

**CITY CLERK MEMORANDUM**  
**17-27**

DATE: October 5, 2017  
TO: Honorable Mayor and Members of City Council  
FROM: Mary Beth Hickman, City Clerk  
SUBJECT: ADDITIONS TO THE OCTOBER 9, 2017 CITY COUNCIL AGENDA

Since the agenda's posting on Wednesday, October 4, 2017, city staff has two additional items to include on the October 9, 2017 City Council agenda and in its packet.

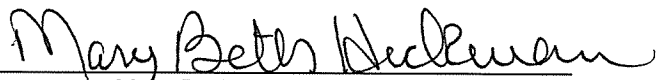
Attached is a memorandum from City Attorney Ken Krushenski, along with a copy of the proposed resolution. This item will be Item (d) under Resolutions.

- A RESOLUTION CONSENTING TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF OAK RIDGE, TENNESSEE NEGOTIATING AND ACCEPTING PAYMENTS IN LIEU OF AD VALOREM TAX WITH RESPECT TO PROPERTY KNOWN AS HERITAGE PARK, 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 Manager Mark Watson has also requested that the following item be added to the agenda under Scheduling:

- Discussion of schedule of upcoming meetings and work sessions for the remainder of 2017

City Council will need to consider an amendment to formally add the aforementioned items to the agenda.

  
\_\_\_\_\_  
Mary Beth Hickman

cc: Mark S. Watson, City Manager  
Kenneth R. Krushenski, City Attorney  
Department Directors

**LEGAL DEPARTMENT MEMORANDUM**  
**17-34**

DATE: October 5, 2017

TO: Honorable Mayor and Members of City Council

FROM: Kenneth R. Krushenski, City Attorney

SUBJECT: RESOLUTION – COMMUNITY REUSE ORGANIZATION OF EAST TENNESSEE (CROET) AGREEMENT WITH THE OAK RIDGE INDUSTRIAL DEVELOPMENT BOARD (IDB) FOR THE TRANSFER OF DEPARTMENT OF ENERGY (DOE) PROPERTY IN THE EAST TENNESSEE TECHNOLOGY PARK

Introduction

An item for the agenda is a resolution to supplement Resolution 8-96-2017 approved by Council on August 14, 2017.

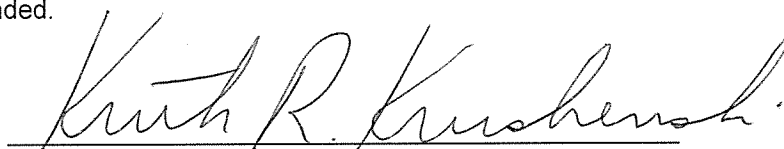
Background

City Council passed Resolution 8-96-2017 authorizing the City Manager, the City Attorney, and the City's Bond Counsel to enter into negotiations with the Industrial Development Board of Oak Ridge (IDB) and CROET to complete and execute a final agreement for the transfer of approximately 1,300 acres of remediated U.S. Department of Energy land in the East Tennessee Technology Park (ETTP – Heritage Center) from CROET to the IDB. The negotiations have been completed, the PILOT lease documents are prepared and this supplemental resolution is submitted to City Council to complete the approval process at the recommendation of the City's Bond Counsel in order to comply with State Law requirements.

A copy of the supporting documents from the City's August Meeting are attached for reference.

Recommendation

Approval of the attached resolution is recommended.

  
\_\_\_\_\_  
Kenneth R. Krushenski

Attachments: Supporting Documents from August Meeting  
Proposed Resolution

**City Manager's Comments:**

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

  
\_\_\_\_\_  
Mark S. Watson

10-5-17  
Date

**CITY COUNCIL MEMORANDUM**  
**17-30**

DATE: August 8, 2017

TO: Honorable Mayor and Members of City Council

FROM: Mark S. Watson, City Manager

SUBJECT: COMMUNITY REUSE ORGANIZATION OF EAST TENNESSEE (CROET)  
AGREEMENT WITH THE OAK RIDGE INDUSTRIAL DEVELOPMENT BOARD (IDB)  
FOR THE TRANSFER OF DEPARTMENT OF ENERGY (DOE) PROPERTY IN THE  
EAST TENNESSEE TECHNOLOGY PARK

Introduction:

In the 2017 Tennessee Legislative Session, Public Chapter 219 was passed to allow the transfer of approximately 1,300 acres of remediated United States Department of Energy (DOE) land to a tax-exempt, nonprofit entity engaged in economic development. This legislation is an amendment to Tennessee Code Annotated, Title 7, Chapter 53 and Title 67, Chapter 5, relative to Industrial Development Corporations. A copy of the Public Chapter is included with this memorandum. This legislation required that the nonprofit entity may transfer the acreage to an Industrial Development Board of a Home Rule Local Government in furtherance of promoting economic development in the area. The transfer shall be subject to a lawful management or lease agreement executed between the nonprofit entity and the Industrial Development Board for management and marketing of the land by the nonprofit entity in order to provide substantial sources of tax revenue and economic development activity for the local government.

Funding:

Costs for conducting such transactions will be subject to details of an approved agreement between the nonprofit entity and the Industrial Development Board allowing proceeds to be used to offset any costs required of the agreement. Land would be accepted by the IDB subject to site preparation, environmental review and utility service/provision. Said exchanges will change property value in Roane County and the City of Oak Ridge from taxable PILT agricultural value to tax exempt. Estimated combined financial impact will be approximately \$200,000 in tax proceeds annually as property is in tax-exempt status.

Background:

For the past twenty years and more, the Community Reuse Organization of East Tennessee (CROET) has been involved in the process of completing the reindustrialization of the Heritage industrial site. Simultaneously, the Oak Ridge Industrial Development Board (IDB) and CROET were also involved with the startup of the "greenfield" area—the Horizon Industrial Park. Presently, the Department of Energy is ready to begin the ultimate transfer of the entire Heritage area with anticipated usage for a general aviation airport, industrial sites, and open space. For purposes of implementing the legislation contained in Public Chapter 219, CROET is qualified as a nonprofit entity that meets the requirements set out in this Public Chapter.

For the immediate future, an agreement needs to be put in effect that will allow the transfer of land to the IDB, with the management of the Heritage Industrial Park continuing with CROET. Land that is now available to be transferred by the Department of Energy can be with designation through CROET to the IDB. We know for instance, that nearly 200 acres will be required for the upcoming general aviation

airport. A master plan prepared by UCOR is also occurring with the overall industrial park. K-33 and K-31 building sites are now ready for DOE transfer.

For the past eight months, the City Manager and the IDB Chairman David Wilson have conducted discussions with CROET President Lawrence Young regarding an agreement to implement the state legislation. The IDB has been concerned about land transfer fees included in its original agreement with CROET for the Horizon Center and negotiated reductions in land transfer costs during these discussions. Clarifications are also considered between The Roane Alliance and the City of Oak Ridge regarding successful recruitments. No Common Area Maintenance (CAM) fees will be paid by the IDB. Transfer costs and fees will be assumed by CROET. At its August 7, 2017, meeting, the IDB voted to approve submission of its recommendation to the City Manager. A copy of the IDB Chairman David Wilson's letter is included with this memorandum. The City Manager is now forwarding those recommendations to the City Council for consideration so that land transfers may begin after development and execution of an agreement with the attached stipulations.

It is recommended that approval be granted to the City Manager to enter into negotiations with the IDB and CROET to complete and execute a final agreement for transfer of land to the Oak Ridge Industrial Development Board. The City Attorney and the City's Bond Counsel will assist the City Manager in drafting the appropriate legal documents to comply with Public Chapter 219 and complete this transfer.

Recommendation:

Approval of the attached resolution is recommended.



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Mark S. Watson

Attachments



# State of Tennessee

## PUBLIC CHAPTER NO. 219

SENATE BILL NO. 707

By Yager, Yarbrow

Substituted for: House Bill No. 978

By Calfee, Ragan

AN ACT to amend Tennessee Code Annotated, Title 7, Chapter 53 and Title 67, Chapter 5, relative to industrial development corporations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 7, Chapter 53, Part 3, is amended by adding the following as a new section:

(a) As used in this section:

(1) "Local government" means any home rule municipality; and

(2) "Remediation site" means a site containing at least one thousand three hundred (1,300) acres that have been held by the United States department of energy due to an extended period of environmental remediation and conveyed by the United States department of energy to a nonprofit entity that is recognized as tax exempt by the internal revenue service and engaged in economic development.

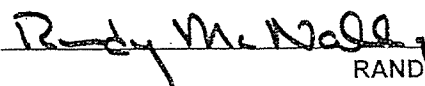
(b) Upon receiving all authorizations required by this chapter, on or after July 1, 2017, any and all parcels of property located on a remediation site in a local government may be transferred to the industrial development board of the local government consistent with the terms of the conveyance. The industrial development board is authorized to sell, lease, dispose of, or contract for the operation of the property in furtherance of the public purpose of promoting economic development in that area.

(c) Upon transfer of the parcels to the industrial development board as provided in subsection (b), a lawful management or lease agreement shall be executed between the industrial development board and the nonprofit entity described in subdivision (a)(2), in which the United States department of energy's intent is clearly memorialized, including a provision that the nonprofit entity shall manage the remediation site and shall market the parcels to potential buyers in order to provide substantial sources of tax revenue or economic activity to the local government and to induce private enterprises to locate or remain in the area.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.


SENATE BILL NO. 707

PASSED: April 17, 2017

  
RANDY McNALLY  
SPEAKER OF THE SENATE

  
BETH HARWELL, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 28<sup>th</sup> day of April 2017

  
BILL HASLAM, GOVERNOR

**RESOLUTION**

A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO NEGOTIATIONS WITH THE IDB AND CROET TO COMPLETE AND EXECUTE A FINAL AGREEMENT FOR THE TRANSFER OF LAND AT ETTP (HERITAGE CENTER) IN ACCORDANCE WITH THE REQUIREMENTS OF RECENT LEGISLATION PASSED BY THE TENNESSEE GENERAL ASSEMBLY (PUBLIC CHAPTER 219).

WHEREAS, recent legislation was passed by the Tennessee General Assembly to allow the transfer of approximately 1,300 acres of remediated U.S. Department of Energy (DOE) land from a tax-exempt nonprofit entity engaged in economic development to the industrial development board (Public Chapter 219); and

WHEREAS, on August 7, 2017, the Industrial Development Board of the City of Oak Ridge (IDB) passed a resolution authorizing the Chairman to submit a PILOT Proposal document to the City Manager regarding the transfer of 1,300 acres within the East Tennessee Technology Park (ETTP / Heritage Center) remediation site, which acreage DOE plans to convey to the Community Reuse Organization of East Tennessee (CROET); and

WHEREAS, the PILOT Proposal document sets forth requirements for inclusion in a management agreement to be negotiated between the IDB and CROET; and

WHEREAS, as CROET's request does not fit within the guidelines of the City Council approved PILOT matrix under which the IDB is allowed to negotiate an incentive program Council's approval is required to delegate to the IDB authority to negotiate this incentive agreement; and

WHEREAS, the City Manager requests approval to enter into negotiations with the IDB and CROET to complete and execute a final agreement for the transfer of land to the IDB.

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

That the recommendation of the City Manager is approved and the City Manager is hereby authorized to enter into negotiations with the Industrial Development Board of the City of Oak Ridge (IDB) and the Community Reuse Organization of East Tennessee (CROET) to complete and execute a final agreement for the transfer of approximately 1,300 acres of remediated U.S. Department of Energy land from CROET to the IDB at the East Tennessee Technology Park (ETTP / Heritage Center) remediation site, with management of Heritage Center continuing with CROET.

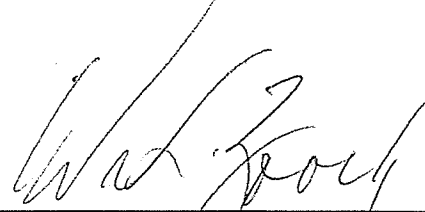
BE IT FURTHER RESOLVED that the City Attorney and the City's bond counsel will assist the City Manager in drafting the appropriate legal documents to comply with Public Chapter 219 to complete the transfer.

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

This the 14th day of August 2017.

APPROVED AS TO FORM AND LEGALITY:

  
Kenneth R. Krushenski, City Attorney

  
Warren L. Gooch, Mayor

  
Mary Beth Hickman, City Clerk

**A RESOLUTION CONSENTING TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF OAK RIDGE, TENNESSEE NEGOTIATING AND ACCEPTING PAYMENTS IN LIEU OF AD VALOREM TAX WITH RESPECT TO PROPERTY KNOWN AS HERITAGE PARK, 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.**

WHEREAS, the City Council (the "Governing Body") of the City of Oak Ridge, Tennessee (the "City") has met pursuant to proper notice; and

WHEREAS, the City has previously authorized the incorporation of The Industrial Development Board of the City of Oak Ridge, Tennessee (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, the City has been informed that the Community Reuse Organization of East Tennessee ("CROET") has acquired or intends to acquire certain property known as Heritage Park (the "Property"); and

WHEREAS, CROET has requested the Board to hold ownership of the Property; and

WHEREAS, Tennessee Code Annotated Section 7-53-305(b) authorizes the City to delegate to the Board the authority to negotiate and accept from the lessees of the Board payments in lieu of ad valorem tax ("PILOTs") upon the finding that such payments are deemed to be in furtherance of the public purposes of the Board; and

WHEREAS, the City has previously delegated to the Board the authority to negotiate and accept PILOTs with respect to certain types of projects in accordance with policies and procedures approved by the City and the Board, but because of the unique nature of the Property and the relationship of CROET to the community, the existing policies and procedures do not effectively apply to consideration of the acceptance of PILOTs from CROET with respect to the Property; and

WHEREAS, the City therefore desires to provide a separate delegation to the Board that specifically relates to Heritage Park.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Oak Ridge, Tennessee, as follows:

1. The Governing Body hereby finds that the negotiation and acceptance by the Board of payments in lieu of ad valorem taxes with respect to the Property are deemed to be in furtherance of the public purposes of the Board as defined in Tennessee Code Annotated Section 7-53-305, and the Governing Body hereby consents and delegates to the Board the right to negotiate and accept such payments from CROET upon such terms as the Board deems advisable.

2. The Board's agreements concerning payments in lieu of ad valorem taxes relating to the Property may contain such administrative provisions not inconsistent with this resolution as the Board deems appropriate.



3. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed, and this resolution shall be in immediate effect from and after its adoption.

Adopted this the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM  
AND LEGALITY:



\_\_\_\_\_  
Kenneth R. Krushenski