



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
John P. Franklin Sr. City Council Building
Chattanooga, Tennessee
for
March 6, 2023
11:00 AM**

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

Also Present were: Attorney for the Board, Phillip A. Noblett; Helen Burns Sharp (ATM); Janice Gooden (CALEB); Jermaine Freeman (Economic Development); David Schmidt (Office of the City Attorney; Hayden Oakley (Truist); Eleanor Liu (City Finance); Dan Flessner (Times-Press Press); Gail Hart (Real Property); and Mark Mamantov (Bass Berry & Sims).

Chairman Rodgers called the meeting to order, Attorney Noblett established that the meeting was duly advertised, and a quorum was present with seven board members.



MONTHLY MEETING OF JANUARY 18, 2023 – MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Ms. Jones, the minutes summary and transcript of the January 18, 2023, monthly meeting were unanimously approved.

Chairman Rodgers wished congratulations to City Attorney Phillip A. Noblett for becoming the new City Attorney.



PUBLIC COMMENTS FROM CITIZENS

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



VOLKSWAGEN FINANCE REPORT

Chairman Rodgers thanked Ms. Eleanor Liu for the new reports. Ms. Liu presented the Volkswagen Finance Report and summaries. Ms. Liu stated that she hopes the Volkswagen grant summary is easier to read, and there were no payments made. The percentages spent, encumbered, and contingency are at 89.24%. The IDB/ECD Program Summary shows the funds NR11 and NR98. The only funds that have transaction now is NR14 where we received annual economic lease payments. We have received three payments this year. On the first row, there is \$1,434,000, which is the amount of available cash to spend for that fund. All other funds show cash, but that is designated for specific purposes.

The next page is the TIF summary. There are no activities so far. We only have cash for the application fee of \$1,500, and the City portion of admin costs. Even though you see \$58,947.31, the cash here is designated for TIF purposes.

Chairman Rodgers asked for clarification from the last presentation, the two pages are helpful, NR14 on the ECD program side, the \$1.3 million is the cash sitting in the bank? Ms. Liu said yes. It is available for the IDB.

RESOLUTION

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

A RESOLUTION OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE AUTHORIZING AMENDMENT TO ITS VARIABLE RATE DEMAND BONDS (YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN CHATTANOOGA PROJECT) SERIES 2010 AND RELATED DOCUMENTS TO PROVIDE FOR THE SUBSTITUTION OF THE LONDON INTER-BANK OFFERED RATE (LIBOR) WITH THE SECURED OVERNIGHT FINANCING RATE (SOFR).

Mr. Mark Mamantov stated this is a bond issuance where we helped the YMCA a number of years ago. Mr. Hayden Oakley is here from Truist Bank who covers public finance. LIBOR as an index is legally going away. Every single bank loan we have has LIBOR, and we are having to amend it to get rid of it. It is a great annuity for lawyers, but it is annoying for all of the banks where we are having to amend. This amendment is purely to change LIBOR to SOFR, which is the new LIBOR.

LIBOR was an international rate in London, and SOFR is generally a U.S. derived rate of current market conditions. It is not a perfect substitute for LIBOR, but it is the best that they have come up with so far. This little amendment is basically to bring the YMCA bond issue in compliance with federal banking regulations, and it basically dictated to all banks they have a certain date that they have to improve the LIBOR from all their loan documents. You probably will see more than one of these, but this one is from Truist. Truist has a number of credits here, but some of the others are for the Health, Educational, and Housing Facility Board (HEB), for example, for some of the schools in the area. The motion carried.

Mr. Oakley stated the end date is June 30th. Mr. Noblett asked if they think there will be more loans to be coming to the IDB between now and June 30th? Mr. Oakley stated not for Truist. They do not have that many. They have done the Aquarium, but Mr. Mamantov cannot remember many others they have done as bond counsel. It may be possible for the next meeting, and may see some for the HEB.

ADOPTED 3/6/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS PROVIDING FOR THE RELEASE OF A PORTION OF DEBT SERVICE RESERVE ACCOUNT MONIES OF THE BOARD HELD FOR THE CHATTANOOGA LEASE RENTAL REVENUE REFUNDING BONDS, SERIES 2018A (TAX-EXEMPT) AND CHATTANOOGA LEASE RENTAL REVENUE REFUNDING BONDS, SERIES 2018C (TAXABLE) AND AUTHORIZING CERTAIN ACTIONS RELATED THERETO.

Mr. Mamantov stated that he is here on this item helping the City. Back in 2007, the IDB financed The Chattanooga and related convention and conference facilities, and some parking. In 2018, those bonds were refinanced in four different series of bonds A, B, C, and D. Series B and D were tied to the hotel. They sold the hotel and paid off those two series of bonds. Only A and C remain outstanding, however, there was a glitch in the documents.

There is a reserve fund for these bonds roughly \$9 million or so, and that reserve fund was based on A, B, C, and D, not A and C, even though they knew the bonds were likely to be paid off for the hotel, they just did not get drafted clearly. That \$9 million has been sitting there in investment agreements since 2018. Nobody has lost any money because it is being invested at a higher yield than the other bond. It is essentially a wash. The provider of that Investment Agreement called up the City and their financial advisors and said that we have way more money in this fund than what is supposed to be there. There is just a glitch in the documents. We need to fix that because we did not intend for roughly \$6 million to be in there. They have been

amending the documents with 30 people on conference calls to basically downsize this debt service reserve fund to a number that has been approved by the bond holder.

The bond holder is affiliated with Raymond James in their banking capacity. Not in their underwriting. They have agreed with the investment provider to downsize this reserve fund to roughly \$3.8 million. There is \$3 of \$6 million, very roughly, will be used to pre-pay the debt, so these Lease Revenue bonds will reduce the principal amount. One series is paid off next year anyway, and the other is a little longer. The IDB issues the bonds and loans the money. At the time it was called Southside Development Corporation. It has been renamed. It was leased to the City. The real credit is the City. They also have to sign off. It goes to City Council on March 15th and it is also going to go the corporation this month as well. The good thing about downsizing the debt economically is probably sort of a wash, but that is what this is all about.

Mr. Adkins asked if the extra money is going towards paying down the bond debt? Mr. Mamantov stated it will happen the very day it is freed up. Raymond James has agreed to waive all notices and will go immediately to pay it down. There is an Investment Agreement as he has mentioned that is being terminated. There will be some extra money from that as well. That will be used to pay issuance costs, people like Mr. Mamantov and the Bond Trustee for dealing with this, and then the remainder would also be used to pay the debt. The motion carried.

ADOPTED 3/6/2023

OTHER BUSINESS

Chairman Rodgers took a Chairman's prerogative and skipped the TIF policies and procedures and put that last, and will jump into Other Business.

By-Laws The Board has a copy of the By-Laws. Chairman Rodgers asked if the Board had any questions or comments regarding the By-Laws. There being no discussion, a motion was made by Ms. Jones, seconded by Mr. Sharpley, and the By-Laws were unanimously approved.

Website Chairman Rodgers stated that Mr. Hayes was instrumental in getting the website revised and wanted Mr. Hayes to hear from the Board directly that the Board appreciates Mr. Hayes and Mr. Floyd's efforts. The Board saw a presentation at our last meeting of how good the improvements look. Mr. Hayes stated that it will come out at the end of this month.

HomeServe Mr. Noblett stated that at the last meeting, the Board requested the City Attorney to send a notification to HomeServe where we needed more information off of their Annual Report. HomeServe sent a response back in mid-January stated that the report they provided was that there would be 416 people in the PILOT program and an average wage for the employees in the PILOT program was \$46,978. They were going to update their report to the Board to include those numbers that were not included in the initial report. This is the issue from HomeServe.

HomeServe have provided updated information for consideration by this body. The Board can consider whenever you wish, but they are providing that updated information. We can put this as a business item. We have the documentation included if the Board wants us to provide a resolution to adopt the report, we can do that at the next meeting. Chairman Rodgers stated that this item can come to the Board at the next meeting. Mr. Noblett clarified it now, and the Board has a better understanding, and will follow-up at the next meeting. Mr. Noblett stated there was a concern about how many people they were actually employing and what was the average wage. They provided that information.

Amazon

Mr. Noblett stated that Amazon is unwinding their PILOT. Amazon is going to be getting out of the Payment in Lieu of Taxes and will pay full taxes to the City and the County. That is a pretty important issue, and they are exercising their option to go to a Quitclaim Deed to reconvey the property that would not be under a Payment in Lieu of Tax Agreement and would be paying full taxes. They are wanting to draft that documentation. Mr. Noblett has not seen the final documents yet but wanted to make sure the Board was notified. The Board will need to sign a Quitclaim Deed, and at that time, they will be assessed at a regular taxable rate for the agreement on the property. That is a good thing. That is the purpose for a PILOT to provide an incentive on the front end to get businesses to locate here, and give them at a specific lower rate while they are first starting out, and then get the taxable property. Once you build a million square foot structure on the property, its assessed rate would be considerably higher.

PILOT policies and procedures

Chairman Rodgers stated that we made progress on the By-Laws, website, and making good progress on the TIF policies. Chairman Rodgers would like to put that off to the next meeting – one thing at a time. The Board agreed. Once the TIF matter is worked out, the Board will address the PILOT policies and procedures.



PUBLIC HEARING

TAX INCREMENT FINANCING POLICIES AND PROCEDURES

Chairman Rodgers thanked Mr. Mamantov for his revisions on the TIF policies and procedures. Chairman Rodgers thanked Ms. Helen Burns Sharp for her e-mail outlining her thoughts and ATM's thoughts. Chairman Rodgers appreciates Ms. Sharp as the Board has someone with experience and for the public who is willing to share thoughts. Even though we may not always agree, at least we have Ms. Sharp's thoughts. Ms. Sharp's thoughts are valuable and appreciated.

PUBLIC COMMENTS

Ms. Helen Burns Sharp (Accountability for Taxpayer Money) and Ms. Janice Gooden (CALEB) were the only individuals from the public commenting.

Let the record reflect the hearing transcript is attached from LAW Reporting for the minutes of all discussion relating to the Public Hearing on Tax Increment Financing policies and procedures. Also attached as an exhibit to these minutes is a copy of ATM's e-mailed comments dated March 5, 2023.



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



PATRICK SHARPLEY, *Secretary*

APPROVED:



JIMMY F. RODGERS, JR., *Chair*



Maria Manalla <mmanalla@chattanooga.gov>

Fwd: ATM Comments on TIF at 03-06-2023 IDB

1 message

Helen Burns Sharp <untiedlaces@gmail.com>
 To: Manalla Maria <mmanalla@chattanooga.gov>

Mon, Mar 6, 2023 at 10:52 AM

----- Forwarded message -----

From: Helen Burns Sharp <untiedlaces@gmail.com>

Date: Sun, Mar 5, 2023 at 1:42 PM

Subject: ATM Comments on TIF at 03-06-2023 IDB

To: Ray Adkins <adkins@epbfi.com>, James Floyd <jim.floyd@inspexservices.com>, Kerry Hayes <kerry.hayes@gmail.com>, Althea Jones <arjones@tva.gov>, Gordon Parker <sgordonparker1@gmail.com>, Jimmy Rodgers <jroddgers@summersfirm.com>, Patrick Sharpley <psharpley@iw704jatc.com>

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

The TIF Policies and Procedures document on your agenda reflects changes to the version passed by City Council on November 29, 2022. We believe these are better policies because of the Board's deliberation at the January 18th public hearing, the public testimony at that hearing, and the additional work by city staff and the city's external legal counsel.

Here are our comments on the current version:

1) School Taxes and Stormwater Fees--Good to see new wording clarifying the payment of school property taxes and stormwater fees. (Section 1. General Policy)

2) Community Benefits Concept--Good to see new wording in new Section 3.2 Board Considerations, saying that the IDB will evaluate a TIF project's community impact in and around the location of the project and that an applicant should consider any concerns of the community and, to the extent practicable, be responsible to such concerns.

3) Application Review Committee--(Section 3.4). Currently, it is a five-person committee. The current policies say the Mayor shall appoint 2, the Council shall appoint 2, and the Chamber has an automatic seat. The current language says that the committee must be at least 5 members but does not establish a cap. Here is a concept for your consideration: **Add a sentence saying "Two members may be appointed by the Industrial Development Board."** Here is our thinking: The first step in the public process for a TIF is when the IDB reviews the application. (This happens before the preparation of the Economic Impact Plan, the one meeting of the Application Review Committee (ARC), and the IDB public hearing.) **ATM recommends that the IDB decide at their initial meeting on each TIF application if they believe the proposed project would benefit from broader representation on the ARC**, such as a representative of the impacted neighborhood, a contractor, a labor representative, a public finance expert, etc. **We also recommend that the IDB select a Board member to serve on the committee as a liaison between the ARC and the IDB.** I have attended these committee meetings in the past and noticed that the committee is sometimes given more detailed information than what is presented to you. Their role is "one-and-done" where your role starts at the very beginning and sometimes lasts for 20 or 30 years.

4) Third-Party Review--Good to see this concept added to Section 4.11, Applicant Affidavit. The policy makes clear that this review is required and that the applicant pays the cost. However, **ATM believes additional wording is needed to make clear that the independent consulting firm must specialize in public finance as well as real estate development.** In other words, we need a "but/for" analysis that looks at whether a taxpayer incentive is needed and, if so, for how much and for how long.

- This is different from the "economic impact analyses" that have been done by consultants on previous TIF and PILOT projects.

5) City-Initiated Projects--The introduction includes a paragraph that says a City-Initiated TIF does not have to comply with these policies and procedures. "The City shall follow such procedures as the City deems appropriate under the circumstances." ATM believes that public trust may suffer when the public does not understand why the City as the applicant does not have to prepare an application or obtain a third-party review. Here is our suggested solution: **Insert new language in the second paragraph of the introduction saying that the City shall explain its rationale if they choose to be the applicant. If they exempt themselves from preparing an application, the City shall explain when information required in a TIF application will be available to the public (site plan, cost breakdown into component parts like infrastructure, remediation, parking lots, etc.). If they exempt themselves from third-party review for projects where there are a small number of private companies that will realize significant financial benefits, the City shall explain if the private entities will be required to participate financially in the project.**

Thank you for considering these comments.

Respectfully--

~Helen

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