

**OAK RIDGE CITY COUNCIL
SPECIAL MEETING**

Municipal Building Courtroom

September 29, 2014—7:00 p.m.

AGENDA

- I. ROLL CALL
- II. RESOLUTIONS
 - a. A RESOLUTION TO AMEND THE POWER CONTRACT WITH THE TENNESSEE VALLEY AUTHORITY IN ORDER TO ESTABLISH NEW WHOLESALE AND RESALE RATES EFFECTIVE WITH THE OCTOBER 2014 BILLINGS.
 - b. A RESOLUTION TO APPROVE THE USE OF THE CITY OF OAK RIDGE'S INCREMENTAL TAX REVENUES FOR A PERIOD UP TO THIRTY (30) YEARS PURSUANT TO THE ECONOMIC IMPACT PLAN FOR THE REDEVELOPMENT OF THE OAK RIDGE MALL ECONOMIC DEVELOPMENT AREA.
 - c. A RESOLUTION AUTHORIZING A PUBLIC INFRASTRUCTURE IMPROVEMENT PROJECT IN SUPPORT OF THE DEVELOPMENT OF MAIN STREET OAK RIDGE (FORMERLY THE OAK RIDGE MALL); THE APPLICATION AND, IF APPROVED, ACCEPTANCE OF A \$1,000,000 GRANT FROM THE U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) FOR THE PROJECT; AND APPROVAL OF ALTERNATE FUNDING FOR THE PROJECT IF THE EDA GRANT IS NOT APPROVED.
- III. ADJOURNMENT

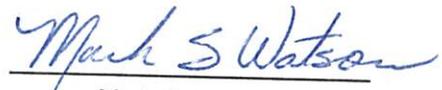
ADMINISTRATIVE MEMORANDUM

14-11

DATE: September 23, 2014
TO: Diana R. Stanley, City Clerk
FROM: Mark S. Watson, City Manager
SUBJECT: SPECIAL MEETING OF CITY COUNCIL

In accordance with Article II, Section 2, of the Charter of the City of Oak Ridge, Tennessee, a special meeting of City Council is hereby called for Monday, September 29, 2014 at 7:00 p.m. in the Courtroom of the Municipal Building, 200 South Tulane Avenue, for consideration of the following:

- 1) A RESOLUTION TO AMEND THE POWER CONTRACT WITH THE TENNESSEE VALLEY AUTHORITY IN ORDER TO ESTABLISH NEW WHOLESALE AND RESALE RATES EFFECTIVE WITH THE OCTOBER 2014 BILLINGS.
- 2) A RESOLUTION TO APPROVE THE USE OF THE CITY OF OAK RIDGE'S INCREMENTAL TAX REVENUES FOR A PERIOD UP TO THIRTY (30) YEARS PURSUANT TO THE ECONOMIC IMPACT PLAN FOR THE REDEVELOPMENT OF THE OAK RIDGE MALL ECONOMIC DEVELOPMENT AREA.
- 3) A RESOLUTION AUTHORIZING A PUBLIC INFRASTRUCTURE IMPROVEMENT PROJECT IN SUPPORT OF THE DEVELOPMENT OF MAIN STREET OAK RIDGE (FORMERLY THE OAK RIDGE MALL); THE APPLICATION AND, IF APPROVED, ACCEPTANCE OF A \$1,000,000 GRANT FROM THE U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) FOR THE PROJECT; AND APPROVAL OF ALTERNATE FUNDING FOR THE PROJECT IF THE EDA GRANT IS NOT APPROVED.



Mark S. Watson

FINANCE DEPARTMENT MEMORANDUM

14-19

DATE: September 23, 2014
TO: Mark S. Watson, City Manager
FROM: Janice E. McGinnis, Finance Director
SUBJECT: ELECTRIC RATE ADJUSTMENT

Introduction

An item for City Council's consideration is a resolution authorizing a contract amendment between the City of Oak Ridge and the Tennessee Valley Authority (TVA) to establish new rates for the City's electric system effective with the October 2014 utility billings.

Review

TVA is increasing the price for wholesale power to its distributors, which includes the City of Oak Ridge, effective with the power invoice billings for the month of October 2014. TVA's last wholesale rate increase was in October 2013. The table below outlines the rate change for electric energy usage by major customer class. The base charge or minimum billing amount by customer class did not change. For analysis purposes the fuel cost adjustment (FCA) is reflected used the October FCA amount.

CITY OF OAK RIDGE BASE ELECTRIC RATES
 EFFECTIVE WITH THE OCTOBER 2014 ELECTRIC BILLINGS
 INCLUDES OCTOBER FUEL COST ADJUSTMENT FOR CURRENT AND OCTOBER RATES

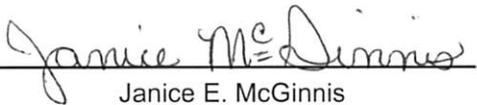
| <u>Standard Service</u> | | | Current Rates W/Oct FCA | Effective Oct-14 Rates | Rate Change |
|---|----------|-------------------|----------------------------|------------------------------|----------------|
| Residential | RS | Base Charge | \$ 9.83 | \$ 9.83 | \$ - |
| | | All kWh | \$ 0.09796 | \$ 0.09952 | \$ 0.00156 |
| GSA Part 1 | GSA1 | Base Charge | \$ 18.14 | \$ 18.14 | \$ - |
| | | All kWh | \$ 0.11054 | \$ 0.11221 | \$ 0.00167 |
| GSA Part 2 General Service < 1,000 kW | GSA2 | Base Charge | \$ 80.95 | \$ 80.95 | \$ - |
| | | 1st 15,000 kWh | \$ 0.11218 | \$ 0.11385 | \$ 0.00167 |
| | | Additional kWh | \$ 0.06127 | \$ 0.06195 | \$ 0.00068 |
| | | kW, 51-1,000 | \$ 15.42 | \$ 15.73 | \$ 0.31 |
| GSA Part 3 General Service 1,000 to 5,000 kW | GSA3 | Base Charge | \$ 202.38 | \$ 202.38 | \$ - |
| | | All kWh | \$ 0.06266 | \$ 0.06334 | \$ 0.00068 |
| | | kW, 0 - 1,000 | \$ 14.89 | \$ 15.22 | \$ 0.33 |
| | | kW, 1,001 - 5,000 | \$ 17.76 | \$ 18.15 | \$ 0.39 |
| OL | Lighting | All kWh | \$ 0.06438 | \$ 0.06508 | \$ 0.00070 |

The increase to the average residential customer using 942 kWh monthly is \$1.47, a 1.45% increase for that user. The increase to the average small commercial customer using 1,613 kWh monthly is \$2.69, a 1.38% increase for that user.

Electric rates will continue to fluctuate monthly due to the monthly fuel cost adjustment (FCA) factor to the wholesale rates to distributors like the City by TVA. The total monthly fuel cost is a variable energy rate that is calculated every month by TVA as generation fuel costs and the cost of power that TVA buys from other suppliers rise and fall. The total monthly fuel cost can increase or decrease depending on those differences. It is charged on every kilowatt-hour of electricity a consumer uses. The FCA adjustment for Oak Ridge residential customers for October 2014 will be 2.297 cents per kilowatt-hour of electricity used and 2.262 cents per kilowatt-hour of electricity used for small commercial customers.

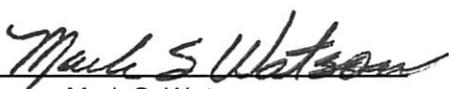
Recommendation

As Council is aware, the electric utility operations derive their revenue base solely from electrical rates and charges and are not supported through the general taxing powers of the City. As such, rate adjustments are the primary method by which the continued integrity of the utility operations can be maintained. The City cannot absorb this rate increase and it needs to be passed through onto the City's electric customers. Staff recommends approval of the attached resolution.


Janice E. McGinnis

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson

9/23/2014
Date

RESOLUTION

A RESOLUTION TO AMEND THE POWER CONTRACT WITH THE TENNESSEE VALLEY AUTHORITY IN ORDER TO ESTABLISH NEW WHOLESALE AND RESALE RATES EFFECTIVE WITH THE OCTOBER 2014 BILLINGS.

WHEREAS, the City of Oak Ridge is a distributor of electric power purchased from the Tennessee Valley Authority (TVA) under an agreement known as the Power Contract (TV-54097A); and

WHEREAS, TVA is increasing the price for wholesale power to its distributors, which includes the City of Oak Ridge, effective with the October 2014 utility billings; and

WHEREAS, a rate increase is necessary in order to recover the wholesale rate increase from TVA and to assure the financial integrity of the Electric Fund; and

WHEREAS, TVA will submit an agreement to amend the Power Contract to incorporate the new wholesale and resale rate schedules, which agreement is recommended by the City Manager.

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is hereby approved and the City is hereby authorized to execute an agreement to amend the Power Contract (TV-54097A) with the Tennessee Valley Authority to incorporate the new wholesale and resale rate structures effective with the October 2014 utility billings.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute the appropriate legal instruments to accomplish the same.

This the 29th day of September 2014.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

CITY COUNCIL MEMORANDUM
14-32

DATE: September 23, 2014

TO: Honorable Mayor and Members of City Council

FROM: Mark S. Watson, City Manager *MS Watson*
Ray Evans, Economic Development Consultant *RE*

SUBJECT: **INCREASING THE TERM OF THE CITY'S PORTION OF THE FORMER MALL REDEVELOPMENT TAX INCREMENT FINANCING FROM 20 YEARS TO 30 YEARS**

Introduction:

An item for City Council's consideration is a Resolution authorizing the Industrial Development Board's use of the City's tax increment financing revenues to pay the mall redevelopment related TIF debt service for a period of thirty years.

Funding:

Funding will come from the incremental increase in real and personal property taxes generated within the Economic Impact Area over the thirty year period.

Background:

In November of 2013, the Industrial Development Board, City Council, and the Anderson County Commission approved the Economic Impact Plan for the Redevelopment of the Oak Ridge Mall Economic Development Area. That plan included the pledge of future incremental property taxes increases in the amount of \$13,000,000 plus interest toward the redevelopment of the former mall property. That plan was subsequently approved by the State of Tennessee in January 2014. The term of the pledge was twenty years.

Over the past several months, City staff and Crosland Southeast have been working with a group of local financial institutions in an effort to gain funding for the tax increment financing portion of the redevelopment. While it is yet to be determined whether or not this local financial group will fund the project, they have established several requirements necessary for their prospective participation. Among those requirements is the need to have a reasonable assurance that the loan principal and interest would eventually be paid in full. The current pro forma of projected property tax revenues shows the loan repayment being satisfied in plan year eighteen. The group of prospective lenders believes that there exist enough uncertainties in that pro forma to create an unacceptable risk that the repayment would occur within the twenty year term.

The Economic Impact Plan as previously approved allows the term of the TIF financing to be increased from twenty to thirty years subject to the approval of the Industrial Development Board, the City Council, and the Anderson County Commission. The increase would also be subject to the concurrence of the Commissioner of the Tennessee Department of Economic and Community Development, as well as the Comptroller of the Treasury. The increase in the term to thirty years contributes toward giving the prospective lenders that reasonable assurance of ultimate repayment.

Recommendation:

Approval of the attached resolution is recommended to increase the term of the City's portion of the former mall redevelopment Tax Increment Financing from 20 years to 30 years to provide the reasonable assurance of ultimate repayment to the prospective lenders.



September 22, 2014

Mr. Mark Watson
City Manager
City of Oak Ridge
PO Box 1
Oak Ridge, TN 37831-0001

Mr. Watson

Local Financial Institution Participation in Funding the Oak Ridge Mall TIF

Upon the request of Crosland Southeast, several local financial institutions have been reviewing the current terms of the Oak Ridge Mall Tax Increment Financing (TIF) package to determine if a consortium of local financial institutions could fund the \$13 million TIF. This review has been ongoing for approximately two months.

While no credit decisions have been made and no commitment is being made by any of the potential participants, via this letter the consortium wishes to communicate required changes to the proposed TIF package that will make it more creditworthy, especially for a funding of this magnitude. The changes are important due to the fact that this TIF by its nature has a single source of repayment, potentially no guarantees from the owners, no collateral, and is underwritten solely on a pro forma basis.

The changes are as follows:

- Increase the city's length of the TIF period from 20 to 30 years.
- Require a minimum reserve of \$2.5 million funded upon initial closing of the TIF loan.

If you should have any questions or wish for the consortium to expand upon this information, please feel free to contact me at 865-481-7802.

On behalf of the consortium,

David R. Bradshaw
Oak Ridge President
CapitalMark Bank & Trust

231 Jackson Square
Oak Ridge, Tennessee 37830

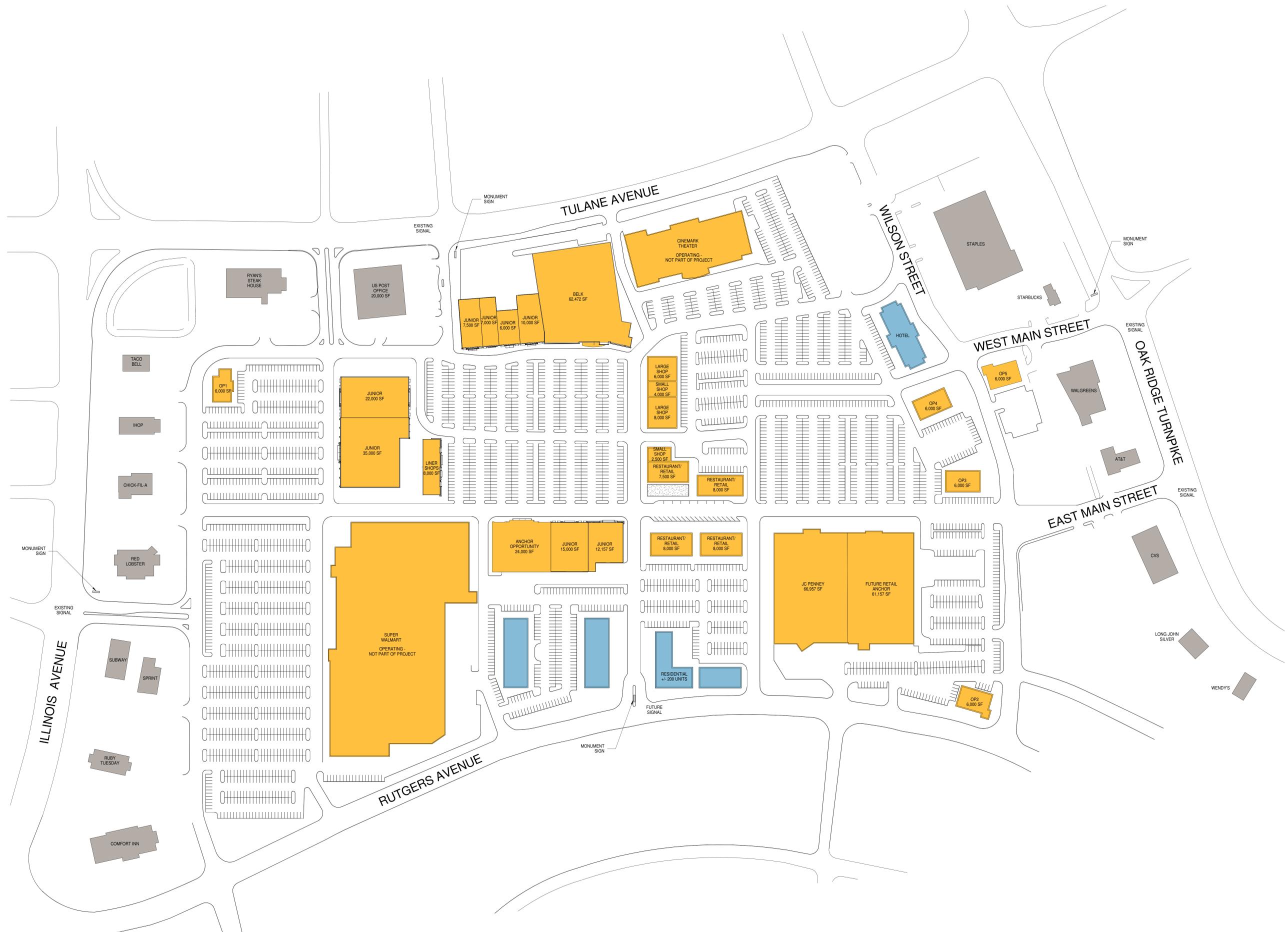




MAIN STREET



OAK RIDGE



TIF Loan Repayment Summary 23 September 2014

| | Expected Annual Property Tax Revenue | Year 0 Jan 2015 to Dec 2015 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 |
|---|--|-----------------------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Development Inside TIF District and Inside Mall Area | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Junior | \$33,334 | | \$16,667 | \$33,334 | \$33,334 | \$33,334 | \$33,334 | \$35,000 | \$35,000 | \$35,000 | \$35,000 | \$35,000 | \$36,750 | \$36,750 | \$36,750 | \$36,750 | \$36,750 | \$38,588 | \$38,588 | \$38,588 | \$38,588 | \$38,588 | \$20,259 | \$20,259 | \$20,259 | \$20,259 | \$20,259 | \$21,272 | \$21,272 | \$21,272 | \$21,272 | \$21,272 |
| Junior | \$44,289 | | \$22,144 | \$44,289 | \$44,289 | \$44,289 | \$44,289 | \$46,503 | \$46,503 | \$46,503 | \$46,503 | \$46,503 | \$48,828 | \$48,828 | \$48,828 | \$48,828 | \$48,828 | \$51,270 | \$51,270 | \$51,270 | \$51,270 | \$51,270 | \$26,917 | \$26,917 | \$26,917 | \$26,917 | \$26,917 | \$28,262 | \$28,262 | \$28,262 | \$28,262 | \$28,262 |
| Junior | \$28,960 | | \$14,480 | \$28,960 | \$28,960 | \$28,960 | \$28,960 | \$30,407 | \$30,407 | \$30,407 | \$30,407 | \$30,407 | \$31,928 | \$31,928 | \$31,928 | \$31,928 | \$31,928 | \$33,524 | \$33,524 | \$33,524 | \$33,524 | \$33,524 | \$17,600 | \$17,600 | \$17,600 | \$17,600 | \$17,600 | \$18,480 | \$18,480 | \$18,480 | \$18,480 | \$18,480 |
| Junior | \$27,922 | | \$13,961 | \$27,922 | \$27,922 | \$27,922 | \$27,922 | \$29,319 | \$29,319 | \$29,319 | \$29,319 | \$29,319 | \$30,784 | \$30,784 | \$30,784 | \$30,784 | \$30,784 | \$32,324 | \$32,324 | \$32,324 | \$32,324 | \$32,324 | \$16,970 | \$16,970 | \$16,970 | \$16,970 | \$16,970 | \$17,818 | \$17,818 | \$17,818 | \$17,818 | \$17,818 |
| Junior | \$27,922 | | \$13,961 | \$27,922 | \$27,922 | \$27,922 | \$27,922 | \$29,319 | \$29,319 | \$29,319 | \$29,319 | \$29,319 | \$30,784 | \$30,784 | \$30,784 | \$30,784 | \$30,784 | \$32,324 | \$32,324 | \$32,324 | \$32,324 | \$32,324 | \$16,970 | \$16,970 | \$16,970 | \$16,970 | \$16,970 | \$17,818 | \$17,818 | \$17,818 | \$17,818 | \$17,818 |
| Junior | \$33,334 | | \$16,667 | \$33,334 | \$33,334 | \$33,334 | \$33,334 | \$35,000 | \$35,000 | \$35,000 | \$35,000 | \$35,000 | \$36,750 | \$36,750 | \$36,750 | \$36,750 | \$36,750 | \$38,588 | \$38,588 | \$38,588 | \$38,588 | \$38,588 | \$20,259 | \$20,259 | \$20,259 | \$20,259 | \$20,259 | \$21,272 | \$21,272 | \$21,272 | \$21,272 | \$21,272 |
| Junior | \$27,776 | | \$13,888 | \$27,776 | \$27,776 | \$27,776 | \$27,776 | \$29,165 | \$29,165 | \$29,165 | \$29,165 | \$29,165 | \$30,623 | \$30,623 | \$30,623 | \$30,623 | \$30,623 | \$32,155 | \$32,155 | \$32,155 | \$32,155 | \$32,155 | \$16,881 | \$16,881 | \$16,881 | \$16,881 | \$16,881 | \$17,725 | \$17,725 | \$17,725 | \$17,725 | \$17,725 |
| Small Shops | \$13,008 | | \$6,504 | \$13,008 | \$13,008 | \$13,008 | \$13,008 | \$13,659 | \$13,659 | \$13,659 | \$13,659 | \$13,659 | \$14,342 | \$14,342 | \$14,342 | \$14,342 | \$14,342 | \$15,059 | \$15,059 | \$15,059 | \$15,059 | \$15,059 | \$7,906 | \$7,906 | \$7,906 | \$7,906 | \$7,906 | \$8,301 | \$8,301 | \$8,301 | \$8,301 | \$8,301 |
| Largel Shops | \$23,036 | | \$11,518 | \$23,036 | \$23,036 | \$23,036 | \$23,036 | \$24,188 | \$24,188 | \$24,188 | \$24,188 | \$24,188 | \$25,398 | \$25,398 | \$25,398 | \$25,398 | \$25,398 | \$26,668 | \$26,668 | \$26,668 | \$26,668 | \$26,668 | \$14,000 | \$14,000 | \$14,000 | \$14,000 | \$14,000 | \$14,700 | \$14,700 | \$14,700 | \$14,700 | \$14,700 |
| Small Shops/Rest. | \$13,602 | | \$6,801 | \$13,602 | \$13,602 | \$13,602 | \$13,602 | \$14,282 | \$14,282 | \$14,282 | \$14,282 | \$14,282 | \$14,996 | \$14,996 | \$14,996 | \$14,996 | \$14,996 | \$15,746 | \$15,746 | \$15,746 | \$15,746 | \$15,746 | \$8,267 | \$8,267 | \$8,267 | \$8,267 | \$8,267 | \$8,680 | \$8,680 | \$8,680 | \$8,680 | \$8,680 |
| Small Shops/Rest. | \$11,192 | | \$5,596 | \$11,192 | \$11,192 | \$11,192 | \$11,192 | \$11,752 | \$11,752 | \$11,752 | \$11,752 | \$11,752 | \$12,339 | \$12,339 | \$12,339 | \$12,339 | \$12,339 | \$12,956 | \$12,956 | \$12,956 | \$12,956 | \$12,956 | \$6,802 | \$6,802 | \$6,802 | \$6,802 | \$6,802 | \$7,142 | \$7,142 | \$7,142 | \$7,142 | \$7,142 |
| Small Shops/Rest. | \$11,192 | | \$5,596 | \$11,192 | \$11,192 | \$11,192 | \$11,192 | \$11,752 | \$11,752 | \$11,752 | \$11,752 | \$11,752 | \$12,339 | \$12,339 | \$12,339 | \$12,339 | \$12,339 | \$12,956 | \$12,956 | \$12,956 | \$12,956 | \$12,956 | \$6,802 | \$6,802 | \$6,802 | \$6,802 | \$6,802 | \$7,142 | \$7,142 | \$7,142 | \$7,142 | \$7,142 |
| Small Shops/Rest. | \$11,192 | | \$5,596 | \$11,192 | \$11,192 | \$11,192 | \$11,192 | \$11,752 | \$11,752 | \$11,752 | \$11,752 | \$11,752 | \$12,339 | \$12,339 | \$12,339 | \$12,339 | \$12,339 | \$12,956 | \$12,956 | \$12,956 | \$12,956 | \$12,956 | \$6,802 | \$6,802 | \$6,802 | \$6,802 | \$6,802 | \$7,142 | \$7,142 | \$7,142 | \$7,142 | \$7,142 |
| JC Penney | \$53,725 | | \$53,725 | \$53,725 | \$53,725 | \$53,725 | \$53,725 | \$56,411 | \$56,411 | \$56,411 | \$56,411 | \$56,411 | \$59,232 | \$59,232 | \$59,232 | \$59,232 | \$59,232 | \$62,193 | \$62,193 | \$62,193 | \$62,193 | \$62,193 | \$32,652 | \$32,652 | \$32,652 | \$32,652 | \$32,652 | \$34,284 | \$34,284 | \$34,284 | \$34,284 | \$34,284 |
| Belk | \$68,362 | | \$68,362 | \$68,362 | \$68,362 | \$68,362 | \$71,780 | \$71,780 | \$71,780 | \$71,780 | \$71,780 | \$71,780 | \$75,369 | \$75,369 | \$75,369 | \$75,369 | \$75,369 | \$79,138 | \$79,138 | \$79,138 | \$79,138 | \$79,138 | \$41,547 | \$41,547 | \$41,547 | \$41,547 | \$41,547 | \$43,625 | \$43,625 | \$43,625 | \$43,625 | \$43,625 |
| Retail (land Only) | \$89,112 | \$89,112 | \$89,112 | \$89,112 | \$89,112 | \$89,112 | \$89,112 | \$93,568 | \$93,568 | \$93,568 | \$93,568 | \$93,568 | \$98,246 | \$98,246 | \$98,246 | \$98,246 | \$98,246 | \$103,158 | \$103,158 | \$103,158 | \$103,158 | \$103,158 | \$54,158 | \$54,158 | \$54,158 | \$54,158 | \$54,158 | \$56,866 | \$56,866 | \$56,866 | \$56,866 | \$56,866 |
| Hotel (\$8MM tax card) | \$151,680 | \$10,807 | \$10,807 | \$10,807 | \$10,807 | \$10,807 | \$151,680 | \$151,680 | \$159,264 | \$159,264 | \$159,264 | \$159,264 | \$167,227 | \$167,227 | \$167,227 | \$167,227 | \$167,227 | \$175,589 | \$175,589 | \$175,589 | \$175,589 | \$175,589 | \$92,184 | \$92,184 | \$92,184 | \$92,184 | \$92,184 | \$96,793 | \$96,793 | \$96,793 | \$96,793 | \$96,793 |
| Residential (\$9MM tax card) | \$170,640 | \$32,422 | \$32,422 | \$32,422 | \$32,422 | \$32,422 | \$170,640 | \$170,640 | \$179,172 | \$179,172 | \$179,172 | \$179,172 | \$188,131 | \$188,131 | \$188,131 | \$188,131 | \$188,131 | \$197,537 | \$197,537 | \$197,537 | \$197,537 | \$197,537 | \$103,707 | \$103,707 | \$103,707 | \$103,707 | \$103,707 | \$108,892 | \$108,892 | \$108,892 | \$108,892 | \$108,892 |
| Outparcel | \$17,917 | \$5,404 | \$5,404 | \$17,917 | \$18,023 | \$18,023 | \$18,023 | \$18,925 | \$18,925 | \$18,925 | \$18,925 | \$18,925 | \$19,871 | \$19,871 | \$19,871 | \$19,871 | \$19,871 | \$20,864 | \$20,864 | \$20,864 | \$20,864 | \$20,864 | \$10,954 | \$10,954 | \$10,954 | \$10,954 | \$10,954 | \$11,501 | \$11,501 | \$11,501 | \$11,501 | \$11,501 |
| Outparcel | \$20,619 | \$8,105 | \$8,105 | \$20,619 | \$20,619 | \$20,619 | \$20,619 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$13,158 | \$13,158 | \$13,158 | \$13,158 | \$13,158 |
| Outparcel | \$20,619 | \$8,105 | \$8,105 | \$20,619 | \$20,619 | \$20,619 | \$20,619 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$13,158 | \$13,158 | \$13,158 | \$13,158 | \$13,158 |
| Outparcel | \$20,619 | \$8,105 | \$8,105 | \$20,619 | \$20,619 | \$20,619 | \$20,619 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$13,158 | \$13,158 | \$13,158 | \$13,158 | \$13,158 |
| Outparcel | \$20,619 | \$8,105 | \$8,105 | \$20,619 | \$20,619 | \$20,619 | \$20,619 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$21,650 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$22,732 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$23,869 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$12,531 | \$13,158 | \$13,158 | \$13,158 | \$13,158 | \$13,158 |
| Future Anchor | \$91,287 | \$21,614 | \$21,614 | \$91,287 | \$91,287 | \$91,287 | \$91,287 | \$95,851 | \$95,851 | \$95,851 | \$95,851 | \$95,851 | \$100,644 | \$100,644 | \$100,644 | \$100,644 | \$100,644 | \$105,676 | \$105,676 | \$105,676 | \$105,676 | \$105,676 | \$55,480 | \$55,480 | \$55,480 | \$55,480 | \$55,480 | \$58,254 | \$58,254 | \$58,254 | \$58,254 | \$58,254 |
| Future Pad | \$62,947 | \$10,807 | \$10,807 | \$10,807 | \$10,807 | \$10,807 | \$62,947 | \$66,094 | \$66,094 | \$66,094 | \$66,094 | \$66,094 | \$69,399 | \$69,399 | \$69,399 | \$69,399 | \$69,399 | \$72,869 | \$72,869 | \$72,869 | \$72,869 | \$72,869 | \$38,256 | \$38,256 | \$38,256 | \$38,256 | \$38,256 | \$40,169 | \$40,169 | \$40,169 | \$40,169 | \$40,169 |
| Total Tax Payments | \$202,586 | \$494,218 | \$696,896 | \$766,676 | \$1,070,795 | \$1,122,935 | \$1,179,081 | \$1,179,081 | \$1,179,081 | \$1,179,081 | \$1,179,081 | \$1,179,081 | \$1,238,035 | \$1,238,035 | \$1,238,035 | \$1,238,035 | \$1,238,035 | \$1,299,937 | \$1,299,937 | \$1,299,937 | \$1,299,937 | \$1,299,937 | \$682,467 | \$682,467 | \$682,467 | \$682,467 | \$682,467 | \$716,590 | \$716,590 | \$716,590 | \$716,590 | \$716,590 |
| Less Base Tax (Property Tax) | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$111,661 | \$55,831 |
| Less Base Tax (City/County Debt) | \$13,366 | \$56,236 | \$86,030 | \$96,287 | \$140,993 | \$148,657 | \$156,911 | \$156,911 | \$156,911 | \$156,911 | \$156,911 | \$156,911 | \$165,577 | \$165,577 | \$165,577 | \$165,577 | \$165,577 | \$174,677 | \$174,677 | \$174,677 | \$174,677 | \$174,677 | \$62,639 | \$62,639 | \$62,639 | \$62,639 | \$62,639 | \$66,050 | \$66,050 | \$66,050 | \$66,050 | \$66,050 |
| Sub-Total Incremental Tax Payments | \$77,559 | \$326,322 | \$499,206 | \$558,727 | \$818,141 | \$862,616 | \$910,509 | \$910,509 | \$910,509 | \$910,509 | \$910,509 | \$910,509 | \$960,797 | \$960,797 | \$960,797 | \$960,797 | \$960,797 | \$1,013,599</ | | | | | | | | | | | | | | |

WOODLAND TOWN CENTER TIF*
CITY OF OAK RIDGE TIF CALCULATION

| PARCEL ID | ST_NUM | ADDRESS | OWNER | Type | Base Taxes 2010 | Taxes 2011 | Taxes 2012 | Taxes 2013 | Taxes 2014 | |
|---------------|---------|------------------|--------------------------|----------|---------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| 106A B 062.00 | 131 | QUINCY AVE | Resubdivided | Real | \$ 305.92 | \$ 305.92 | \$ 305.92 | \$ - | \$ - | |
| 106A A 046.00 | 132 | QUINCY AVE | Chasan LLC | Real | \$ 281.06 | \$ 281.06 | \$ 281.06 | \$ 12,230.11 | \$ 12,230.11 | |
| 106A A 046.00 | 481 | S ILLINOIS AVE | Aubrey's | Personal | \$ - | \$ - | \$ - | \$ 5,462.42 | \$ 4,827.44 | |
| 106A A 047.00 | 191-193 | S PURDUE AVE | Resubdivided | Real | \$ 372.84 | \$ 372.84 | \$ 372.84 | \$ - | \$ - | |
| 106A A 045.00 | 195 | S PURDUE AVE | Dan Cooke | Real | \$ 277.84 | \$ 277.84 | \$ 277.84 | \$ 8,258.88 | \$ 8,258.88 | |
| 106A A 045.00 | 471 | S ILLINOIS AVE | Panera Bread | Personal | \$ - | \$ - | \$ - | \$ 2,980.04 | \$ 2,946.63 | |
| 106A A 044.00 | 201 | S PURDUE AVE | Resubdivided | Real | \$ 186.42 | \$ 186.42 | \$ 186.42 | \$ - | \$ - | |
| 106A A 043.00 | 205 | S PURDUE AVE | Lynne Fausset | Real | \$ 269.47 | \$ 269.47 | \$ 269.47 | \$ 2,643.34 | \$ 14,461.41 | |
| 106A A 043.00 | 111 | WOODLAND TERRACE | Aldi | Personal | \$ - | \$ - | \$ - | \$ - | \$ 3,536.34 | |
| 106A A 042.00 | 207 | S PURDUE AVE | Resubdivided | Real | \$ 735.52 | \$ 735.52 | \$ 735.52 | \$ 735.52 | \$ - | |
| 106A A 041.00 | 211 | S PURDUE AVE | Resubdivided | Real | \$ 617.82 | \$ 617.82 | \$ 617.82 | \$ 617.82 | \$ - | |
| 106A A 040.00 | 215 | S PURDUE AVE | Central Park Development | Real | \$ 197.77 | \$ 197.77 | \$ 197.77 | \$ 197.77 | \$ 265.29 | |
| 106A A 039.00 | 219 | S PURDUE AVE | Clifford Ernest Trust | Real | \$ 1,016.23 | \$ 1,016.23 | \$ 1,016.23 | \$ 1,016.23 | \$ 1,016.23 | |
| 100P F 045.00 | 101 | POTOMAC CIR | Central Park Development | Real | \$ 595.71 | \$ 595.71 | \$ 595.71 | \$ 595.71 | \$ 595.71 | |
| 105D A 016.00 | 480 | S ILLINOIS AVE | Dean Stallings | Real | \$ 14,839.03 | \$ 14,839.03 | \$ 14,839.03 | \$ 12,461.46 | \$ 12,461.46 | |
| Total | | | | | \$ 19,695.63 | \$ 19,695.63 | \$ 19,695.63 | \$ 47,199.30 | \$ 60,599.50 | |
| | | | | | | | | TIF Incremental Gross | \$ 27,503.67 | \$ 40,903.87 |
| | | | | | | | | Less Debt Service Adjustment | \$ (2,942.89) | \$ (3,505.46) |
| | | | | | | | | Net TIF Incremental | <u>\$ 24,560.78</u> | <u>\$ 37,398.41</u> |

*Preliminary information on the Woodland TIF Status. Additional information is being obtained and will be provided prior to the September 29, 2014 Special Meeting of City Council.

RESOLUTION

A RESOLUTION TO APPROVE THE USE OF THE CITY OF OAK RIDGE'S INCREMENTAL TAX REVENUES FOR A PERIOD UP TO THIRTY (30) YEARS PURSUANT TO THE ECONOMIC IMPACT PLAN FOR THE REDEVELOPMENT OF THE OAK RIDGE MALL ECONOMIC DEVELOPMENT AREA.

WHEREAS, the Industrial Development Board of the City of Oak Ridge, Tennessee (the "IDB") prepared the Economic Impact Plan for the Redevelopment of the Oak Ridge Mall Economic Development Area (the "Economic Impact Plan") regarding the development of the Oak Ridge Mall area (the "Plan Area"); and

WHEREAS, the redevelopment of the Plan Area would include the demolition of the existing mall and the construction of a retail-driven, multi-use project which is anticipated to contain, as the development is completed over time, approximately 400,000 square feet of retail space in multiple buildings, approximately 60,000 to 100,000 square feet of office space and a hotel (the "Project") plus the construction of up to 50 multi-family residential units; and

WHEREAS, the Economic Impact Plan would permit certain tax increment financing ("Tax Increment Financing") to be provided through the issuance of the IDB's bonds, notes and other obligations in the total amount not to exceed \$13,000,000 exclusive of interest paid on any tax increment financing issued or refinanced by the IDB, pursuant to Chapter 53, Title 7 of the Tennessee Code Annotated; and

WHEREAS, the incremental property tax revenues (the "TIF Revenues") that result from the development of the Plan Area under the Economic Impact Plan will be allocated to the IDB to be used to pay debt service of the Tax Increment Financing; and

WHEREAS, the proceeds of the Tax Increment Financing would be used to pay a portion of the cost for any one or more of the following: (i) the cost of constructing the Public Infrastructure for the Project (the "Public Infrastructure Costs"), (ii) the costs for demolition of existing buildings and other improvements (the "Demolition Costs"), (iii) the costs of site preparation for the Project (the "Site Preparation Costs"), (iv) the cost of construction of the buildings for the retail space, offices and the hotel for the Project (the "Building Costs"), (v) the costs for the relocation of all utilities and installation of new utilities (the "Utilities Cost"), (vi) the transaction costs, engineering costs, closing costs and legal costs incurred by the IDB and the developer in connection with the adoption and implementation of the Economic Impact Plan and the financing contemplated thereunder (the Transaction Cost"), and (vii) such other cost as permitted by Tennessee Code Annotated § 7-53-312 (the "Other Costs"); and

WHEREAS, the Economic Impact Plan provided that the TIF Revenues would be distributed pursuant to the IDB commencing for the taxes assessed for the 2016 Calendar Year and continuing for a period equal to the lesser of (a) the point in time when the Tax Increment Financing has been repaid, with interest, or (b) twenty (20) years, provided however, that the TIF Revenues could be distributed to the IDB for a period in excess of twenty (20) years if the Commissioner of the Department of Economic and Community Development and the Comptroller of the Treasury make a written determination pursuant to Tennessee Code Annotated § 9-23-104 that it is in the best interest of the State of Tennessee that the TIF Revenues should be distributed to the IDB for a period in excess of twenty (20) years and the governing bodies of the City of Oak Ridge (the "City") and Anderson County also approve any allocation period in excess of twenty (20) years; and

WHEREAS, after giving the notice of a public hearing to be held on October 24, 2013, and after conducting the public hearing as required by Tennessee Code Annotated § 7-53-312, the IDB voted to recommend the adoption of the Economic Impact Plan at a meeting on October 24, 2013; and

WHEREAS, by Resolution 11-105-2013, City Council approved the Economic Impact Plan for the Redevelopment of the Oak Ridge Mall Economic Development Area on November 11, 2013; and

WHEREAS, the Anderson County Commission approved the Economic Impact Plan on November 18, 2013; and

WHEREAS, by email dated January 23, 2014, the General Counsel for the Department of Economic and Community Development advised that the use of the proceeds of the Tax Increment Financing to finance the Demolition Costs, the Site Preparation Costs, the Building Costs, the Utilities Costs and the Other Costs was deemed approved by operation of law; and

WHEREAS, by letter dated January 5, 2014, the Comptroller of the Treasury has approved the use of the proceeds of the Tax Increment Financing to finance the Demolition Costs, the Site Preparation Costs, the Building Costs, the Utilities Costs and the Other Costs but provided that the approval did not include an allocation of the TIF Revenues to the IDB for a period in excess of twenty (20) years; and

WHEREAS, in accordance with the Economic Impact Plan, the IDB will finance the TIF Eligible Costs with a lender or lenders and would pledge the TIF Revenues to such lender or lenders to apply to the debt service on the Tax Increment Financing; and

WHEREAS, the lenders have advised the IDB that the lenders will not be able to finance the TIF Eligible Costs unless the City's TIF Revenues could be used to pay the debt service on the Tax Increment Financing for a period of up to thirty (30) years; and

WHEREAS, the IDB has approved the use of the City's TIF Revenues by the IDB to pay the debt service on the Tax Increment Financing commencing with the taxes assessed for the 2016 Calendar Year and continuing for a period equal to the lesser of (a) the point in time when the Tax Increment Financing has been repaid, with interest, or (b) thirty (30) years; and

WHEREAS, City Council is willing to approve the IDB's use of the City's TIF Revenues to pay the debt service on the Tax Increment Financing for a period of up to thirty (30) years.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the use of the City's TIF Revenues by the Industrial Development Board of the City of Oak Ridge, Tennessee, to pay the debt service on the Tax Increment Financing for a period of up to thirty (30) years is hereby approved.

This the 29th day of September 2014.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

CITY COUNCIL MEMORANDUM
14-33

DATE: September 23, 2014

TO: Honorable Mayor and Members of City Council

FROM: Mark S. Watson, City Manager *M. Watson*
Ray Evans, Economic Development Consultant *RE*

SUBJECT: **PUBLIC INFRASTRUCTURE IMPROVEMENT PROJECT FOR THE DEVELOPMENT OF MAIN STREET OAK RIDGE**

Introduction:

An item for City Council's consideration is a Resolution authorizing a public infrastructure improvement project in support of the development of Main Street Oak Ridge, the multi-use town center project proposed by Crosland Southeast on the former mall property. The project would include the reconstruction of the private streets (Main Street East, Main Street West, and Wilson Street) to public road standards. The project would also include the relocation and placement of underground power and communication lines along Rutgers Avenue between Wal-Mart and Wilson Street.

Funding:

The total estimated cost of the project is \$2,000,000.00 with \$1,000,000.00 of the total project cost coming from \$800,000.00 in reserves and \$200,000.00 from FY 2015 Capital Project Funds. The remaining \$1,000,000.00 will come from either a grant from the U.S. Department of Commerce Economic Development Administration or, if unsuccessful in that grant application, a \$500,000.00 grant from the Industrial Development Board and \$500,000.00 from TIF proceeds.

Background:

In November of 2013, the Industrial Development Board, City Council, and the Anderson County Commission approved the Economic Impact Plan for the Redevelopment of the Oak Ridge Mall Economic Development Area. That plan included the pledge of future incremental property taxes increases in the amount of \$13,000,000 plus interest toward the redevelopment of the former mall property. That plan was subsequently approved by the State of Tennessee in January 2014.

Over the past several months, City staff and Crosland Southeast have been working with a group of local financial institutions in an effort to gain funding for the tax increment financing portion of the redevelopment. While it is yet to be determined whether or not this local financial group will fund the project, they have established several requirements necessary for their prospective participation. Among those requirements is the need to establish a reserve fund to minimize risk and to deal with the uncertainties of the projected amounts of the annual property tax increment proceeds. The City's participation in the reconstruction of the roadways and power lines previously described will allow \$2,000,000.00 of the tax increment financing loan to be held in reserve thus satisfying the lenders' requirement.

Recommendation:

Approval of the resolution is recommended in support of the development of Main Street Oak Ridge to satisfy the lenders' requirement for the tax increment financing loan.

RESOLUTION

A RESOLUTION AUTHORIZING A PUBLIC INFRASTRUCTURE IMPROVEMENT PROJECT IN SUPPORT OF THE DEVELOPMENT OF MAIN STREET OAK RIDGE (FORMERLY THE OAK RIDGE MALL); THE APPLICATION AND, IF APPROVED, ACCEPTANCE OF A \$1,000,000 GRANT FROM THE U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) FOR THE PROJECT; AND APPROVAL OF ALTERNATE FUNDING FOR THE PROJECT IF THE EDA GRANT IS NOT APPROVED.

WHEREAS, the Industrial Development Board of the City of Oak Ridge, Tennessee (the "IDB") prepared the Economic Impact Plan for the Redevelopment of the Oak Ridge Mall Economic Development Area (the "Economic Impact Plan") regarding the development of the Oak Ridge Mall area (the "Plan Area"); and

WHEREAS, the IDB, City Council, and the Anderson County Commission approved the Economic Impact Plan in 2013; and

WHEREAS, the Economic Impact Plan included the pledge of future incremental property tax increases for the former mall property in the amount of \$13,000,000 plus interest toward redevelopment, which plan was subsequently approved by the State of Tennessee in January 2014; and

WHEREAS, Crosland Southeast, the developer of the former mall property now known as Main Street Oak Ridge, has been working with local financial institutions in an effort to gain funding for the tax increment financing (TIF) portion of the redevelopment; and

WHEREAS, it is unknown at this time whether the local financial group will fund the project, however, the group has established a requirement necessary for their prospective participation which includes holding in reserve \$2,000,000 of the tax increment financing loan; and

WHEREAS, the IDB met on September 29, 2014, to formally request City Council's approval of the public infrastructure improvement project in support of the development of Main Street Oak Ridge, which project will include reconstruction of private streets (Main Street East, Main Street West, and Wilson Street) to public road standards, as well as relocation and placement of underground power and communication lines along Rutgers Avenue between Wal-Mart and Wilson Street; and

WHEREAS, this project is estimated at \$2,000,000; and

WHEREAS, funding for the project is anticipated to come the Capital Project Fund in the amount of \$1,000,000 (\$800,000 from reserves and \$200,000 from FY2015) and from grant funds in the amount of \$1,000,000 from the U.S. Department of Commerce Economic Development Administration (EDA); and

WHEREAS, in the event the City is not successful in applying for an EDA grant for this project, the IDB has proposed to fund the remaining \$1,000,000 of the project through an IDB grant in the amount of \$500,000 and the remaining \$500,000 to come from TIF proceeds.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

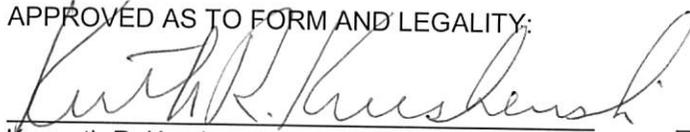
That the City hereby authorizes a public infrastructure improvement project in support of the development of Main Street Oak Ridge, which project includes reconstruction of private streets (Main Street East, Main Street West, and Wilson Street) to public road standards, as well as relocation and placement of underground power and communication lines along Rutgers Avenue between Wal-Mart and Wilson Street.

BE IT FURTHER RESOLVED that said project is estimated at \$2,000,000, which funding will come from \$1,000,000 in the Capital Project Fund (\$800,000 from reserves and \$200,000 from FY2015) and the remaining \$1,000,000 as follows:

- The City is hereby authorized to apply for and, if approved, accept a grant in the amount of \$1,000,000 from the U.S. Department of Commerce Economic Development Administration (EDA) for this project.
- In the event the City is not successful in applying for the EDA grant, the City hereby accepts a grant from the Industrial Development Board of the City of Oak Ridge, Tennessee in the amount of \$500,000 for this project and authorizes the use tax increment financing in the amount of \$500,000 for this project.

This the 29th day of September 2014.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk