment Area (as defined in the Section of this Plan entitled “Project Area and Boundary Existing Conditions”) as an ideal area for redevelopment. The Redevelopment Area, which is located in the eastern part of Knoxville, is located in a part of the City that has a rich history.

During the mid-19<sup>th</sup> century, a road named Craig Street ran from Broadway to just east of First Creek. Before the Civil War, the area along Craig Street was developed into a pioneer subdivision called Shieldstown. Both Confederate and Union forces occupied this area during the Civil War. Craig Street later became known as Park Street, and Park Street was eventually renamed Magnolia Avenue.

After the Civil War, the farmland along Magnolia Avenue began to be developed. In 1875, a New York teacher named Fernando Cortes Beaman purchased 1,100 acres of property east of First Creek. From his 1,100 acres, Beaman carved out a 64-acre park with a large spring-fed pool that became a destination for swimming, canoeing and fishing. This resource, which he called Lake Ottosee (Ought-To-See), would later become known as Chilhowee Park. The area between First Creek and Lake Ottosee became prime real estate for small farms and residential development.

In 1890, the Knoxville Street Railway Company line offered electric round-trip service from Gay Street to Lake Ottosee. The company also offered lines along McCalla Avenue and Washington Avenue, which promoted the development of trolley suburbs. The resulting collection of neighborhoods would become known as Park City.

Park City was incorporated as a municipality in 1907 and comprised much of the land south of I-40, east to Chilhowee Park, south to Selma Avenue, and west to the First Creek area. At the time, Park City’s population was around 7,000.

In 1917, Park City was annexed into the City of Knoxville. Development continued with the construction of single-family homes. In the 1930s and 1940s, several attractive apartment buildings were developed in the Park City area, including the Aston at 2736 E. Magnolia Avenue, the Lakewood at 2730 E. Magnolia Avenue, Shenandoah at 2724 E. Magnolia Avenue, and the Graham at 2733 E. Magnolia Avenue.

After World War II, much of the residential property in the Park City area was converted to commercial use, particularly along Magnolia Avenue. The 1960s witnessed the growth of motels, gas stations, and fast-food establishments catering to the increased automobile traffic and the development at Chilhowee Park. However, the completion of I-40 reduced the demand once enjoyed by these commercial establishments, as the major east/west flow of traffic moved to I-40. Today, many of the lots in the Park City area are vacant, dilapidated, or boarded up. The four apartment buildings identified above are prime examples.

In 2023, Courtland Group, LLC, acquired the Aston, Lakewood, Shenandoah and Graham buildings. At the time of acquisition, the buildings were in significant disrepair and had become eyesores along the Magnolia corridor. The Courtland Group has proposed to redevelop the four buildings by investing in a significant renovation of the building’s interiors and exteriors (the “Redevelopment Project”). As part of the Redevelopment Project, approximately 57 existing apartment units will be converted to for-sale

condominiums, and the eight apartments located within the Graham building will remain as for-rent apartments as Workforce Housing units.

Given the history of the Redevelopment Area and the existing conditions of blight, the City has identified the area for redevelopment and has determined to incentivize the revitalization of the Redevelopment Area. Knoxville's Community Development Corporation ("KCDC"), as the redevelopment and urban renewal authority of the City, has been asked by the City to assist with this redevelopment effort. KCDC has prepared this plan (the "Plan") and has submitted it as both a redevelopment plan under §13-20-203(B) of the Tennessee Code Annotated and an urban renewal plan under § 13-20-211 of the Tennessee Code Annotated.

## **II. PROJECT AREA AND BOUNDARY EXISTING CONDITIONS**

The map of the area that will be subject to this plan (the "Redevelopment Area") is shown on Exhibit A attached hereto. A list of the parcels included in the Redevelopment Area is also attached as part of Exhibit A. The Redevelopment Area is hereby declared to be subject to this Plan.

The Redevelopment 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 conducted by KCDC, the Redevelopment Area is blighted due to dilapidation of the buildings located within the Redevelopment Area. The Redevelopment 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 area, based upon physical inspection by KCDC, when considered as a whole, is blighted, deteriorated, and deteriorating. Blight is defined 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 that are detrimental to the safety, health, morals or welfare of the community."

## **III. REDEVELOPMENT PLAN OBJECTIVES**

The primary objectives of this Plan are as follows:

- To facilitate the redevelopment of the Redevelopment Area for residential uses.
- To encourage conservation, restoration, and reuse of historic resources.
- To protect the unique architectural and historic character of the Redevelopment Area.
- To eliminate conditions of blight and blighting influences within the Redevelopment Area.
- To assist the development of the Redevelopment Area through tax increment financing.

## **IV. Relationship to Local Objectives**

### Expansion of Housing Stock & Appropriate Land Use

- Development of quality, permanent housing supply, geared toward family, workforce, or senior demographics.

### Improved Traffic and Public Transportation

- The E. Magnolia Avenue area is on the existing public transportation network for Knoxville. There are also bicycle lanes marked on the streets.

### Public Utilities

- The area has full access to all public utilities. However, some utility improvements may be required to meet the demands of the renovated structures.

### Recreational and Community Facilities

- The area has a high school, recreation, and community facilities within a few blocks.

## **V. RELOCATION OF RESIDENCES AND BUSINESSES**

It is not anticipated that any existing residences or businesses will need to be relocated as a result of this Plan. However, if any residents or businesses need to be temporarily or permanently displaced to permit redevelopment of the Redevelopment Area, 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, if 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 reasonably near the area they currently occupy. Any such relocations will be conducted in accordance with applicable policies.

## **VI. LAND ACQUISITION AND DISPOSITION PLAN**

KCDC may acquire property under this Plan to become a part of a redevelopment project to permit the flow of tax increment financing to the project. Additionally, KCDC may acquire property in the Redevelopment Area by condemnation if necessary to cure title defects or to facilitate the construction or improvement of public infrastructure. Any condemnation of properties 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 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 this 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.

## **VII. LAND USE PLAN**

The existing C-G General Commercial Zoning District is intended to provide for a heterogeneous mix of retail, personal service, office, and residential uses within and along Knoxville's commercial nodes and corridors. The C-G District is intended to promote mixed-use development in a pedestrian-oriented environment that recalls the City's traditional business districts, and offers flexibility in the creation of integrated commercial, office, and residential spaces. The C-G District is divided into three levels of intensity related to the overall form and design of the development; however, uses are the same across

all levels. The target properties are zoned C-G-2 which are consistent with their former and proposed reuse. Buildings within the Redevelopment Area will be renovated under current building codes.

#### **VIII. TAX INCREMENT FINANCING**

(a) Distribution of Taxes. Property taxes imposed on real property located within the Redevelopment Area shall be allocated and distributed as provided in this subsection:

(i) Property taxes, if any, that were levied by 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 Redevelopment Area (other than any portion of such taxes that is a debt service amount) for the year prior to the date 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 Taxes and Dedicated Taxes, there shall be allocated and paid to the respective Taxing Agencies only those taxes actually imposed and collected; and

(ii) Subject to any limitations in 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 contemplated by 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 of KCDC, the City and the County as provided by applicable law and by the policies of the respective governmental entities, and (ii) excess taxes beyond amounts necessary to fund or reserve for eligible redevelopment expenditures under applicable law ("Eligible Costs"), 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 purposes.

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 Financing Act of 2012. 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.

(b) TIF Obligations. In order to pay certain Eligible Costs, KCDC expects to use all or a portion of the incremental tax revenues that it will receive as a result of the adoption of this Plan (other than amounts to be paid to the City and/or the County as provided above or to pay other Eligible Costs as provided below) to pay debt service on obligations that may be incurred to finance such costs. This tax increment financing or financings, if issued, would be structured as follows:

(i) KCDC may borrow funds through the issuance and sale of notes, bonds or other obligations of KCDC in one or more emissions. KCDC shall pledge all or a portion of the TIF Revenues allocated to KCDC pursuant to this Plan to the payment of such notes, bonds or other obligations, including, without limitation, principal and interest thereon. In no event will the obligations issued by KCDC be considered a debt or obligation of the County or the City in any manner whatsoever, and the source of the funds to satisfy KCDC's payment obligations thereunder shall be limited solely to the TIF Revenues and shall otherwise be non-recourse to KCDC.

(ii) The proceeds of the notes, bonds or obligations shall be used to pay Eligible Costs, costs of issuances relating to notes, bonds or obligations and capitalized interest on the notes, bonds or other obligations to the extent permitted by the Act.

(iii) Any tax increment financing may be refinanced by KCDC at any time as permitted by the Act, and upon such refinancing, available tax increment revenues shall be applied to the payment of such refinancing debt to the extent such tax increment revenues were to be used to pay the debt that is being refinanced.

(c) Maximum Amount. The aggregate principal amount of notes, bonds and obligations issued by the KCDC as described in subsection (b) above shall not in any event exceed \$500,000.

(d) Time Period. Taxes on the real property within the Redevelopment Area will be divided and distributed as provided in this Section of the Plan for a period, as to each parcel in the Redevelopment Area, not in excess of fifteen (15) tax years as to any parcel, but, in any event, such allocations shall cease when there are not Eligible Costs, including debt service, to be paid from the TIF Revenues. KCDC may approve an allocation period that is less than fifteen (15) years as to any parcel if KCDC determines that a shorter allocation period will provide sufficient incentive to promote the development of that parcel. KCDC currently anticipates that the allocation of tax increment financing for the Redevelopment Project shall be for a period of approximately fourteen (14) years ("Allocation Period"). The initial tax year of the Allocation Period shall be designated by KCDC and shall commence no later than thirty-six months from adoption of this Plan by both the City and County. Until an allocation of TIF Revenues as to any parcel commences as described in subsection (a) above, no TIF Revenues shall be allocated to KCDC as to such parcel.

(e) Economic Information Related to Tax Increment. State law requires that certain financial information be set forth in a redevelopment plan with respect any redevelopment project that utilizes tax increment financing. The estimated cost of the Redevelopment Project is approximately \$13.0 million. The sources that are expected to be used to pay the costs of the Redevelopment Project include a

construction loan of \$7.5 million, a grant from tax increment financing not to exceed \$500,000 and owners' equity of \$5.0 million<sup>1</sup>.

The tax increment financing provision in this Plan is expected to have a positive impact on the City and County. The ad valorem real property taxes for the year 2023 for the parcels within the Redevelopment Area were \$19,415 for the City and \$13,997 for the County. The Redevelopment Project is expected to increase the value of the real property within the Redevelopment Area, leading to an increase in ad valorem real property taxes. Upon completion of the Redevelopment Project, the ad valorem real property taxes for the Redevelopment Area are expected to be \$88,231 for the City and \$63,608 for the County based upon the current tax rates. Of this estimated total, the City will receive approximately \$35,522 in annual taxes during the Allocation Period (Base Tax of \$17,876 plus Dedicated Tax of \$17,646), for a total of \$497,308 over the 14-year Allocation Period, and the County will receive \$23,880 in annual taxes during the Allocation Period (Based Tax of \$11,158 plus Dedicated Tax of \$12,722), for a total of \$334,320 over the 14-year Allocation Period, calculated using estimated debt service rate of 20% for both City and County. These annual taxes, of which \$16,106 and \$9,883 are incremental to the City and County, respectively, 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. The additional taxes accruing to the City and the County described above would not be expected to occur but for the tax increment financing authorized by this Plan.

#### **IX. 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.

#### **X. PLAN AMENDMENTS AND TERMINATION**

During implementation of this plan, amendments 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 conducted prior to the adoption of this plan and, where applicable, in compliance with the requirements of Tennessee Code Annotated Section 13-20-205. 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 (a) the date that no tax increment financing remains outstanding with respect to any portion of the redevelopment area or (b) twenty (20) years from the commencement of the Allocation Period hereunder.

#### **XI. SEVERABILITY**

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

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<sup>1</sup> Includes owner equity as well as net sale proceeds from sale of residential condominiums.



**Exhibit A**

(to Redevelopment and Urban Renewal Plan)

Parcels comprising the Redevelopment Area

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Map of the Redevelopment Area

