



CITY OF KNOXVILLE, TENNESSEE

City Council

AGENDA INFORMATION SHEET

AGENDA DATE: April 29, 2025

DEPARTMENT: Urban Design and Development

DIRECTOR or DESIGNEE: Rebekah Jane Justice

AGENDA SUMMARY A Resolution authorizing the Industrial Development Board ("IDB") of the City of Knoxville to negotiate and accept from Elmington Capital Group, or an affiliate thereof ("Sponsor"), payments in lieu of ad valorem taxes ("PILOT") with respect to real property located at 1585 Coleman Road, Knoxville, TN and having a parcel ID of 107GE010 ("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 2nd

BACKGROUND Sponsor has proposed the acquisition and redevelopment of an existing assisted care facility into 18 units of supportive housing for youth aging out of foster care. The project will be named Lumen Flats. 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 twenty (20) years, following a construction period not to exceed one (1) year is recommended based upon the Sponsor's proposed use of the building and the project's public benefits.

Lumen Flats assists in achieving one of the City's most critical development priorities: increasing Knoxville's supply of affordable housing. Specifically, Lumen Flats provides for 18 new units of supportive housing for some of Knoxville's most vulnerable individuals: youth aging out of foster care.

Lumen Flats will be located at 1585 Coleman Rd, Knoxville, TN 37909. The Property has an excellent location in the West Knoxville submarket and is well situated for the intended population. The Property is conveniently located off Papermill Road, near "Papermill Plaza" shopping and other important support amenities including grocery stores and employment opportunities. Tennessee College of Applied Technology (TCAT) Knoxville is located just 2 miles from the property, where individuals can receive career certifications to become financially independent.

Through the Sponsor's involvement with Every Child TN, a Tennessee-based organization sponsored by the TN Department of Children's Services, the Sponsor has sought creative ways to house young adults aging out of foster care. In partnership with Knoxville's Community Development Corporation ("KCDC"), Lumen Flats will receive 18 project-based "Foster Youth to Independence" ("FYI") vouchers. Lumen Flats represents an innovative way to ensure that youth aging out of foster care will have access to safe, quality and affordable housing in Knoxville. Unlike traditional housing choice vouchers ("HCV"), which

depend on the participation of private landlords to accept housing choice vouchers which can sometimes result in a lack of housing availability / options, the 18 project-based FYI vouchers at Lumen Flats ensures that for the next 20 years youth aging out of foster care will always have an affordable, safe and quality housing option. The FYI vouchers are a critical component to the project in that they ensure that residents of Lumen Flats will pay no more than 30% of their income toward rent. The FYI voucher will pay the difference between the resident's portion and the contract rent amounts under the voucher contract between the Sponsor and KCDC.

The goal of Lumen Flats is to provide stable housing, along with on-site supportive services, and programming that trains and equips this population to be independent at the end of the three-year residency. Under the terms of the FYI voucher program, young adults aged 18-24 who have ever been in the foster care system, or will age out within 90 days, and are homeless or at risk of homelessness, are considered eligible for the FYI program. The FYI voucher program is unique in that it only provides housing assistance to individuals for three years. Upon the expiration of three years, individuals are placed at the top of the list to receive a Housing Choice voucher. However, the individual may remain in their current unit at Lumen Flats while they seek new housing options utilizing a housing choice voucher or a market rate unit. The FYI program requires on-going supportive services to be offered to individuals enrolled in the program. Through KCDC's Section 8 division, specifically the FYI voucher program, KCDC has an existing partnership with Tennessee's Department of Children Services ("DCS"), Knoxville Leadership Foundation, Youth Villages and Community Action Committee, to provide on-going supportive services to youth that are enrolled in the FYI program. Other local non-profits and faith-based organizations have also expressed interest in providing services to residents of Lumen Flats. With these 18 FYI vouchers being project-based at a single location, this provides for an opportunity for supportive services to be provided on-site, directly to the individuals residing at Lumen Flats.

The Sponsor will conduct a comprehensive renovation of the Property that will include renovating and updating all living units with a new shower, new fixtures, updated finishes, and the addition of a kitchenette. Within the common areas, there will be a new multipurpose living area that will be connected to a newly renovated common kitchen that will provide for communal seating options. Other resident-facing finishes will be updated throughout the Property while selected modifications and updates will be made to the Property's mechanical, plumbing, and electrical systems. The Property's existing windows will be replaced with secure, energy efficient windows. There will also be improvements made to the Property's parking and outdoor spaces surrounding the building.

The Sponsor is a Nashville-based national leader in the development and management of affordable and workforce housing. Elmington Capital is currently developing or has delivered more than 11,500 affordable apartment units since 2013. Within Knoxville, Elmington has developed and renovated more than 1,150 new units of affordable housing at properties such as Moss Grove Apartments, Southside Flats, Young High Flats, Pond Gap Flats and Sutherland Park Apartments. Additionally, Elmington Property Management (EPM) manages over 34,000 conventional and affordable apartment units across 18 states, including Tennessee. ECG has

experience developing housing using a diverse array of public and private financing tools, including 4% and 9% low-income housing tax credits, PILOTs, TIFs, HOME funds, tax-exempt bonds, and historic tax credits. The proposed development capitalizes on the experiences of ECG.

As such, in consideration of the benefits offered by Lumen Flats, and based on the public benefits of the project previously noted herein, a PILOT term of twenty (20) 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 acquired and converted from an unrestricted / market rate use 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 since the Sponsor's motives behind the redevelopment of the building are not IRR-driven.

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 \$10,537 to the City and \$7,597 to the County (\$18,134 total). These property taxes are based on the Property's current status as a market rate / unrestricted property. In consideration of the Property being converted to an affordable housing use from a market rate / unrestricted property, the PILOT contemplated for this project would reduce the taxes to the City and County to \$1.00 annually beginning at lease commencement, including the one-year construction period, and through the proposed 20-year PILOT term. 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 redeveloped property. The Property for this project will be outside the limits of the CBID and will not be subject to the Knoxville CBID levy/fee.