



**CITY OF KNOXVILLE, TENNESSEE**

**City Council**

**AGENDA INFORMATION SHEET**

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**AGENDA DATE:** April 29, 2025

**DEPARTMENT:** Urban Design and Development

**DIRECTOR or DESIGNEE:** Rebekah Jane Justice

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**AGENDA SUMMARY** A Resolution authorizing the Industrial Development Board (“IDB”) of the City of Knoxville to negotiate and accept from Edgewood APTS LLC, a subsidiary of Southeast Capital, LLC (“Sponsor”), payments in lieu of ad valorem taxes (“PILOT”) with respect to real property located at 2501 Edgewood Avenue, Knoxville, TN and having a parcel ID of 070IJ001 (“Property”), and finding that such payments are deemed to be in furtherance of the public purposes of the Board as defined in Tennessee Code Annotated Section 7-53-305.

**COUNCIL DISTRICT(S) AFFECTED** 4th

**BACKGROUND** Sponsor has proposed the development of 15 new residential units of affordable, in-fill housing at the Property. All 15 units will be studios averaging 418 square feet in size. The Sponsor has applied to the City for development assistance in connection with the development of the Property in the form of a PILOT. A PILOT with a term of ten (10) years, following a construction period not to exceed one (1) year is recommended based upon the Sponsor’s proposed development and the project’s public benefits.

This project assists in achieving one of the City’s most critical development priorities: increasing Knoxville’s supply of affordable housing. Specifically, the project will provide for 15 residential units that will be income restricted to individuals earning 80% or less of the area median income (AMI). Rental rates for all 15 units will also be restricted so that individuals occupying these units do not pay more than 30% of their income toward their housing costs. The income and rent restrictions for these units will run coterminous with the length of the PILOT. It should be noted, however, that these same income and rent restrictions will be in place for a period of 20 years in connection with the allocation of Affordable Housing Funds under a separate resolution.

In addition to providing 15 new units of affordable housing, this project also offers several other benefits that meet the City’s Key Development Priorities. Located at 2501 Edgewood Avenue, Knoxville, TN 37917, the project will include the redevelopment of a now-vacant lot that was most recently improved with an abandoned car wash. This project will be developed under the recently adopted Missing Middle Design Standards representing an opportunity to appropriately increase density on an underutilized, infill lot. The project is located on an existing KAT bus line allowing for immediate access to public transportation for future residents of the project.

All ground floor units within the project will be designed as adaptable to convert to a fully ADA compliant unit as needed. All of the units will be Energy Star certified and will offer washer/dryer hook ups with washer/dryer provided, stoves, refrigerators, microwaves, dishwashers, ceiling fans, blinds, LED lighting, low flow plumbing fixtures, and luxury vinyl plank flooring.

The project will have a total development cost of approximately \$1,800,000 including approximately \$1,000,000 of hard, construction costs. The project will be constructed by an affiliate of the Sponsor with construction expected to begin in the third quarter of 2025 and take approximately one year to complete.

The Sponsor is an affiliate of Southeast Capital, LLC, a Knoxville-based developer of affordable and mixed income housing. Southeast Capital has completed several successful affordable housing projects in recent years included The Ammons, Burlington Commons and Inskip Flats.

As such, in consideration of the benefits offered by the project, and based on the public benefits of the project previously noted herein, a PILOT term of ten (10) years is recommended following a construction period not to exceed one (1) year.

A formal third-party economic analysis for this project was not completed. Due to the fact the Property is being developed into an affordable housing development that limits the Property's rents to an affordable level, as determined by US Department of Housing and Urban Development, an economic review of the project's internal rate of return (IRR), as commonly done with other PILOT requests, would not provide a meaningful analysis.

#### **ESTIMATED PROJECT SCHEDULE**

The Applicant has indicated that the construction of the Project is expected to begin in the third quarter of 2025 and take no more than one year to complete.

**PRIOR ACTION/REVIEW** None.

**FISCAL INFORMATION** The current annual property taxes for the Property are \$346 to the City and \$249 to the County (\$595 total) which will be the annual PILOT payment on the Property through the construction period and PILOT term. At the conclusion of the PILOT term, the owner will pay property taxes at the full rate on the assessed value of the redeveloped property. The Property for this project is not located within the limits of the Central Business Improvement District (CBID) and will not be subject to all CBID levies and assessments. The PILOT lease will contain provisions that require the project to remain as an affordable housing project so long as the PILOT lease is in effect. At the conclusion of the PILOT term, the then project owner will pay property taxes at the full rate on the assessed value of the developed property.