

- v. 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.



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 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.

RESOLUTION

A RESOLUTION OF THE COUNCIL OF THE CITY OF KNOXVILLE AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KNOXVILLE TO NEGOTIATE AND ACCEPT FROM EDGEWOOD APTS LLC, OR AN AFFILIATE THEREOF, PAYMENTS IN LIEU OF AD VALOREM TAXES (“PILOT”) WITH RESPECT TO CERTAIN REAL PROPERTY LOCATED AT 2501 EDGEWOOD AVENUE (PARCEL ID: 070IJ001) IN THE CITY OF KNOXVILLE, TENNESSEE AND FINDING THAT SUCH PAYMENTS ARE DEEMED TO BE IN FURTHERANCE OF THE PUBLIC PURPOSES OF THE BOARD AS DEFINED IN TENN. CODE ANN. § 7-53-305.

RESOLUTION NO: _____

REQUESTED BY: Administration

PREPARED BY: _____

APPROVED: _____

APPROVED AS AN EMERGENCY MEASURE: _____

MINUTE BOOK: _____ PAGE _____

WHEREAS, the Council (the “Council”) of the City of Knoxville, Tennessee (the “City”) has met pursuant to proper notice; and

WHEREAS, the City previously authorized the incorporation of The Industrial Development Board of the City of Knoxville (the “Board”) as an industrial development board duly organized and existing under the provisions of Title 53 of Chapter 7, Tennessee Code Annotated; and

WHEREAS, Edgewood APTS LLC, (“Edgewood”), a Tennessee limited liability company, has proposed the acquisition of real property located at 2501 Edgewood Avenue, with parcel ID of 070IJ001, located in the corporate limits of the City (collectively, the “Property”) and the redevelopment of such property as a multifamily housing project for persons of low or moderate income (the “Project”); and

WHEREAS, Edgewood has requested the Board to hold ownership of the Project and lease the same to Edgewood, or its affiliates, under an arrangement whereby Edgewood (or its affiliates) will make payments in lieu of ad valorem taxes; and

WHEREAS, pursuant to the provisions of TENN. CODE ANN. §7-53-305(b), the Board is authorized to negotiate and accept from lessees of the Board payments in lieu of ad valorem taxes

upon the finding that such payments are deemed to be in furtherance of the public purposes of the Board; and

WHEREAS, the undertaking of the Project by Edgewood will result in the redevelopment of the Project as approximately 15 new, affordable housing units for Knoxville residents; and

WHEREAS, the City's staff recommends that all agreements relating to payments in lieu of ad valorem taxes authorized herein be applicable only to real property, not to have a term in excess of ten (10) years after a reasonable construction period not to exceed one (1) year, and that the annual payment in lieu of ad valorem taxes be set to \$346.00 and \$249.00 payable to the City and Knox County, respectively.

NOW THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KNOXVILLE:

SECTION 1: The Council hereby finds that a payment in lieu of ad valorem taxes agreement with Edgewood, or affiliates thereof, is consistent with and in furtherance of the public purposes of the Board under Tenn. Code Ann. § 7-53-305.

SECTION 2:

(1) The Council hereby finds that the negotiations and acceptance by the Board from Edgewood or any affiliate thereof of payments in lieu of ad valorem taxes consistent with this resolution are deemed to be in furtherance of the public purposes of the Board as defined in TENN. CODE ANN. § 7-53-305, and the City hereby delegates to the Board authority to negotiate and accept such payments in lieu of ad valorem taxes from Edgewood or any affiliate thereof.

(2) The Council's delegation herein is subject to each agreement of the Board with Edgewood or any affiliate thereof regarding payments in lieu of ad valorem taxes with respect to all or any portion of the Property having a term of ten (10) years after a reasonable construction period not to exceed one (1) year, and to require annual payments in lieu of ad valorem taxes be made in the amount of \$346.00 and \$249.00, payable to the City and to Knox County, respectively.

(3) The Board's agreement with Edgewood, or its affiliates, concerning payments in lieu of ad valorem taxes shall provide that the project be redeveloped in a manner consistent with comparable new affordable, housing projects on such terms as are determined by City's Director of Urban Design and Development in consultation with Knoxville's Community Development Corporation.

(4) The Board's agreement with Edgewood, or its affiliates, concerning payments in lieu of ad valorem taxes may provide that any ad valorem taxes paid by Edgewood or any affiliate to any taxing jurisdiction with respect to its leasehold interest in the Project shall constitute a credit against the payments in lieu of ad valorem taxes due such taxing jurisdiction.

(5) The Board's agreement with Edgewood, or its affiliates, concerning payments in lieu of ad valorem taxes may contain such administrative provisions not inconsistent with this resolution as the Board deems appropriate.

(6) The City's Director of Urban Design and Development is authorized to consult with the Board and its counsel as to the form of each agreement relating to payments in lieu of taxes authorized hereunder and to approve, in connection with the finalization of such agreements, such terms and requirements as such officer determines to be in the best interest of the City, including more specific terms implementing any conditions provided above and other terms as may be negotiated with Edgewood, or its affiliates, and the Board may rely on the approval of such officer as to any such terms as being consistent with the delegation provided for in this resolution.

(7) The delegation granted to the Board by the City herein shall be effective for two years from the date the Board authorizes the agreement relating to payments in lieu of taxes unless such delegation period is extended by Council; however, the Board may establish a lease commencement deadline on or before the end of such two-year term.

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

Presiding Officer of the Council

Recorder

Exhibit A. Preliminary Application for Public-Private Partnership



CITY OF KNOXVILLE

URBAN DESIGN & DEVELOPMENT

BEFORE COMPLETING THIS APPLICATION, PLEASE ACKNOWLEDGE YOUR REVIEW OF THE FOLLOWING:

Public Private Partnerships Process Roadmap

YES ☒ NO ☐

Workforce Housing Program Description

YES ☒ NO ☐

Public Record Disclosure:

YES ☒ NO ☐

By submitting this application, you are aware that pursuant to Tenn. Code Ann. § 10-7-503 et. seq. and Knoxville City Charter § 1411, and subject to the limitations contained therein and any other applicable law, public records shall be open for public inspection. This rule governs access to and copying of municipal public records.

Date: 9/17/2024

Applicant/Developer: Jake Varner

Phone Number: (865) 789-6405

Company: Southeast Capital, LLC

Company Website: southeastcapitaltn.com

Email: jvarner@southeastcapitaltn.com

Mailing Address: 800 S. Gay Street, Suite 2126

Knoxville

TN

37929

Street Address / PO Box

City

State / Province

Postal / Zip Code

Project

Location:

Street Address(es)

Site 1:
2501 Edgewood Dr. Knoxville, TN
37917

Site 2:

Parcel ID(s) / CLT # (s)

Separate multiple parcel
numbers with a comma (,)

07101J001, 082OM013

Attach a .pdf of the [KGIS map](#) with the general location of the project site(s) indicated to Exhibit A when emailed to Urban Design & Development staff.

Check here if attached.

☒

Is the project within a current or proposed [City of Knoxville Redevelopment Area](#)?

YES ☐

NO ☒

Describe the project team: (List company/name, city/state)

Legal Counsel: Bass, Berry + Sims, Russell Stair, Knoxville, TN

Engineer: Batson, Himes, Norvel & Poe, Kaity Wozek, Knoxville, TN

Architect: Two Oaks Architects, Taylor Eisenhower, Knoxville, TN

Landscape Architect: TBD

General Contractor: Varner Homes & Development, David Varner, Knoxville, TN

Exhibit A. Preliminary Application for Public-Private Partnership



CITY OF KNOXVILLE

URBAN DESIGN & DEVELOPMENT

What is the current ownership of the property(s): *List parcel IDs and current ownership type/name.*

07101J001 Edgewood APTS, LLC
082OM013 Parkview APTS, LLC

What is the current status of site control for this property? *Including details of any purchase and sale agreements currently executed or the terms of any option the applicant may hold on the project property(s).*

Edgewood APTS, LLC and Parkview APTS, LLC are both owned by Southeast Capital, LLC

What is the property's current land use?

Both are vacant land

What is the property's current base zoning? *List parcel IDs and current base zoning.*

07101J001 is zoned C-N, 082OM013 is zoned RN-4

Is the property and/or any existing building(s) located in or on the following? *Check all that apply.*

OVERLAY ZONES

- ☐ Historic (H)
- ☐ Neighborhood Conservation (NC)
- ☒ Infill Housing (IH)
- ☐ Technology Park (TO-1)
- ☐ Hillside Protection (HP)

HISTORIC DESIGNATION STATUS

- ☐ Listed on the National Register of Historic Places
- ☐ Eligible to be Listed on the National Register of Historic Places

Will this project require renovation or demolition of a historic building (a structure older than 50 years old)?

YES ☐ NO ☒ *If yes, briefly describe.*

Exhibit A. Preliminary Application for Public-Private Partnership



CITY OF KNOXVILLE

URBAN DESIGN & DEVELOPMENT

Are there any known environmental remediation requirements or brownfield agreements associated with the property?

YES ☐ NO ☒ *If yes, briefly describe.*

Is your proposed project developable by right or will a rezoning, plan amendment, variances or other discretionary approvals be needed?

YES ☒ NO ☐ *If no, please summarize any entitlement-related modifications, including any rezonings, plan amendments, variances, and/or other board approvals that will be needed to secure building permits.*

07101J001 will need to go before the Infill Housing board for approval. Currently scheduled to be on the November 20, 2024 agenda.

Provide a project timeline estimate including pre-development milestones (e.g. under contract/due diligence, closing date on the property, entitlements, etc...) through construction start and completion dates.

Both properties have already closed and are under control of the Developer. Projected start date for construction is March 1, 2025. Estimated construction time is twelve months with a completion date of February 28, 2026.

Exhibit A. Preliminary Application for Public-Private Partnership



CITY OF KNOXVILLE

URBAN DESIGN & DEVELOPMENT

TYPE(S) OF PARTNERSHIP BEING REQUESTED: *Check all that apply.*

<input checked="" type="checkbox"/>	LOCAL TAX ABATEMENT PROGRAMS	DOLLAR AMOUNT REQUESTED (\$)	TERMS (YEARS)
<input type="checkbox"/>	TIF (Tax Increment Financing)		
<input type="checkbox"/>	PILOT (Payment in Lieu of Taxes)		
<input type="checkbox"/>	LOCAL GRANT/LOAN PROGRAMS	DOLLAR AMOUNT REQUESTED (\$)	
<input type="checkbox"/>	Façade Improvement Program		
<input type="checkbox"/>	Historic Preservation Program		
<input type="checkbox"/>	OTHER PROGRAMS	APPLICATION DEADLINE	
<input type="checkbox"/>	LIHTC (Low Income Housing Tax Credit) PILOT		

WHAT IS THE TOTAL INVESTMENT AMOUNT?

Will financial or development assistance be sought from other departments or agencies, including the other city programs not listed above, the county, the state, etc..?

YES ☐ NO ☐ *If yes, please describe.*

Developer will be asking for \$570,000 from the City of Knoxville's Affordable Rental Development Fund

Describe the project concept and intended final use, noting how Knoxville's Key Development Priorities are being met (see also page 5 of this application).

This 22-unit affordable housing development will address the critical need for affordable housing by providing homes to individuals and families earning 60% of the area median income (AMI) or less. By offering below market rate housing, the project will help alleviate housing insecurity and increase access to stable living conditions for under-served residents. Additionally, the development will contribute to community diversity and long term economic sustainability.

The project's design aligns with Knoxville's Missing Middle Housing and Infill Housing Guidelines, ensuring it compliments the surrounding neighborhoods character and scale. By incorporating architectural elements that blend with existing homes and maintaining appropriate building heights and setbacks, the development will seamlessly integrate into the area's aesthetic. Additionally, thoughtful landscaping and pedestrian friendly design will enhance the neighborhood's appeal while addressing community needs for density and affordability.

The project will incorporate Energy Star Certified appliances and windows, ensuring energy efficiency and reduced utility costs for residents. Additionally, it will utilize low flow water fixtures to conserve water, supporting both environmental sustainability and cost savings for the community.

Exhibit A. Preliminary Application for Public-Private Partnership



CITY OF KNOXVILLE

URBAN DESIGN & DEVELOPMENT

Check all Key Development Priorities below that may apply to your project. Before submitting your completed Exhibit A, please meet with City of Knoxville Urban Design & Development staff either virtually or in-person to discuss your project and application.

Note date of meeting with staff here:



The City of Knoxville values public private partnerships that are aligned with our strategic development priorities, support public benefits and provide community amenities. Public Private Partnerships can include PILOTs, TIFs, Development Agreements, and the like.

Applicants for economic development assistance should thoughtfully design their projects with these development priorities in mind. Full application review will be required for all projects.

1 PROJECT TYPE

Favorable projects include:

- ☒ Expansion of the permanent housing supply, geared toward family, workforce, or senior demographics, with a preference for affordable and mixed-income properties
- ☐ Mixed-use developments incorporating ground floor commercial and/or the activation of under-utilized street frontage
- ☐ Development of commercial projects that support job growth and expand economic opportunity in alignment with the [Knoxville Chamber's Path to Prosperity](#)

2 PROJECT LOCATION

Project location should promote strategic public benefits in focus areas such as:

- ☐ Existing redevelopment areas
- ☐ Sites where development would include blight remediation
- ☒ Knoxville's primary transit corridors, particularly locations served by [Knox Area Transit \(KAT\)](#)

3 PROJECT CHARACTERISTICS

Incorporate forward-thinking and creative design characteristics that could include but are not limited to:

- ☐ Preservation, restoration, and reuse of historic structures
- ☒ Programmatically or architecturally distinctive, innovative or creative
- ☒ Property incorporating other environmentally friendly and sustainable engineering characteristics

4 PROJECT INTEGRATION WITH PUBLIC AMENITIES & TRANSPORTATION

Project should include an emphasis on continued development of public amenities and transportation resources toward holistic growth.

- ☐ Incorporate new or improved public spaces within the project's footprint and/or the expansion of, or significant upgrades to, connectivity to existing public amenities (e.g. parks, plazas, greenways, water/river front access, etc.)
- ☐ Leverage recent City investments in public infrastructure
- ☐ Widen the supply of smart-parking, structure-parking, and shared-parking resources
- ☐ Further multimodal and alternative transportation opportunities

Exhibit A. Preliminary Application for Public-Private Partnership



CITY OF KNOXVILLE

URBAN DESIGN & DEVELOPMENT

Please email completed digital application and attachments to:

Email: RJustice@KnoxvilleTN.gov

For questions and/or if other accommodations are needed for submission of the application please call the office.

Phone: 865-215-2141