



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES**

**John P. Franklin Sr. City Council Building
Chattanooga, Tennessee**

**for
June 5, 2023
11:00 AM**

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

Also Present were: Attorney for the Board, Phillip A. Noblett; Jermaine Freeman (Interim Chief of Staff); Brad Shumpert and Jimmy White (Urban Story Ventures); Tom Trent (Bradley); Jason Payne (City Engineering); Helen Burns Sharp (ATM); Todd Womach (BPA); Mandy Savage and Jeff Billings (BlueCross-BlueShield of TN); Nate Medford (Hazen & Sawyer); Janice Gooden (CALEB); Mike Pare (Times-Free Press); Erika Robinson and Gail Hart (Real Property); Vickie Haley and Eleanor Liu (City Finance); Paul Boylan; Ian Leavy (VW); Joe Kelly and Betsy McCright (Chattanooga Housing Authority); Brooke Satterfield; Mark Smith (Miller & Martin); Mark Mamantov (Bass Berry & Sims); Charles Wood (Chattanooga Chamber); and Tommy Johnson (Kordsa).



Vice-Chair Althea Jones called the meeting to order, seconded by Mr. Adkins, established that a quorum was present to conduct business, and Attorney Noblett confirmed that the meeting was duly advertised.



ELECTION OF OFFICERS

The Board elected the following officers for 2023-2024. The elections take place during June of each year.

| Officers | Nominated By | Votes |
|----------------------------|---|---|
| Kerry Hayes (Chair) | Gordon Parker nominated Kerry Hayes; Ray Adkins nominated Jimmy Rodgers. | Four votes for Kerry Hayes Two votes for Jimmy Rodgers |

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|---|---|------------|
| Althea Jones (Vice-Chair) | Kerry Hayes nominated Althea Jones | Six |
| Gordon Parker (Secretary) | Patrick Sharpley nominated Gordon Parker | Six |
| Patrick Sharpley (Assistant Secretary) | Gordon Parker nominated Patrick Sharpley | Six |

Chair Kerry Hayes conducted the meeting.



MONTHLY MEETING OF APRIL 17, 2023 – MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Mr. Sharpley, the minutes of the April 17, 2023, special monthly meeting were unanimously approved.



PUBLIC COMMENTS

JANICE GOODEN (CALEB)

Ms. Janice Gooden is a member of CALEB but her address is 2125 Elena Drive. Ms. Gooden noticed on the agenda that the Board is looking at The One Westside TIF application. Her church is on the Westside so she is very interested in this item. Although Ms. Gooden does not know the details of the TIF application, Ms. Gooden is in support of the project itself.

HELEN BURNS SHARP (ATM)

Ms. Helen Burns Sharp is representing Accountability for Taxpayer Money (ATM) which is a public interest advocacy group which focuses on property tax and sales tax incentives and government transparency.

Ms. Sharp sent an e-mail to the Board and will try to be brief. Ms. Sharp recognizes that this is not a public hearing, but since this is about the application, Ms. Sharp has a couple of questions about the application.

Ms. Sharp sent an e-mail to the members and the development team over the weekend. (Copy of e-mail attached). Ms. Sharp's first question is, how much is the applicant requesting in TIF property and sales tax assistance? That question is asked on the application itself in question 11 and will refer to Schedule 10 and Exhibit D, but they have different numbers. One says \$275 million and one says \$115 million. That needs to be clarified.

Number 2, is this a debt service TIF where the City issues a bond or is it pay as you go TIF for the TIF increment issues to reimburse the applicant for deliverables as work is done?

Number 3, if a TIF bond is contemplated, what is the project cost of the capitalized interest that would be paid over the life of the TIF?

Number 4, other than for public infrastructure at The Bend, what else will TIF funds go towards? An article in the Times-Free Press followed the announcement at the site and it referenced that 53% of the extra property tax revenues generated by the development will be used to help the Chattanooga Housing Authority to fund its Westside Redevelopment with providing funding for some of the cost of the downtown school, fire hall, stormwater, and sidewalk upgrades. That sounds great. It is public interest. But what is the definition of "extra"? When and by whom would the amount be determined? Does the state require some specificity on all developments of TIFs? The applicant is really specific about the infrastructure on this site to be financed with TIF funds, but these other items are general and are not mentioned or located in any of the attachments to the agenda. And Ms. Sharp is sure that can be explained.

Please explain more about the terms of the TIF. Question 12 asks a number of years. The TIF assistance is requesting that the applicant's response is that 20 years upon completion of each phase of construction. There are three phases. As each phase ends, will the property for that phase go back on the tax rolls? Are there estimates on which each – that is incorrect, if they are already on the tax roll, but in other words, will they no longer be devoted to TIF? Would it go towards the General Fund, is what Ms. Sharp is trying to ask? Are there estimates on when each phase will likely be completed? Was there a third-party review done on this application by an independent consulting firm with experience in public finance and real estate development at the expense of the applicant to evaluate the applicant's financial projections, to assist and evaluating whether the amount allocation period is required for the applicants to receive a reasonable return on investment? Ms. Sharp believes the answer is yes. Ms. Sharp had a conversation with Mr. White to explain that, but did not see any reference. Ms. Sharp did see the Younger Economic Impact Analysis, but did not see the other with the but-for analysis. Ms. Sharp is glad to know that was done.

Number 7 is just a general question. We now have two TIFs in that same general area and wondered, not as part of this TIF, because this is not on The Bend property, but we kind of have a gap between West 19th and where the stadium TIF begins. Ms. Sharp was just wondering has the City had any discussions about possible activity there in the future.

Finally, the Board will recall that one of the changes that the IDB made in the policies and procedures is the Board decided to appoint two members to the Application Review Committee which Mr. Freeman can tell us in June or July, and so the Board would need to appoint two members. Ms. Sharp asked, could the July agenda be the appointment of two members by the IDB for the Application Review Committee?

Ms. Sharp thanked the Board for their time and dedication. Ms. Sharp would also like to thank the applicant for what they have done to date on the project and investment, and also for their goaled vision for the future.



RESOLUTION

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

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR AND CITY FINANCE OFFICER TO EXECUTE A MANAGEMENT REPRESENTATION LETTER FOR THE AUDITOR, HENDERSON, HUTCHERSON & MCCULLOUGH, PLLC, FOR FISCAL YEAR ENDING JUNE 30, 2022.

Attorney Noblett stated that this item is needed every year. We have a letter to the state for our audit. Henderson, Hutcherson & McCullough have been doing this audit for us, and we need to authorize that this be executed.

The motion carried.

ADOPTED-6/5/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO EXECUTE A SEVENTH AMENDMENT TO LEASE AGREEMENT, IN SUBSTANTIALLY THE FORM ATTACHED, WITH VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC.

Mr. Jermaine Freeman stated that this resolution calls for the release of an approximately 182 acre site located at Enterprise South Industrial Park. That parcel is part of a block on Lot 34. Lot 34 is a 182 parcel area that had previously been property that was optioned to Volkswagen. The release of this property does allow for the Chamber as well as the City and County to work together to continue to pursue economic development activity on this parcel. Mr. Ian Leavy and Mr. Charles Wood were present if there were any questions.

Mr. Jim Floyd asked if this resolution just releases this property and basically puts it back into the management of the IDB. Mr. Freeman stated that is correct.

The motion carried.

ADOPTED-6/5/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY IN CONNECTION WITH THE KORDSA, INC. PROJECT, TO LEASE SUCH PROPERTY TO KORDSA, INC. AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

Mr. Freeman stated that as part of the general process of doing PILOTs with the City, the Industrial Development Board under state law have the ability to take title to the property in the form of a lease. This is done in conjunction and in coordination with the City Council and the County Commission and for this project, which is the expansion of the Kordsa, which is located on North Access Road in our Hixson area. This would be the last step of the process. Mr. Tommy Johnson is the Site Manager over Kordsa's facility on North Access Road.

The Board's role under the state law and with the State of Tennessee is to take actions that would help expand and grow the local economy and to promote industry, trade, and commerce in a variety of ways -- one of which is by being able to take title to the property so that you can abate taxes for a company when the company is choosing and selecting to undertake a significant expansion.

Kordsa manufactures tire nylon which is used in tires in addition to their facility in Laurelville, North Carolina. Kordsa is based in Turkey and is looking to expand their presence in Hixson on the North Access Road area. Their facility is the former Dupont facility which is also located very close to the current industrial park that is being built by Rise Partners. We are very happy and very supportive of Kordsa's expansion.

The detail of the expansion contemplates adding 200 additional jobs. There is a \$50 million expansion, \$5 million in real property, \$45 million in equipment, and the PILOT is for a term of 10 years. The PILOT only applies to the improvements and not to the existing property. School taxes, of course, are always protected. That is also the case with this PILOT as well. Property taxes that were in place before the PILOT will continue to flow to the City's General Fund and to the County's General Fund.

In addition to all of those benefits, the company has committed to working with the City to provide some future greenway access as to building out a future greenway on the north side of the river. The Kordsa property is actually located between property that is owned by Rise Partners where we also have greenway access as well as City-owned property where we can create greenway access. Having partnered with Kordsa and the City for that is a wonderful thing for the community.

They are also committed to partnering with the City and County on a build within an apprenticeship initiative that will allow the company to target apprenticeship opportunities to local workers. Kordsa has vested big efforts to publicize job opportunities to local residents, as well as construction opportunities for local contractors.

The site plan was presented by Tommy Johnson. Just to the right side of the yard warehouse, there is a pretty large vacant area on the plan. The plant site is roughly one million square feet and currently uses 400,000 square feet of that actively. The intention is to take a portion of this unused area and increase the opportunity for us to gain greater market share by making due process which they currently do in the Laurelville, North Carolina, facility, thus, streamlining the opportunities here, and the reports in Chattanooga.

This is the proposed expansion area, and it is vacant. At the current time, we are looking at hiring once this is totally built out an additional 200 jobs at the Kordsa facility. There was a presentation of what the building will look like once finished. The site has a long heritage here in Chattanooga. We want to keep that heritage as close as we can to the same. We are thankful for the people we have working for us and want to stay with us, which is a positive.

Mr. Freeman stated that this is the last step of the process. We will take you through the approval process up to date. On April 18th, we presented the Kordsa PILOT to the City Council's Economic Development Committee. On April 26th, we did a similar presentation for the County preparation session. On May 3rd, the County Commission approved the PILOT, and also the County Commission approved the Fast Track Grant which is the grant that provided for economic development expansions by the Tennessee Department of Economic and Community Development. On May 9th, the City Council approved the PILOT.

The only step remaining is that today, the IDB will take action to accept the lease, then the PILOT will commence, and we will hopefully see \$50 million in investment and 200 new jobs on North Access Road.

Mr. Adkins asked if they will be giving Veterans preference for the 200 new jobs? Mr. Johnson stated they do hire Veterans. They have many Veterans that are currently in the work force. We honor them just like everyone else does. Yes, they do.

Mr. Floyd asked what is the timeframe? Mr. Johnson stated they have actually already submitted permits for demolition and for the foundation work. They are expecting to have those permits picked up from the City office this week. We are ready to go. We anticipate being in production in the second to third quarter of 2024.

Mr. Hayes asked Mr. Freeman to give a quick overview about the build for them of the apprenticeship program. This is the first time this Board may have seen that and just curious to see what that is. Mr. Freeman stated the built within friendship initiative is a partnership with the City, County, and School Board. It is a national initiative in which Chattanooga was selected as one of the sort of start-up cities for implementation. We are one of the very few cities that are part of this but essentially the Built Within platform will sort of create an on-line platform that will allow companies to manage sort of an apprenticeship application process and manage applications

for apprenticeships that local residents submit to work for their companies. We are really excited. Obviously, it is an opportunity to see an expansion of the apprenticeship model here in Chattanooga, which is always a good thing, and to the extent that it can also help us to hire and identify local talent that is also a good thing and also great for our community.

The motion carried.

ADOPTED-6/5/2023

RESOLUTION

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

A RESOLUTION OF INTENT ACCEPTING THE APPLICATION AND ATTACHMENTS FROM URBAN STORY VENTURES AS COMPLETE AND SUBMISSION OF THE TAX INCREMENT FINANCING APPLICATION FOR THE BEND AREA A/K/A THE ONE WESTSIDE TIF AREA TO THE CHATTANOOGA CITY COUNCIL FOR CONSIDERATION AND APPROVAL.

Mr. Hayes stated at the outset that he looks forward to the presentation and wants to make it clear about the timing of the steps. We have been through this before but to make sure that you make clear for us exactly all of the steps that are described. Mr. Hayes also wanted to disclose to his fellow board members that he will recuse himself for voting on this item. Mr. Hayes has a professional relationship with one of the entities that is working on The Westside Evolves project. Before we go any further, Mr. Hayes wanted to mention that for the record. Mr. Hayes knows he has lots of questions but wants to make sure you can give your presentation.

Mr. Freeman stated that this is a unique and rare project for the City, and it is a project about which the City and County are very excited. The City of Chattanooga's Department of Economic Development has received an application for Tax Increment Financing from Urban Story Ventures, LLC. This application requests up to \$115 million in TIF assistance through the utilization of new incremental property tax revenue to be split between the City and County, as well as new incremental sales tax revenue from the City's portion of the new incremental sales tax revenue created by the project.

Projects of this magnitude are often not possible without the partnerships of public and private sectors. The developer, Urban Story Ventures, is contemplating a new live-work-play environment that will expand our City center. The project contemplates new Class A office space, entertainment space, retail space, and park space along with hospitality space. Along with projects significant near residential space of mixed-use buildings and multifamily housing will also be created.

As you know, this Board has worked tirelessly to revise and create new TIF policies in partnership with the Kelly Administration and the Chattanooga City Council. The City Council is scheduled to vote on the IDB's recommended changes during the City Council's regular meeting tomorrow. The updates provided by the IDB and City Council will be adhered to during the application process for this TIF. Full presentation of this TIF is planned to be provided to the elected officials of the local legislative bodies next week. Mr. Freeman will share that this TIF does protect all taxes that will be set aside for public schools and, in fact, this proposal contemplates additional funding for public education over and above what would normally be made available.

If the legislative bodies authorize the preparation of an Economic Impact Plan, City staff will ensure that the subsequent Application Review Committee will also include representation from the IDB. Now would be the time for the members of the Board to confirm its selection to the Application Review Committee.

Additionally, all stormwater fees are expected to be paid, and the City of Chattanooga has begun working with a third-party public finance advisory firm which specializes in real estate development. On the advice of our external TIF counsel, Mark Mamantov, the firm is called Municap and has done a great deal of work reviewing incentives for the City of Knoxville. This project is unique in that it also affords our city the opportunity to uplift our city's westside. As part of the proposed TIF, the City is contemplating historic investments to assist the Chattanooga Housing Authority as it attempts to implement the Westside Evolves transformation plan which was adopted by the Chattanooga City Council last year. That plan calls for the Chattanooga Housing Authority to submit an application for the much coveted choice neighborhoods implementation grant from the United States Department of Housing and Urban Development. If awarded, that grant could help unlock millions of dollars in additional investments to revitalize the Westside so that the Westside grows and prospers alongside The Bend. This can be done through intergovernmental and interlocal agreements between the City of Chattanooga and the Chattanooga Housing Authority and our partners.

As mentioned, the sheer scale of these projects is not possible without the vision of private development partners as well as the partnership of community partners like the Housing Authority.

Mr. Freeman introduced Mr. Jimmy White of Urban Story Ventures and to introduce himself and share a few words about The Bend, and Betsy McCright with the Chattanooga Housing Authority will introduce herself to share a few words about Westside Evolves. It is the City's intent to facilitate and to work with the developer and the Chattanooga Housing Authority in the vision of the unified One Westside.

Jimmy White (Urban Story Ventures)

Mr. White is general partner/owner/developer of The Bend. This is a huge undertaking and do not want to underscore that. This is larger than one developer. This project has been in the works for a very long time. We bought the site initially from GE, and there were three people working there. During the pandemic we leased over a million square feet and now have several 100 people working there, which is exciting, but really have not scratched the surface. We can see

the beautiful riverfront here, but Mr. White wants to talk about the connectivity to downtown. We have always said that our mission is to bring the river to the City and bring the City to the river. Growing up as a kid in Chattanooga, he remembers how significant the change that happened when the aquarium started to redevelop in the late 70's and 80's and what that has done for our community. When you think about the sheer undertaking of that which happened in the late 70's and 80's compared to today, what we have the opportunity to do for The Bend, is really incredible.

Mr. White likes to tell people that are coming to Chattanooga by looking at the site, when you think about going from the Hunter Museum to I-27, and from the riverfront to 4th Street, there is a lot of density there, and a lot of different use types. There are a lot of tourists, a lot of locals, and of course RiverBend, a lot of things happen there. This area is twice as large as that. The 21st Century Riverfront was a \$120 million investment that took a village to pull that off. Chattanooga has a history of public and private working together, and our riverfront being two and a half times as large as that gives a sense of the undertaking that we are trying to accomplish.

The Riverwalk goes through their site and there is a significant investment the City and County has made. There were properties that were owned at the time. You can see in the presentation, the ADM site, piece of railroad that recently acquired, now all that is continuous. Without this TIF, without the help from the City and County, this would not happen. Ms. McCright is going to talk about the partnership with CHA. Their first meeting was four years ago. This is a development for everyone. Our first week, we opened up which is effectually known as Big Blue where Novonix is today. It had 1,200 people show up. The Bend plan was not a developer coming in to impose his will. This was a project that was designed by the community with park space, riverfront, marina, restaurants, and entertainment. We are really excited.

Betsy McCright (Chattanooga Housing Authority)

Ms. McCright is the Executive Director for the Housing Authority. Ms. McCright mentioned that she had been talking with Mr. White for four years. This dream really began about 15 years ago. College Hill Courts is still at the footprint of Westside Evolves. It is our oldest public housing development which was built in 1940. It has gotten tired and weary. Right now, there is no central air, no ADA accessible units, the space is cramped with very small kitchens. It is time for a change.

Back in 2020, we embarked on a planning process with EGP Consulting and basically set out to learn what the community both on the Westside and in the great Chattanooga community wanted the site. This obviously started September 2020 right in the midst of the pandemic. The pandemic was our friend. Typically, we try to get input from the community. You go into a big auditorium, put yellow dots on the wall, and express what you like and dislike. We had to be really nimble. Ms. McCright's staff and residents were engaged and others in the community and went door step to door step throughout College Hill during that two month period during the pandemic. They had tablets donated and asked about 45 minutes of questions of every family. The questions stand to what would you like your house to look like to what are your medical needs, what are the needs for your children, and what do you want to see socially, economically, recreationally on the site.

There were certain things that happened with regard to College Hill and the neighboring sites. One of the non-negotiables was the community wanted to retain the school which CHA currently owns. The plan will be to renovate and expand that school to house up to 119 seats for Head Start students. Additionally, the park will be expanded to become a green space with courts, water parks, places that people would want to come. That is the non-residential piece.

The residential piece is very exciting. Ultimately, we will take all of College Hill Courts, but do it in a phased way. What they plan to do is take on a first strategy where we build residential first so the residents that live in College Hill can see the new units coming out of the ground. They anticipate what they build in the first phase from 119 to 185 units without taking it down. This time we will no longer concentrate poverty on the Westside. It will be a mixed income community. Every development will have at least 40% of market rate renters which they believe are far more successful and concentrate on poverty.

The master developer is New Residential and has been on board for about two months and getting the phasing plan where the TIF will be used to help infrastructure and phases of residential on the site. As Mr. Freeman mentioned, one of the definitions of TIF proceeds, we will be able to show adequate leverage hopefully to garner a \$50 million Choice Neighborhood Implementation (CNI) grant. That in turn will get the CNI grant, the Tennessee Housing Development Agency will award sub-support, consecutive 9% tax credit awards. CNI is eight years but would bring an additional \$98 million investment.

Mr. Freeman stated as part of this process this will follow the normal TIF process. Starting next week, there will be presentations before the local legislative bodies. In a couple of weeks, the local legislative bodies will vote to take action as to whether or not to pass resolutions of intent to authorize preparation of the Economic Impact Plan. This considers property tax revenue for both the City and the County.

As mentioned before, we are abiding by the recommended updates from the IDB in terms of the TIF policy. We do need two names that would serve on the Application Review Committee if the City Council and County Commission authorize preparation of the Economic Impact Plan. That will all happen within the next few weeks. We do have the completed application. The applicant did pay the new and updated application fee.

Mr. Adkins had a question for Mr. White. You state that there is going to be retail as part of this development. Anything besides bars and restaurants will go in there? Mr. White said yes, sir. They are in line with a Nashville retail developer that has been in retail developments, indoor/outdoor excellent programming. There will be shopping from both restaurants, clothing, and things like that. Retail is in an interesting spot right now similar to working in office space. From a retail perspective, if you are an end user, you want to create a sense of place. It is an experience. You can buy things online. That requires more than restaurants.

Mr. Hayes stated for the record that the non-purely economic developing uses of the TIF proceeds which include the CHE planning and educational aspirations on the part of the County government, he just wants to make sure those are permissible under the TIF statute? Mr. Freeman

states, yes, what we are imagining that those funds would flow, and Mark Mamantov can speak on this, what we would do is the funds would flow to the City and the IDB and we would enter into intergovernmental agreements that are permissible with CHA and with the County for the education. Mr. Hayes asked if this would come back to this Board for approval or is that all to the City Council? Mr. Freeman stated those would be approved by the City Council and the County Commission. Is there a public hearing for this project what we can provide. Mr. Freeman stated there is a public hearing for this project. Ideally, we would like that to happen, if we can allow the timeline at the next meeting of the IDB, which is not the first Monday of July because of the 4th of July holiday but the following on July 10th.

Mr. Freeman stated that Mr. Rodgers said that the Board had considered the possibility of selecting two names to serve for an entire year, fiscal year, or calendar year so the Board would not have to keep doing this process and they would represent the IDB on any TIF application. Ms. Jones stated that is correct. Mr. Noblett stated that should be done in an open meeting whenever that selection is.

Mr. Freeman stated would the Board be able to select two names and ratify those two names at a future meeting? They could do it as long as they did it at the next meeting before they did anything. This is a 20 year TIF and is 20 years per parcel so the developer would have the opportunity to trigger different parcels with different 20 year timeframes.

Our outgoing Chair did have a question about the resolution language, and Mr. Freeman would offer an amendment that would be helpful to the Board which is to amend the language of the resolution to strike the words, and it ends with consideration and approval, to strike the words "and approval" but to add the words City Council and Hamilton County Commission.

Ms. Jones stated the motion to amend the resolution so the amended resolution would read, "A resolution of intent accepting the application and attachments of the Urban Story Ventures as complete and submission of the Tax Increment Financing application for The Bend a/k/a The One Westside TIF area to the Chattanooga City Council and Hamilton County Commission for consideration". Mr. Floyd stated to strike through. Ms. Jones re-stated the wording of the resolution, "A resolution of intent accepting the application and attachments from Urban Story Ventures as complete and submission of the Tax Increment Financing application for The Bend Area a/k/a The One Westside TIF area by the Chattanooga City Council and the Hamilton County Commission for consideration". Correct. Mr. Parker made the motion to amend the resolution, seconded by Mr. Adkins, and the motion was unanimously approved.

Ms. Jones stated that we now have to vote to approve this amended resolution, Mr. Parker made a motion to approve the amended resolution, seconded by Mr. Floyd, and the motion was unanimously approved.

Ms. Jones stated that the Board will now talk about the two people that will represent the IDB on the Application Review Committee. Mr. Parker and Ms. Jones nominated themselves. Mr. Freeman asked Attorney Noblett that he wanted to make sure there is not a conflict in having the IDB members serve on the Application Review Committee. Attorney Noblett stated that we had that discussion previously. These members themselves, if they are making any deliberations

that occur, and they will have to do so in a public meeting for this body. That is the approach that was requested in the TIF request. Mr. Adkins made a motion to approve that Mr. Parker and Ms. Jones will serve on the Application Review Committee, seconded by Mr. Floyd, and the motion was unanimously approved.

The motions carried.

ADOPTED-6/5/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE EXECUTION OF A THIRD SUPPLEMENT TO AMENDED AND RESTATED TRUST INDENTURE RELATED TO REVENUE BONDS PREVIOUSLY ISSUED FOR THE BENEFIT OF BLUECROSS BLUESHIELD OF TENNESSEE, INC.

Mr. Jeff Billings is the Associate General Counsel for BlueCross BlueShield who spoke. This resolution involves seeking authorization to execute the Third Supplement to Amended and Restated Trust Indenture as a result of LIBOR being sunset as a standard that we calculate interest rates. We have had to settle on a new standard which is SOFR which is what the documents authorize and replace the LIBOR standard for the SOFR standard calculation.

The motion carried.

ADOPTED-6/5/2023

PUBLIC HEARING ON PILOT POLICIES AND PROCEDURES

Mr. Freeman stated that he will ask Charles Wood (CEO of the Chattanooga Area Chamber) to share some thoughts. We have been talking about drafting PILOT policies for quite some time. Historically, again, we have not had a PILOT policy. During that event, to Mr. Freeman's knowledge, have not adopted a PILOT policy by the City and the County and this is specifically for jobs PILOTS. There are different types of PILOTS that the City and the County consider. There are housing PILOTS and jobs PILOTS and in some communities do retail PILOTS. For the purposes of today's conversation, we are considering jobs PILOTS which under the state law the IDB has the opportunity to be a part of PILOT policies in much the same way that the Board approved the Lease Agreement for Kordsa. This is a reminder of the role of the IDB in helping to expand our local economy and to grow our local economy for the purposes of doing industry, trade, and commerce.

Some of the considerations that the Board will see in the draft received, the draft received is just an initial working draft. It is not in any way the final draft. It is not in any way a complete document. The City and County intend very much to continue working on this document and to

continue seeking advice, counsel, and feedback from some community groups and community partner to ensure that we are working and making sure that we are designing the policies in furtherance of the City's economic development goals.

As we think about economic development, Mr. Freeman reports to the Mayor of the City and has counter-partnered the reports to the County Mayor. Those are the Chief Economic Development officials for the City and County. It is their mission that we are often looking to execute and implement. We want policies that are also supportive by the City Council, we want policies that are also aligned with the objectives of the Chattanooga Climbs Campaign which Mr. Wood can speak to more, and we want PILOT policies that are streamlined to facilitate growth in key industries and sectors that have been identified.

Some of the key sectors will include: manufacturing, especially advanced manufacturing; especially in the automotive sectors and when it comes to electric vehicles, headquarters and office projects in the tech and innovation companies; logistics; and financial services. This Board has already done PILOTs that fit into both of these categories when the Board did the Novonix PILOT which Novonix is a company that manufactures components that go into batteries for electric vehicles. When the Board did the Steam Logistics PILOT, which is a company that uses office space, needed to expand its office space to create a regional headquarters in the John Ross Building. Distribution companies such as Amazon and commercial office and companies that are a part of the industry clusters. One of the reasons again that The Bend, One Westside TIF is an attractive prospect as a project for the City is because it will bring on the commercial office space and help us to attract and improve companies.

As part of the additional considerations for the PILOT policy, we also want to focus on the number of jobs being created under the policy, and the average wages of jobs and capital investment. Additional considerations could also be environmental sustainability, hire than average wages location in disinvestment areas, as well as the commitment to use to the greatest extent possible local hires, contractors, and partnerships with work force development and education. We also value companies that are providing additional benefits like health, dental, paid sick leave, etc. for companies because we believe that these things are beneficial to employees.

These are the standard terms of where we are currently with most PILOTs that we do today. In year one, you seen 100% abatement on property taxes. In year two, you typically see 75% abatement. In year three, you see 60% abatement. In years four through ten, you typically see 50% of abatement until the end of the PILOT. For the last few years, we have done PILOTs that did not exceed the maximum term of 10 years, and we are strongly recommending that you consider the policy and adopt the policy to sort of streamline the process. We would still encourage that any projects that fall outside of the policy that we adopt that those projects be considered before the City Council and County Commission.

We will continue as part of our next steps to collaborate with the County because we want to make sure that we are not working cross-purposes with the County in terms of our economic development strategies. We will continue discussions with the feedback with community partners, and we would also at some point of this process like to show a comparison between other comparable cities and their PILOT policies relative to what hopefully the Board will eventually

adopt. Additionally, once we and the IDB have had a chance to get behind some policies that you like, we would obviously like to put these policies forward for City Council's adoption.

Mr. Charles Wood stated that we historically have not had a policy in place for when projects come before this Board as well as the City Council and County Commission. As we have gone through this process over time, the opportunity is to formalize a structure. The goal around that is to de-politicize this. Typically, there are several other large communities across the state, Knoxville, where they have set policies in place and allows elected officials to adopt policies from a legislative perspective which sets expectations and standards for projects in the process. Our hope is to see a de-politicization of a process, and the second is to help our elected officials with having these standardized. Having this will really help and work through that process.

The disadvantage when we do this is that this will be out there for all the world to see so every other community that we compete with will also know exactly what our policy and structure is. We go into this knowing that, and part of the reason why Mr. Freeman mentioned in analyzing other communities and set of policies is to make sure that we keep Hamilton County in a competitive light.

Mr. Hayes asked Mr. Wood if he has a sense of any deals that we may have lost or where we have been in a posture of the market. Mr. Woods stated that a couple of things make it challenging. The first is the timeline which is challenging. There can be a lot of back and forth because we do not have a structured policy in place. If we had a set structure in place effectively where projects are looking at the steps and terms should be on the front end. The way Mr. Freeman brought this up is that if you deviate from the policies, that would require some different steps. This helps that expectations both on the part of the community and what they are expecting from companies but also from the company on what they can expect. We do track projects. There is an expectation that we will win every deal and that is not reality. You lose projects more than we win. Typically, when we stand in front of this body, we have worked through a lot of that negotiation from a competitive perspective to get to the point where we have the ability to win a project. The reality is that we are not as competitive as we should be on a number of projects. We have very large capital intensive projects. This helps to set the framework in place that will make us much more competitive.

The Board has the additional draft that was attached to the packet but as we continue to work through with community partners over the next several weeks, we can fine tune that draft and get it to a final version. Mr. Freeman would love to say we have a final version by July, but that is ambitious. Given the fact that when we went through the exercise for the TIF policies, it took us about four months. We could be looking at August, but we do want to make sure that rather than rush it, we want to make sure that we get it right and make sure that we have had a chance to meet with all of our community partners to get feedback. There is a public hearing on this.

**JOHN PATTON (COALITION OF COMMUNITY, FAITH & LABOR GROUPS)
(CALEB)**

They have had the privilege to work with the City on some of the PILOT work, and he is very much in support of what Mr. Freeman just expressed. We were understating and would also like to be aligned with some of this ongoing discussion. We have not had the opportunity to meet. For the Board accommodation, they would like to ask for a continuance of this public hearing for the next month or maybe two months to make sure that we can properly work through some of the remaining topics of discussion. Mr. Patton would like to thank the City and its partners for working with them.

Mr. Freeman stated that from the Administration's perspective, we are more than happy to continue the public hearing to the next meeting, and as long as the process takes.

Mr. Hayes stated that the Board will have plenty of opportunity.



DISCUSSION ITEMS

- a. **Merger of Volkswagen Group of America, Inc. to Volkswagen Group of America – a New Jersey Corporation – DE Corp. Chattanooga Operations, LLC, affiliates and assigns. The Memorandum of Understanding #2 allows assignment. Does the Board have a problem with the new name? Volkswagen does not want to lose their PILOT benefits.**

Attorney Noblett stated that this item will depend on an amendment – it does allow under the agreement currently any affiliates and assigns under Section 2 of the Memorandum of Understanding with Volkswagen. The question is when will the changing of names occur and the new entities or assignments be developed, and what effect will that have on the existing PILOT.

Mr. Ian Leavy (General Counsel for Volkswagen) said that this is more than an informational activity here. Both the original Memorandum of Understanding in bringing Volkswagen to Chattanooga was named Volkswagen Group of America, Inc. The second MOU regarding the expansion the attorney referenced is in the name of Volkswagen Group of America Chattanooga Operations, LLC is a Tennessee LLC and is single-member managed. The single member is Volkswagen Group of America, Inc. The PILOT agreement is in the name of Volkswagen Group of America Chattanooga Operations, LLC, or affiliates. Essentially, both legal entities are covered by all of the agreements that we have for the City and County with this Board and the state and as we explore and evaluate merging two entities together, we want to make sure the Board is aware and there are no issues or disadvantage issues. There is really no approval that is being sought. The notification as of yet is that the merger has not been completed and if and when that occurs and the merger documents are created and to the extent that it needs to be assigned to an

existing entity, then we will come back to this Board. Right now there is nothing to do other than to let the Board know.

Attorney Noblett asked Mr. Leavy if it would still have to have some sort of ability to be able to operate here in Tennessee even if it became a Delaware corporation? Mr. Leavy stated correct. The Delaware corporation is not necessarily going to occur for right now.

b. **Jermaine Freeman will discuss the handling of the Growing Small Business Incentive Grant process going forward.**

Mr. Freeman stated that one of the things that the City is contemplating is streamlining the process for our small business grants. These are small businesses that apply for grants up to \$10,000.00, and those grants are directly connected to the creation of at least five full-time jobs. This Board has seen these grants come before the Board. There are a few in the pipeline.

As part of the process, one of things that we would like to do as a city is to start to move the application process and review of the grants to the Southeast Tennessee Development District (SETDD) which is a quasi-governmental organization that works closely with the City and County on several different initiatives, including processing of our Brownfield grants. It would streamline the process for the City to start to move those grants over to the SETDD to some point in the future.

At some point, we will come back with a resolution asking for the Board to authorize the transference of the program to SETDD just to help with the processing of the applications. The decisions as to whether or not companies are awarded will still rely on this Board. The SETDD will make their recommendations and come back before this Board for the Board's final decision.

c. **Ernst & Young study for the July meeting.**

Mr. Freeman stated as part of the continued work in economic development with the Chamber, there is a lot of work that Ernst & Young has done contemplating the City's growth and contemplating sort of our economic development future. Mr. Wood and Mr. Freeman thought that it would be good for Ernst & Young to be able to share that information with this body given the fact that this Board is such a key part of our economic development work here in the City.

Mr. Wood stated they had a Steering Committee of about 15 folks, more than 1,200 community members surveyed, and the City Council and Hamilton County Commission in the process. It has been out there a little bit and for us it really focuses on three-core tenants and one is more traditional and economic growth as you see in PILOTs, and the second is around work force development, and the third is innovation and technology.

We have guiding principles that follow and cut across all three of those three tenants so economic mobility is a pretty significant one as well as economic inclusion and collaborative leadership over engagement in multiple sectors are those principles as part of that plan. We will run some of the highlights to be helpful for this group to see and particularly around things like industry sectors around some of our strategic initiatives. We are focused on fair service development, on talent attractions, purpose plan, and to connect some of our marketing strategy in technology. It has not been approved by the Board but the Steering Committee has recommended that. In July, the Board will hear a presentation.

After further discussion, a motion was made by Mr. Sharpley to adjourn the meeting at 12:10 PM.



PATRICK SHARPLEY, ASSISTANT SECRETARY

APPROVED:



KERRY HAYES, Chair



Maria Manalla <mmanalla@chattanooga.gov>

ATM Planned Comments on Bend TIF Application at 06-05-2023 IDB Meeting

1 message

Helen Burns Sharp <untiedlaces@gmail.com>

Sun, Jun 4, 2023 at 12:36 PM

To: Kerry Hayes <kerry.hayes@gmail.com>, Gordon Parker <sgordonparker1@gmail.com>, Ray Adkins <adkins@epbf.com>, Althea Jones <arjones@tva.gov>, James Floyd <jim.floyd@inspexservices.com>, Jimmy Rodgers <jroddgers@summersfirm.com>, Patrick Sharpley <psharpley@iw704jatc.com>
 Cc: Jermaine Freeman <jfreeman@chattanooga.gov>, Phil Noblett <pnoblett@chattanooga.gov>, Manalla Maria <mmanalla@chattanooga.gov>, Richard Beeland <rbeeland@chattanooga.gov>, Cory Gearrin <CoryG@hamiltontn.gov>, Jimmy White <jimmy.white@urbanstoryventures.com>, Brad Shumpert <brad.shumpert@urbanstoryventures.com>

Helen Burns Sharp on behalf of Accountability for Taxpayer Money. ATM is a public interest advocacy group focused on tax incentives and government transparency.

I have a few brief comments/questions about the application materials on the Bend/Westside TIF in your agenda packet. Likely most of these questions will be addressed in the presentations by the applicant and city staff later in this meeting.

1) How much is the applicant requesting in TIF property and sales tax assistance?

Question 11 in the Application (Exhibit A) asks for the total amount of TIF assistance requested. The applicant references Schedule 10 and the pro forma in Exhibit D. The master summary prepared by Younger Associates (Schedule 10) shows \$275 million as the total designated to TIF, with \$192 million from property taxes and \$83 million in sales taxes dedicated to a brownfield TIF.

The pro forma shows the TIF Increment as \$115 million.

2) Is this a debt service TIF where the city issues a bond or is it a 'pay-as-you-go' TIF where the TIF increment is used to reimburse the applicant for deliverables?

3) If a TIF bond is contemplated, what is the projected cost of the capitalized interest that would be paid over the life of the TIF?

4) Other than for public infrastructure at the Bend, what else will TIF funds go towards?

A May 27th *Times Free Press* article following the announcement of the TIF says that 53 percent of the extra property tax revenues generated by the development will be used to help the Chattanooga Housing Authority fund its Westside redevelopment, along with providing funding for some of the cost of a new downtown school, fire hall, and stormwater and sidewalk upgrades downtown. Sounds wonderful as "public benefit." What is the definition of "extra." When and by whom would the amount be determined? Does the State require some specificity on all elements of TIFs? The applicant is very specific about the infrastructure at the Bend site to be financed with TIF funds but these other items are general and are not mentioned or located in any of the attachments to the application.

5) Please explain more about the term of the TIF.

Question 12 on the Application (Exhibit A) asks the number of years TIF assistance is requested. The applicant's response is "20 years upon completion of each phase of construction." There are 3 phases. As each phase ends, will the property for that phase go back on the tax rolls? Are there estimates on when each phase will likely be completed?

6) Was a third-party review done on this application by "an independent consulting firm with experience in public finance and real estate development, at the expense of the Applicant, to evaluate the Applicant's financial projections for the Applicant's Project to assist in evaluating whether the amount and allocation period of Tax Increment Incentive requested by the Applicant is required for Applicant to receive a commercially reasonable return on investment with respect to the Applicant's Project?"

..This wording is from the TIF policy adopted by the IDB on April 17, 2023. It calls for a BUT FOR analysis, which is different from the Younger Economic Impact Analysis. The application includes the Younger tables but does not reference a review done by a firm with experience in public finance.

7) As part of addressing the Public Infrastructure Need (Schedule 5), was there a discussion about the need for and the funding of a new connecting road for the several "block" area between the Bend TIF at West 19th and the Stadium TIF?

Just curious. Not the responsibility of this applicant.

8) Will the July IDB agenda include the appointment of two members to the Application Review Committee for this TIF project?

Thanks to the Board, as always, for your time and dedication.

Respectfully--

~Helen

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