



Metropolitan Nashville and Davidson County, TN

Legislation Text

File #: RS2021-908, **Version:** 2

A resolution approving an Economic Impact Plan for the River North Infrastructure Economic Development Area

WHEREAS, The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") is interested in preserving and promoting the economic welfare, educational growth, and vitality of this community; and,

WHEREAS, construction of public infrastructure in the River North area will provide a necessary and substantial public benefit to the citizens of the Metropolitan Government; and,

WHEREAS, The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (the "Industrial Development Board") has reviewed an Economic Impact Plan in the form attached hereto as Exhibit 1 regarding the development of the River North area; and,

WHEREAS, the development proposed in the Economic Impact Plan by Oracle America, Inc. ("Oracle") will consist of approximately 1,200,000 square feet or more of office space, together with parking facilities, potential retail space and other improvements (the "Project"), at a cost expected to exceed \$1,085,000,000, together with the furniture, fixtures, and equipment to be located on the property at a cost of approximately \$95,000,000, and the Project will revitalize the surrounding area creating a vibrant pedestrian-friendly mixed use area; and,

WHEREAS, the Industrial Development Board caused a public hearing with respect to the Economic Impact Plan to be held on April 27, 2021, as required by Tenn. Code. Ann. § 7-53-314(g) and at its meeting on April 27, 2021, approved the submission of the Economic Impact Plan to the Metropolitan Council; and,

WHEREAS, the Industrial Development Board has submitted a copy of the Economic Impact Plan to the Mayor pursuant to Tenn. Code. Ann. § 7-53-314(f); and,

WHEREAS, the Economic Impact Plan envisions that Oracle will fund up to \$175 Million for the costs of certain public infrastructure and landfill remediation to be paid back over time from fifty percent (50%) of the real property taxes from the Project and,

WHEREAS, the public infrastructure contemplated to be constructed by Oracle includes a pedestrian bridge over the Cumberland River linking the River North area to the Germantown area, a riverfront park at the landing of said bridge at River North, the provision of greenways along the riverfront through some or all of the Project, the construction, relocation, lighting and/or improvement of streets and utilities, storm water detention, retention and management, parks and recreational areas that may be accessed by the public, and other public infrastructure for the completion, use and operation of the Project, whether located on Oracle's property or off-site; and,

WHEREAS, the Economic Impact Plan provides that, subject to approval by the State Comptroller and the Commissioner of the Tennessee Department of Economic Development, Oracle may be reimbursed the costs for remediation of or to address geotechnical conditions of the former City of Nashville landfill on part of the site; and,

WHEREAS, the Metropolitan Government has determined that Economic Impact Plan will promote economic

growth and stability within the community.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. The Metropolitan County Council hereby finds that the Economic Impact Plan is in furtherance of promoting economic development in the community, will develop trade and commerce in and adjacent to our city, contribute to the general welfare, and alleviate conditions of unemployment, and will be necessary and advantageous to the Industrial Development Board in furthering the purposes of the Industrial Development Corporation Act.

Section 2. The Metropolitan County Council hereby approves the Economic Impact Plan in the form attached hereto as Exhibit 1 and incorporated herein by reference, it being in the interest of the citizens of The Metropolitan Government of Nashville and Davidson County so to do, and the Industrial Development Board is authorized to take such other action as may be necessary, appropriate or required to implement the Economic Impact Plan.

Section 3. Any substantive or material amendment to the Economic Impact Plan must be approved by resolution of the Metropolitan County Council.

Section 4. The Metropolitan Council hereby goes on record as expressing its intent that, in addition to any other funding included in the annual operating budget submitted by the Mayor to the Council for affordable housing, one-half (1/2) of the ad valorem real property taxes generated by the Project site and received by the Metropolitan Government be annually appropriated as part of the Metropolitan Government operating budget to fund affordable housing initiatives including, but not limited to, the Barnes Fund for Affordable Housing.

Section 5. This Resolution shall take effect from and after its adoption, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This resolution approves the Economic Impact Plan (EIP) for the proposed Oracle development at the River North site, and authorizes the Industrial Development Board (IDB) to implement the EIP. Oracle is a Fortune 100 technology company headquartered in Austin, TX. Oracle's primary business lines are enterprise software, cloud computing, and computer hardware. The company is considering establishing a large employee hub in Nashville that would include engineering, sales, consulting, and other lines of business. Contingent upon approval of the EIP by the Metro Council, Oracle intends to construct a large office campus at the River North site (the "Project") that will consist of approximately 1,200,000 square feet of office space along with parking and other facilities at an estimated construction cost in excess of \$1,085,000,000, plus furniture, fixtures, and equipment to be located on the property at a cost of approximately \$95,000,000. Oracle anticipates creating approximately 2,500 jobs at an average annual salary of \$110,000 by the end of 2027, and approximately 8,500 new full-time jobs by the end of 2031.

Tenn. Code Ann. § 7-53-314 provides that upon approval of an EIP by the IDB and the municipal governing body, the new property taxes generated by the Project may be allocated to pay for Project costs. The EIP provides that Oracle will fund up to \$175,000,000 in public infrastructure costs to be repaid by 50% of the new property taxes generated by the Project. The public infrastructure includes a pedestrian bridge over the Cumberland River linking River North to Germantown, a riverfront park at the landing of the pedestrian bridge

at River North, greenways, streets, utilities, storm water detention, public park and recreation areas, and the remediation of an old landfill formerly owned by Metro located within the Project footprint. Private parking facilities are not included within the definition of “public infrastructure” in the EIP. Metro will retain the current amount of property taxes for the site (approximately \$735,000 total per year for the 15 parcels), plus 100% of the local option sales taxes and the personal property taxes. An economic impact analysis conducted by the state Department of Economic and Community Development estimates the Project site will generate approximately \$8,800,000 in local sales taxes annually, plus \$16,000,000 in local sales taxes during the construction phase.

The Project Agreement between the IDB and Oracle referenced in the EIP provides that the repayments to Oracle will end when the \$175,000,000 is fully repaid or after 25 years (2046), whichever is earlier. The economic impact analysis referenced above anticipates new property taxes of \$17,900,000 per year as a result of the project. Using that as an estimate, Oracle would be fully repaid for the \$175,000,000 in approximately 20 years. Approval of the state Director of Economic and Community Development and the state Comptroller will be required since a portion of the tax increment will be used for landfill remediation, and since the total repayments could potentially exceed 20 years.

The Project Agreement also contemplates Metro performing some of the infrastructure work, including construction of the pedestrian bridge. If so, there would be a participation agreement submitted for Council approval at a later date. Oracle must maintain a diversified business enterprise (DBE) program for the work Oracle’s contractors perform. This program is to include a DBE participation goal of at least 20%. The Agreement further requires quarterly DBE reports to be submitted to the Metro Council.

The EIP does not include a specific breakdown for the use of the \$175,000,000. The largest unknown at this point is likely the cost of remediating the landfill. The EIP provides that Oracle may be reimbursed the costs for remediation of the former landfill on part of the site, and for addressing any “environmental or geotechnical issues on or emanating from the Property that are necessary or appropriate to enable the Property to be improved and related to or arising from the presence of a former landfill on a portion thereof, including, without limitation the cost of removing and disposing of contaminated or unsuitable soils, waste, debris or materials, and the installation of air or ground water monitors, vapor barriers, venting systems or pilings to support the Buildings...”

According to documentation obtained from the Tennessee Department of Environment and Conservation, Metro operated a landfill on this property from 1968 until 1972. A 1994 landfill evaluation report submitted by Metro to the state shows that the main contaminants in the soil sample taken at the time were petroleum and lead. There did not appear to be any indication of a large quantity of toxic material. Since this portion of the Project site was at one time operated as a municipal landfill, Metro faces potential liability, or at least costly litigation over liability, for a portion of the remediation costs in the future whether Oracle builds on the site or not.

No jobs grants or other Metro cash incentives have been proposed for Oracle, and Metro will not be required to issue any bonds for construction of the public infrastructure. Oracle’s reimbursement will come solely from the 50% of the new property taxes generated at the Project.

The Council Office would note that this legislation is not the only opportunity the Council will have to consider

the Oracle development. A portion of the site will need to be rezoned, and the urban design overlay will need to be amended to allow for a campus-style development. Both of those require a public hearing at a Planning Commission meeting, a public hearing at a Council meeting, and approval by the Council. Further, if Metro is requested to procure the construction of the pedestrian bridge, there will be a participation agreement that will need Council approval by ordinance.

The EIP was approved by the IDB after holding a public hearing as required by Tenn. Code Ann. § 7-53-314 on April 27, 2021.

Fiscal Note: The terms of the Project Agreement would reimburse Oracle up to \$175,000,000 for funding the public infrastructure and landfill remediation for 25 annual installment from the 50% of the real property taxes from the Project or until \$175,000,000 is paid back, whichever comes first.