



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
John P. Franklin Sr. City Council Building
Chattanooga, Tennessee
for
November 7, 2022
11:00 AM**

Present were Jimmy F. Rodgers, Jr. (Chair), Althea Jones (Vice-Chair), Patrick Sharpley (Secretary), Ray Adkins, Kerry Hayes, and Jim Floyd. Absent was Gordon Parker (Assistant Secretary).

Also Present were: Attorney for the Board, Phillip A. Noblett; Mark Heinzer; Jermaine Freeman (Economic Development); Paul Boylan; Russell Moorehead; Xavier Pedoux and Justin Bolender (Jacobs Engineering); Jason Payne (City Engineering); Gail Hart (Real Property); Travis Hamby; Mike Pare (Times Free Press); Matt Phillips and Jon Berry (Rise); Clay Oliver; Brooke Satterfield (Mayor's Office); and Brent Goldberg (City Finance Officer).

Chairman Rodgers called the meeting to order, Attorney Noblett established that the meeting was duly advertised, and a quorum was present with six board members and one absent to conduct business.



MONTHLY MEETING OF OCTOBER 3, 2022 – MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Ms. Jones, the minutes of the October 3, 2022, monthly meeting were unanimously approved.



PUBLIC COMMENTS FROM CITIZENS

There was no one from the public wishing to address the Board.



CHAIRMAN'S REPORT

Chairman Rodgers wanted the Board to know that he had followed up after the last meeting and had some communication with a couple of the Council persons, including the Chairman, about the fact that we are sitting at seven members and not nine. Chairman Rodgers is certainly concerned about that and addressing it how the best City Council can. At this point, Chairman Rodgers wanted to let the Board know he followed up and let them know we were concerned about it.

With regard to the separation between the IDB and the City of Chattanooga so the Board members are aware, we are appointed by the City Council, but we also are under state law a separate distinct public corporation. Chairman Rodgers asked Attorney Noblett if he could elaborate about that in connection with what role does the City have formally with the IDB.

Attorney Noblett stated that the IDB is an entity that is allowed under Tennessee law as a separate corporation. This separate corporation is provided as a non-profit entity to be able to handle issues like we talk about PILOTs and Tax Increment Financing here as an entity which may hold title in connection to the property in order to allow that to occur. It is an entity that is separate from the City of Chattanooga. The Board does have support from the City of Chattanooga by the City Attorney's Office. This entity was created under prior times when Mr. Nelson was a city employee but none of the other folks in our office were city employees back in the old days when it was created. It was created as a separate board to be able to handle matters that were outstanding within the definitions of projects under state law which you have to meet certain definitions to work.

We have gotten into issues about the types of commercial or manufacturing industrial developments that occur in the City, one of in most recent times, was the Volkswagen project which is because the Industrial Development Board has title to that property while all of the financing has occurred there in connection with it. This is an entity where you have appointments by the Mayor subject to the governing body where the Council has to approve any member that is appointed to this Board. You started off as a seven-member board under the statute which authorizes a separate entity which has to have at least seven board members because we have nine council members and want to make sure there is authorization among all nine council districts into the efforts going into the City. That is the reason most recently the Charter was amended with the Secretary of State to have up to nine members. One of the things Attorney Noblett noticed is that when we have a little chance, we might want to talk about our Bylaws which still reflects seven members for this corporation. We need to make sure that is all compliant with the Secretary of State and on file with them.

The IDB is a separate corporation and have received the benefits of the financial services from the City until this point in time as well. All of the Board's financing are kept in a separate account for the Industrial Development Board. If you have any increased costs associated with developments that occur, that should be in the fund that is available for the IDB usage which needs to be considered going forward. They will be coming to you for a specific cost associated with developments which is one of the reasons you have resolution requests today that are involving specific projects and where that funding will come from. That is the reason they come back in front of the IDB each time.

Chairman Rodgers stated that the IDB, as is, does not compensate the Office of the City Attorney, Maria Manalla, Finance, Jermaine Freeman at all. There is a lot of information and money that the Board deals with and was trying to simplify things what exactly do we have as a practical matter because if we want to hire some kind of financial expert or hire own staff of some kind, what kind of funding do we have available to do that, discretionary type money to do things related to the IDB's statutory purpose. We have always operated as is.

Mr. Brent Goldberg has been trying to provide us with information we are after, and there is a lot out there. Ms. Jones and Mr. Floyd stated that it would be nice to clarify. Mr. Goldberg provided a copy of the audit report which is the most comprehensive view of assets and expenses. What can we do to get a simpler summary that seven, non-financial people can understand? On page 8 of the audit report, it lists cash equivalents as of June 30, 2021, with a little over \$2 million. Where is that? Is it restricted? What bank accounts do we have? Just simple stuff.

Mr. Brent Goldberg stated the IDB has assets that total \$442 million. The \$439 million of that is property leased to Volkswagen which is the bulk of that. Liabilities are pretty insignificant, and there is the cash revenue and expenses. On June 30, 2021, there is about \$2 million in cash, and there is a little over \$2 million in cash today. Eleanor Liu prepares summaries we use internally but to the point, Mr. Goldberg does not think they are very good for public consumption. Mr. Goldberg can work with Ms. Liu to work on a summary. Currently, the IDB does not have a bank account at all anywhere. The IDB utilizes City bank accounts and is tracked through interfund cash. Everything is tracked in a different fund within the City of Chattanooga's fund structure. Each project has its own fund. For example, Volkswagen has its own fund, the Economic Development Programs we have, like Growing Small Business, all have their own funds so we can track everything and have an audit trail.

Henderson, Hutcherson & McCullough do audit the IDB separately which is a limited scope audit which is very specific to Volkswagen and the economic development programs. That may become more scope over time especially as the IDB has more deals and more activity. This IDB is much less active than the IDB in Knoxville for example. They have been active longer and done more TIFs. We are really now just starting to use all the tools the IDB has available to do economic development and you see that with Rise Partners, the stadium TIF. We have other TIFs on the rise.

One of the resolutions today is to create bank accounts for the Access Road TIF. That is the first step in us actually having a more specific separation for the IDB versus the City. The way we have been doing it is fine, and our auditors have fully agreed with it, and there is nothing wrong with it, as we grow in transactions for the IDB, it makes sense to separate in cash. The resolution would separate IDB bank accounts at Pinnacle Bank that we would utilize – Mr. Goldberg and other designated signatures on the City accounts would be designed to sign along with officers of the Board. That will start giving us some more distinct separation. Do we go back and try to separate things that have happened in the past, probably not, going forward would be better. We can create some more summarized reporting for financial activity that makes sense for public consumption.

Chairman Rodgers stated that one of the reasons this can come into light is that Mr. Hayes and Mr. Floyd have been working on the website issue trying to get a website set up and are having some difficulties getting that done and one thought is by his referencing the Knoxville IDB, they have a separate website from the City. That is certainly something they are looking at from the

standpoint from Knoxville versus Chattanooga, how do they do it versus we do it. They do have a separate site. One issue was if we wanted to go hire some IT people and pay for a website, do we have the funds to do it? What funds do we have to do that or anything else that legally we can do. That is where this inquiry is coming from.

Mr. Goldberg stated there are some administrative funds and will need to get with Eleanor Liu and dig into how much of that is committed or restricted. That will be a good time for them to work on summarizing. Chairman asked for Ms. Liu to attend the next IDB meeting in December and give update on progress.

Chairman Rodgers stated that one thing the Board is aware of is we did have a member of the public, Ms. Helen Burns Sharp, looking out for things, that she always does, and she sent the Board an e-mail about a missing form related to the Access Road TIF. Mr. Noblett stated she addressed it like an Agatha Christie novel on the front end about the mystery of the missing form on the M.L. King Extension TIF. The concern is that she was gathering records from the Office of the City Attorney regarding the three active TIFs which are Black Creek, M.L. King Extension, and Tubman, and it was a request for a form CT-0253 on each TIF project. Apparently, she said she has not been able to find that particular document from our office.

Mr. Noblett will inquire and believes it is a simple situation that we do not have that particular form in our office yet and will have to gather that document. Apparently, the Black Creek and Tubman both have that form CT-0253. The M.L. King extension was an entity outside the City of Chattanooga and the City Attorney's Office that was filing those forms. We will have to gather that. Chairman Rodgers stated that is the requirement under state law that is imposed on the IDB which is why he wanted to make sure and bring that up and make sure there is follow-up.

RESOLUTION

On motion of Mr. Hayes, seconded by Mr. Adkins,

A RESOLUTION RATIFYING THE EXECUTION OF ALL
NECESSARY CLOSING DOCUMENTS RELATED TO THE
ACCESS ROAD (NORTH RIVER COMMERCE CENTER) TAX
INCREMENT FINANCING TRANSACTION.

Chairman Rodgers stated that the Board approved a resolution related to the Access Road TIF, and he went back and reviewed the minutes. Mr. Freeman said that was the final step and here we are today asking to be ratified. Mr. Freeman stated in terms of the application process, the resolution that the IDB approved back in August does provide the capstone of what is the process that involves the City Council and goes back and forth to the City Council and the IDB. What comes after that is what happens with all TIFs which is you have closing documents that are technical in nature. You have the Development and Financing Agreement, the Loan Agreement, the TIF Note, the Assignment of the TIF Revenues, and those are very technical documents and are sort of the follow-up of what goes on behind the scenes once the TIF has been approved by all of the regulatory bodies. The closing documents provide the actual structure in terms of how the

payments get processed, but the actual approval of a TIF is the process that the IDB completed in August. This is no longer part of the approval process. This is really the documents that are specific to how the tax increment is paid, how the developer is able to access it, and it provides technical oversight for how it gets structured. Chairman Rodgers stated that this somehow provides the nitty gritty of the details. Mr. Freeman confirmed yes, this is all the nitty gritty to be frank. You have the ability to dive into each financial transaction document which is exactly what all these documents are.

Mr. Freeman stated in terms of the documents that the Board has before, the Loan Agreement, the Development and Financing Agreement, the Assignment of Tax Revenues, the thorough Tax Certificate Agreement, the Acknowledgement, and the Closing Certificate. These are all of the documents that are the transactional details that outline how the TIF is actually administered and paid over time. Every TIF that has come before the Board, with the exception of the East Chattanooga Rising TIF, every TIF that has come before the IDB in the past, also has these documents. Chairman Rodgers asked as far as a follow-up ratification? Mr. Freeman stated yes, at some point they have to come before the IDB to either be ratified or approved. Once the application process is finished and the TIF has actually been approved by the City Council and the IDB.

Chairman Rodgers asked with this kind of nitty gritty detail, and presumes should be something as simple as interest rates, is that something that ought to be covered for the IDB back in August where they are being asked to approve it? Should not that occur together? Mr. Noblett stated it does authorize the Chair to sign all necessary documents, and we are trying to be belt and suspenders here because you have a bank that is involved in issuing certain loan documents. They are wanting to make sure they have the approval from the Board to enter into those. The initial resolution authorized the Chair to sign all necessary documents. That is the reason we are bringing it to the Board to ratify the fact that the Chair is authorized to sign at the time. Mr. Noblett stated we are not trying to hide anything. We are just trying to bring it to you.

The motion carried.

ADOPTED 11/7/2022

RESOLUTION

On motion of Ms. Jones, seconded by Mr. Sharpley,

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA AUTHORIZING THE ESTABLISHMENT OF BANK ACCOUNTS RELATING TO THE NORTH RIVER COMMERCE CENTER INDUSTRIAL PARK.

Mr. Freeman stated that this allows for two bank accounts to be set up. One for the Project Fund and the other for the Tax Increment Fund which provides greater transparency and oversight in terms of ensuring that TIF increment is actually spent on the public infrastructure that was outlined as part of the application of the Economic Impact Plan that was submitted by the

applicant. This purpose is called for in the Loan Agreement which is essentially what we are doing.

Chairman Rodgers asked if this was new for the IDB as far as setting up separate accounts. Mr. Freeman said yes, it is. This is the first time that this IDB has done this. Mr. Goldberg stated as he mentioned earlier, we have used city bank accounts historically with separate identifying funds that identifies all IDB funds and those have been audited each year which is perfectly fine. Setting up separate bank accounts for each project, and you would have two for every deal going forward. One for the TIF increment and one for the project costs. That is the best practice.

We have talked to Mark Mamantov, and he recommended that we do it this way and it is what he sees the most especially Knoxville is a good example because they have had a long history of using TIFs, and he is pretty familiar with that process. This is what we will be asking the IDB to do going forward as we have new projects so that we can establish separate accounts. We would still use the same signature authority that we use on city accounts, but officers of the Board could also be listed as signatories essentially designating the authority to the City Finance Officer to sign things as we would do in a normal course of business, and we are all bonded to do such things. This is the first time that the IDB would have separate bank accounts.

Chairman Rodgers asked as far as the process and something we might continue doing going forward with regard to the separate accounts, who makes the decision as far as the financial institution chosen that is going to hold the accounts? Mr. Goldberg does not think there is any set rules on how it is chosen. Our preference would be to utilize Pinnacle because we have used them for some of the other – they are a party to a lot of the loan agreements that the IDB currently has in place with a very good relationship with them. They are accustomed to doing this type of work, but also a separate thing from what the City uses, we use Truist and First Horizon. Additional separation is even better to set up. Pinnacle is who Mr. Goldberg would consider the next largest more local bank that we have that does this type of work.

Attorney Noblett stated that our first venture into the field of tax increment financing was actually the Black Creek Project. Pinnacle Bank has actually been the holder of funds for that project since it occurred. We have been typically operating with them and will make a payment once a year to them of the tax increment financing amounts. This will be setting up those accounts separately on the front end. Mr. Goldberg thinks it is the same for the M.L. King TIF that Pinnacle is a party for the loan.

Mr. Adkins asked if we had all five bank accounts, including the stadium? Mr. Goldberg stated that the stadium is different because those accounts are for the Sports Authority based on the Interlocal Agreement. The Sports Authority will be the holder of the bonds versus the IDB in that matter. That will not have any IDB accounts. The previous three before Access Road – Mr. Goldberg is not sure if it is worth it to move those bank accounts since they are so far into the terms, but we might. That is something that we need to evaluate and weigh the merits of whether we should move it or continue as is until those terms run out. We either do prospectively or retrospectively. We are going to have that discussion with our audit firm to determine if they have a preference and which ones make the most sense.

Mr. Floyd asked why we are changing the process now? Is it simply organization and to keep things clean? Is that why we are setting up the accounts, just a matter of practice to keep funds, things of that nature separated? Mr. Goldberg believes also with the Access Road TIF, it is a good opportunity for us to do things different in terms of best practices but especially as we have more TIFs coming down the pike. The other thing is, it is a unique situation where the applicant is also the lender in this case. What will happen practically is once their expenses have been incurred and signed off by the engineers as well as our City Engineer, we will get a wire from the applicant and the lender and then pay that money out so it has to flow through the IDB, but this is a little bit unique in the instance where the applicant and lender are the same because they have equity in the project and do not have to go get a loan to pay for the money upfront and get reimbursed by the tax increment. What this will allow us to do is have a separate bank account in the IDB's name that the lender can put money into, and we can then wire the money out to the vendor. These are for the public's portion of the project. This is for roads and infrastructure that we are funding the portion of the tax increment.

Attorney Noblett stated thus far all that is in the account is \$1,500? Mr. Goldberg asked for Access Road? Yes, the application fee. Those accounts will start accumulating increment. One will accumulate increment, and the other will be used for the project. Money coming and going out to the vendors who complete the public infrastructure.

The motion carried.

ADOPTED 11/7/2022

RESOLUTION

On motion of Mr. Hayes, seconded by Mr. Sharpley,

A RESOLUTION AUTHORIZING THE RELEASE OF A REQUEST FOR PROPOSAL (RFP) FOR THE DESIGN-BUILD OF THE E2I2 SSO ABATEMENT PROGRAM PHASE 1 – SOUTH LEE HWY. AND WEST CHICKAMAUGA EQUALIZATION STATIONS, CONTRACT NO. W-20-001-201, PER THE E2I2 MEMORANDUM OF UNDERSTANDING WITH THE CITY OF CHATTANOOGA, IN SUBSTANTIALLY THE FORM ATTACHED.

Mark Heinzer (Interim Director for the City's Wastewater Division) spoke on behalf of this item. Mr. Heinzer gave an update on the e2i2 design build project and gave a presentation regarding capital funding, costs, timeline, and next steps.

E2i2 is an acronym which stands for Environmental and Economic Infrastructure Improvement. This is a joint project where back in April we had identified a partner for this project because regionally this will impact the projects. They are partners with WWTa. We signed an MOU in April with the IDB being the overall owner of the project and the City providing the funding along with WWTa providing funding to this project.

The overall goals are to reduce sanitary sewer overflows that happen in wet weather events. These projects help reduce that considerably and also allows us to provide the capacity. The MOU basically has the IDB as the owner, and the City of Chattanooga will transfer the funds required for project to the IDB. We are looking for a design build contract for procurement because of the nature of the project which is another reason the IDB was identified as another partner. The IDB is the owner during the project through construction. The property will be owned by the City of Toledo but will be leased to the IDB during the construction phase. After construction, the project properties are reverted back to the City and the City will own and operate the systems in partnership with WWTa for ongoing operation and maintenance. The City has their part of the maintenance and Hamilton County WWTa compensates the City for that operation. The long-term goal is for the City to own and operate the system, and they are within the City limits of Chattanooga. That is how that relationship is going to work.

The e2i2 program is basically building some temporary storage tanks during wet weather events. One utilization station has three tanks where each tank is ten million gallons. It provides a total of 30 million gallons of storage during the rain event. This is very similar to what we would be looking at in the West Chickamauga location near the I-24/I-75 interchange. Images were presented. The other location for this phase of the project is on South Lee Hwy. and will only need one tank similar to the view in presentation.

The total cost for those four tanks in the two locations is approximately \$100 million give or take. The split between what the City will pay and WWTa will pay is about 70/30 based on the volume of water that is coming through those based on the collection system. The City is responsible for the initial funding to do the engineering, design, procurements, and project execution with the IDB. The WWTa would just be responsible for payment of that in monthly increments over time. That is all laid out in a separate financial agreement with the WWTa.

A good portion of this money is coming from a WIFIA loan which will be closing on November 22, 2022. The total amount of \$71 million will be financed through WIFIA and \$29 million from our fund balance.

The timeline will be assigned in the MOU and now we are at the point for request for proposal ready to go out for bid. We are here today to get that approval to release that RFP. We do anticipate we will have it out there a little while and will be a time before we settle on a team because we are doing our due diligence for the RFP. We will want to advertise on November 20th with a March 20th deadline.

There is a design build phase and will start right away, and in March 2024, we expect to be around 60% design. At that point, the team selected will be providing a maximum price for the project. That guaranteed maximum price is what they will be allocated. We do not anticipate change orders. This is not how this design build project works. Whatever price they give us is the price we are going to get. At that point, the contractor and design team are working together closely. There are some opportunities to change the way things are going if they are not going the way we anticipate. The guaranteed maximum price is at 60% design portion, and if we do proceed further, we have about a three-to-three-and-a-half-year construction phase starting in at March 2024 date. That is the timeline and hopefully September 2026 we have these structures complete and got the capacity of the system that allows us to continue to grow and do what we are doing.

We have provided a copy of the RFP, and the next steps here are to get the approval from the Board to release that and get it out for bid.

Attorney Noblett stated in connection with this project, there will not be any release of the RFPs until the Lease Agreement is signed between the IDB and the other two parties. That is what we have to have completed here. They will have to come back before this body.

Chairman Rodgers asked to Mr. Heinzer's knowledge are their local companies, contractors, qualified to bid on this type of project? Mr. Heinzer stated portions of it possibly but the overall, these are large facilities, there are not very many local teams that have the resources. Some of the specific work on-site as subs there would be. Mr. Heinzer does not know the details to that portion.

Attorney Noblett stated there will be a whole lot of iron work, concrete work, in connection to all of these jobs, and dirt work.

The motion carried.

After further discussion, Attorney Noblett asked if this would help us regarding our Consent Decree with the federal government? Mr. Heinzer stated yes, this is a big part of our Consent Decree with regard to reducing the sanitary sewer overflows we have in neighborhoods and going into the streets. This is a big part. Meeting those requirements for reducing the overflows. Attorney Noblett asked if this is to keep us from paying fines to the federal government. Mr. Heinzer stated yes.

ADOPTED 11/7/2022

RESOLUTION

On motion of Mr. Floyd, seconded by Mr. Jones,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO REIMBURSE THE CITY OF CHATTANOOGA USING TIF LOAN FUNDS FOR EXPENDITURES RELATED TO THE EAST CHATTANOOGA RISING TIF DISTRICT FOR EXPENDITURES OF THIRTY THOUSAND FIVE HUNDRED ONE AND 90/100 DOLLARS (\$30,501.90) FOR ASA ENGINEERING FOR DESIGN AND RPR SERVICES RELATED TO THE HARDY STREET EXTENSION; AND ONE HUNDRED THIRTY-SIX THOUSAND EIGHT HUNDRED THIRTY-SIX AND 21/100 DOLLARS (\$136,836.21) TO THOMAS BROTHERS CONSTRUCTION COMPANY FOR SERVICES RELATED TO THE CONSTRUCTION OF THE HARDY ST. EXTENSION; AND TWO HUNDRED NINETY-NINE AND 66/100 DOLLARS (\$299.66) TO THE CITY OF

CHATTANOOGA FOR THE PURCHASE OF A LAND-DISTURBING PERMIT AS REQUIRED BY THE PERMITTING OFFICE FOR THE TOTAL AMOUNT OF ONE HUNDRED SIXTY-SEVEN THOUSAND SIX HUNDRED THIRTY-SEVEN AND 77/100 DOLLARS (\$167,637.77).

Mr. Clay Oliver is the Project Manager for the Hardy Street Extension. This breaks down that we have a consultant that is providing two services which is design and RPR. We have invoices for them totaling about \$30,501.90. We have Thomas Brothers Construction Company totaling \$136,836.21, and then reimbursing the City for a permit which is \$299.66.

The motion carried. After further discussion, Mr. Oliver gave a project update. Construction is pretty well done. We have to put grass down and plant some trees, and then we are out of there. The road is built. It does not go anywhere now. We put hydro-barriers along Roanoke. Attorney Noblett asked if there was any update on when Nippon would be actually connecting up the road? Mr. Oliver stated the last time they talked to them they did not even have a site plan. We have a road to nowhere and that is why it is blocked off.

ADOPTED 11/7/2022

DISCUSSION ITEMS

Website – Mr. Hayes gave an update on the website. The website looks fine to him. We live underneath the City’s existing economic development website. Ms. Kim Narramore has put in a lot of effort in getting something to consider. Mr. Floyd and Mr. Hayes have run into some unexpected scheduling issues. The City’s website is being restructured. Tough time to schedule.

Mr. Freeman stated that maybe there was an opportunity for someone on his staff to help out because IT is tied up in a bigger overhaul of the entire City website. What Ms. Narramore has created a mock-up of a page that could serve as a temporary page until we figure a permanent solution. It is certainly an opportunity for them to go ahead and give a more robust presence than what you have on the Board and Commissions drop down. They were trying to get a work around for the time being. Mr. Hayes stated that if this Board would want to issue an RFP and try to find a professional web designer, we just need to know how much money to work with. In the short run we could make some improvements with Mr. Freeman’s staff and his help and make some big-time improvements with the existing set-up and then hold off on deciding for later as to whether we go outside the .gov situation. Mr. Rodgers will keep this item on the agenda for follow-up.

PILOT Policies and Procedures – the City and the IDB have not had any PILOT policies existing to this point. There is a proposal as far as the PILOT policies and procedures. Chairman Rodgers wants to know where this is coming from.

Mr. Freeman stated the draft proposal that the Board has is proposal with the City, the Chamber of Commerce, and an outside community advocacy organization called CALEB has been working on trying to improve our PILOT policy. There currently does not exist a PILOT policy with the City of Chattanooga or the IDB. CALEB reached out because they were concerned with the lack of transparency not having a PILOT policy that exists at all. That is roughly a first draft.

Mr. Freeman and Charles Wood with the Chamber of Commerce have had a chance to sit down with CALEB and go through some of their other recommendations and some of their other ideas for how we could create a PILOT policy. One of the ideas he shared is potentially allowing the scoring for companies and their PILOT process for workforce development initiatives that they take on. That is just one example. We intend to meet in December to have a follow-up discussion. The conversations are moving in a good direction and think we have found some common ground. This is an opportunity for the IDB to work with City Council to potentially draft the policies which would be the first ever in Chattanooga. Progress is being made. We could put this item on the agenda for in January and come back with a second draft for more concrete.

The IDB has the ability to oversee jobs in economic development PILOTs where these projects create significant number of jobs. On the housing side, our Health, Education, and Housing Facility Board has adopted policies for housing PILOTs which are payments in lieu of tax for affordable housing. The City Council has not developed policies on the housing side, but have not developed policies on the economic development side. This will be an opportunity for us to do that.

We will skip this topic on the December meeting and put it on the January agenda.

TIF Policies and Procedures – the City have had TIF policies and procedures since 2015. CALEB is not involved in this. The policy updates are policies that the Administration asked for the City Council given what we have learned from the TIF process so far because when the original TIF policies were adopted by the City Council back in 2015, at that point in time the City engaged in a single TIF transaction which was Black Creek. Since then, we have had a chance to learn some things because since the 2015 policy was adopted by the City Council, the City and IDB have approved the four TIFs. That includes the TIF for the M.L. King Extension, the TIF for the Hardy Street extension in East Chattanooga, the TIF around South Broad for the stadium, and the North Access Road TIF.

What we recommended and what the City Council adopted was federal alignment of local policies with the state's IDB statute specifically around both the term of the TIF as well as the definition of public infrastructure. Public infrastructure going forward will have the same exact definition as considered the IDB statute at the state level. There has always been some confusion around what a maximum timeline for a TIF. Under the City's policy it said 15 years, and sometimes it is 20. The state allows TIFs to go out 20 years and for special exceptions to go longer than that. We brought the local policy in alignment with the state's IDB statute to make the process more predictable for applicants.

In addition, the revisions that were just adopted by City Council will also allow the Application Review Committee to coordinate with the IDB Chair to schedule public hearings. As you all know, a public hearing is required as part of the TIF process. Previously, the Application Review Committee would go ahead and set a date arbitrarily. Now they do so in coordination with the Chair. We increase the application fee so the application fee that Rise Partners paid for the North Access Road TIF was \$1,500. We raised it to \$8,000 to reflect the time and staff effort that goes into this as also increased the annual administrative service charge from 25 basis points to 250 basis points so there is additional revenue that will come in to manage and oversee TIFs.

Our City Council also wanted to make sure that there was language in the TIF policy that stated explicitly the stormwater fees will always be paid. Under state law, the stormwater fees cannot be abated. The City Council wanted to make sure that is contained in the TIF language. We also added language pertaining to the requirement of but-for affidavit. Applicants have always been required to sign an affidavit as part of the application which basically says that but-for the TIF would probably not move forward. Now that language is captured in the policy so that people know on the front end that this is also an expectation.

Additionally, added language that will allow the City or the IDB to hire consultants to analyze the subsidy requests. For example, if an applicant applied, or wanted to engage the City and the IDB for a TIF that was 18 years, and 18 years at \$15 million, the City and the IDB have the ability to hire a consultant that could actually advise as to whether that is an appropriate timeframe or whether or not the timeframe should be less and the amount of the subsidy to be less.

Language requiring applicants to disclose felony criminal convictions, any civil proceedings that they were engaged in, or past bankruptcies. That is also captured in the TIF policy. Overall, we feel like we have made a policy that is more predictable and responsive to both the needs of applicants and to the public for transparency. We are happy with the direction that things are moving. However, there are more changes in store. This is an opportunity for collaboration with the IDB will come in.

One of the things that we sought to change and where the City Council asked for more time to review was in the current TIF policy that was adopted in 2015, the policy does not allow for TIFs to be used for projects that are considered substantially in housing. That was created as sort of a reflex to some of the projects in the past around the development of single-family homes. State law allows TIFs to be used for residential projects that are multi-family for persons of low to moderate income, senior citizens, and the disabled community. As we as the City try to get our arms around affordable housing issues, having the ability to do TIFs for affordable housing is something that will be important in something that we think is going to be necessary as something that the IDB will be involved in.

The City Council asked for more time to review that provision even though it is allowed by the state just in case they want to put more specific parameters that state statute and as part of that process, they have also asked that as they begin to look at that, they also engage the IDB and work with the IDB in terms of looking at that change and any other policy recommendations that the IDB might have. The Council also wanted to make sure that they had a chance to hear from our new Chief Housing Officer. The City has hired a new Chief Housing Officer who will guide and structure the City's attack and strategy around affordable housing who is Nicole Heyman. She started today and this will give her an opportunity to weigh in and answer the City Council specifically on this provision of changing the TIF policy.

Chairman Rodgers wanted clarification back to our previous discussions about the separation between the City and the IDB, last week the City approved these very TIF policies we are looking at. T.C.A. 9-23-107 says that any taxing agency (the City) and any tax increment agency (IDB), Mr. Noblett stated we would be a tax increment agency with the authority to allocate those funds for a project. The statute says any taxing agency and tax increment agency may agree upon, approve, and amend policies and procedures ..., Mr. Rodgers' reason for pointing this out

is to his fellow IDB members is that is an agreement, that is his reading of this statute, that does not mean we have to accept in total what the City Council does. We are free to come up with our own suggestions, our own ideas and it does say agree, if we made changes we have to go back and see what the City Council does. There are two partners here in this process. That is kind of his point. Chairman Rodgers has concerns about some existing things and would like to discuss with Mr. Freeman, what he would like to do is put this on with the IDB's consent, to put this on the agenda for the next month's meeting and have a public hearing and give us time to digest it a little bit more because we have not had it that long, they passed it a week ago. Give the Board time to digest it a little more and give the public more notice if they want to show up and make comments, let them do that.

A couple of concerns for Mr. Freeman to keep in mind and the others is in the introduction, the second paragraph, and the Chairman thinks this came up in relation to the Lookouts Stadium discussion, there are two sentences, and one applies to TIFs initiated by a private developer and the second applies to if the City initiates it. The City initiates it as contemplated the City shall follow such procedures that the City deems appropriate under the circumstances. Chairman Rodgers' question he wants at the next meeting, from the IDB's standpoint why should it matter whether it is a private developer or the City? Shouldn't the IDB require the same policies and procedures? That is for later. That came up in connection with the Lookouts Stadium. Shouldn't we as IDB, say we don't care if it is coming to us, we follow the same procedure because we are a separate corporation and we have obligations under state law. This is for consideration and not an answer.

Another item to consider is the application fee and the administrative fee, he sees that our colleagues in Nashville, Memphis, and Knoxville are different. Knoxville has \$10,000, the City is proposing here \$8,000. There are some differences as far as the percent on the administrative fee. There is different wording for Memphis, there is different wording for Knoxville, and now as this is proposed, it has different language as far as how that fee is measured. Not the fee percent being different but how it is measured. Chairman Rodgers is concerned about that, why is there this variation and how is that measured or appears to be measured? Keep that in mind. Chairman Rodgers knows that being as diligent as Mr. Freeman is, he would be receptive and if the Board members in general want to come to Mr. Freeman now and then have questions. This will be at a public hearing at the next meeting in December.

Bylaws – Chairman Rodgers would like the Board's approval and keep this on the agenda. He is leery about us biting off too much at one time. We are doing a lot and making progress and need to be careful. Chairman Rodgers will keep this on the agenda and focus on some of the other things for now, but want to keep it on the agenda so we remember that is a to do we need to get to.

Mr. Hayes asked a question about new board members. Attorney Noblett stated it is simply a matter of appointment. They have already discussed that matter and have it out to their groups for additional members so we can have up to nine. Attorney Noblett told them specifically it is a problem related to getting a quorum whenever you have a nine-member board with seven members, you need a total of five people to vote. That is an issue, and they understand that. We can also remind the City Council.

After further discussion, the meeting adjourned at 12:05 PM.



PATRICK SHARPLEY, *Secretary*

APPROVED:



JIMMY F. RODGERS, JR., *Chair*