

**OAK RIDGE CITY COUNCIL MEMORANDUM**

DATE: November 08, 2021

TO: Honorable Mayor and City Council

FROM: Jack Suggs , Deputy City Manager

SUBJECT: A Resolution Authorizing the City Manager to Execute Amendment Number 3, Agreement for Transfer of the Real Property Originally Dated December 29, 2016

Introduction

An item for Council Consideration is a resolution authorizing the City Manager to execute an amendment to the Agreement for Transfer of Real Property dated December 29, 2019. The amendment will provide for a new development concept focused on two multi-story apartment buildings with a retail and mixed-use component.

Funding

Adoption of the resolution does not have a direct financial cost, but will affect future tax projections and therefore impact the Mainstreet Tax Increments Financing Zone, of which the parcels involved are a portion. As described in a companion City Council item, the potential developer will be required to obtain approval from the affected parties.

Background

In December 2016, the City of Oak Ridge entered into an agreement with TN Oak Ridge Illinois, LLC, for the transfer of approximately 19.34 acres of property to the private sector for development. The original agreement established a two-phase development, with Phase 1 being approximately 7.98 acres of land adjacent to Illinois Avenue and Phase 2 being the remaining 11.36 acres which contained, at the time, the American Museum of Science and Energy. Over time, Phase 1 became known as the “grocery parcel” and Phase 2 became known as the “apartment parcel.”

The City received value from the transfer through support of a new location for the American Museum of Science and Energy, requirements for community amenities and a guaranteed payment of property taxes, among others.

The original agreement was modified with Amendment Number 1 on June 15, 2016 to extend the timelines for transfers of the properties and again, more substantially, on October 29, 2019 with Amendment Number 2.

Among other changes, Amendment Number 2 assigned individual tax revenue requirements to the parcels. Revenue from Parcel 1 was guaranteed at \$140,000 by 2022 and on Parcel 2, \$100,000 by 2024. Other provisions included restrictions on subdivision and the establishment of community amenities.

Parcel 2 has been successfully developed with apartments. It is expected to easily meet the property tax revenue requirements and support the existing TIFF payments. Despite creation

of a retail store, however, development of Parcel 1 has failed to meet expectations. Currently a shortfall in guaranteed property tax revenue of \$91,925 is expected next year.

A few weeks ago, Main Street Capital Partners expressed their desire to purchase Parcel 1, modify the existing plans and agreements and develop the property as a mix of retail and apartments. Specifically, the concept presented indicates two 4-story, elevator served apartment buildings containing a total of 120 units, a separate development of 19,100 square feet of retail and a small mixed used component in one of the buildings. Main Street Capital Partners has also requested that the guaranteed minimum tax payment of \$140,000 be delayed for one year until tax year 2023.

The City Manager has reviewed this proposal and supports the concept, assuming that the proposed developers obtain and present approval by the TIFF lenders and develop a plan approved for the modification of the Planned Unit Development.

Execution of the project will require several modifications to the contract, along with a PILT proposal which is discussed in a companion Council Item.

Staff recommends modifications to the agreement as required, including specifically:

1. Allow assignment of the agreement to Mainstreet Capital Partners.
2. Modify section 5 to allow for transfer of both Parcel 1 and the associated tax revenue requirements from TN Oak Ridge Illinois to Mainstreet Capital Partners and delay the requirement of at least \$140,000 per year in new property taxes by Tax Year 2022 to Tax Year 2023.
3. Modify paragraph 2c provisions regarding subdivision of Lot 1 into outparcels as required.

Other requirements, such as providing a community amenity continue in force. The developer has also been tasked to examine development plans and practices to preserve large existing specimen trees to the greatest extent practical.

City staff has reviewed the proposals and believes that modification to the contract to allow this development is in the best interest of the City. A companion Council Item will address a recommended Payment in Lieu of Taxes (PILT) agreement.

#### Recommendation

Staff recommends approval of the attached resolution.

#### Attachments:

[Resolution - Property Transfer Amendment.docx](#)