



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
John P. Franklin Sr. City Council Building
Assembly Room
Chattanooga, Tennessee
for
Monday, July 1, 2024
11:05 AM**

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

Also Present were: Attorney for the Board, Phillip A. Noblett; Gail Hart (Real Property); Dave Flessner (Times-Free Press); Adam Myers (Chattanooga Chamber); Bill Payne, Clay Oliver, and Elizabeth Goss (Public Works); Eleanor Liu and Paul Boylan (Finance); Janice Gooden (CALEB); and Jermaine Freeman (Chief of Staff).



Chairman Hayes called the meeting to order, confirmed the meeting was duly advertised, and established that a quorum was present to conduct business.



ELECTION OF OFFICERS

The 2024-2025 officers were elected:

**Kerry Hayes – Chair – (Jones/Parker)
Althea Jones – Vice-Chair – (Kain/Rodgers)
Gordon Parker – Secretary – (Rodgers/Jones)
Jim Floyd – Assistant Secretary – (Rodgers/Parker)**



MONTHLY MEETING OF JUNE 3, 2024 – MINUTES APPROVAL

On motion of Mr. Parker, seconded by Ms. Jones, the minutes of the June 3, 2024, monthly meeting were unanimously approved.



PUBLIC COMMENTS

No one from the public had comments.



**VW FUNDING PROGRESS REPORT AND
ECONOMIC DEVELOPMENT PROGRAMS SUMMARY**

Ms. Liu is happy to report that there were no transactions in the Volkswagen Funding Progress Report. We are at 98.95%. The first MOU is \$53,257 spent. The second MOU is \$451,570 spent. The third MOU is \$5 million spent.

With regard to the Economic Development Programs Summary, the NR14 column cash balance is \$2,057,732.25. The rest of the cash balances already have contingent purposes.

The third report is the TIF report. For calendar year 2023, the TIF payments came from the City and County. To date, total payments by Hamilton County and City are \$6,055,105.56.

Mr. Parker had a question for Ms. Liu about zero balances for the 1st, 2nd, and 3rd MOUs. Mr. Bill Payne said that there is a small amount of money left from both the 1st and 2nd MOUs. VW has been continuing to look at some projects that could fit within that scope of work so we can continue to do that.



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

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO EXECUTE A RIGHT OF ENTRY ON A TEMPORARY BASIS FOR CERTAIN REAL PROPERTY LOCATED AT 7134 LEE HIGHWAY, CHATTANOOGA, TN, IDENTIFIED AS TAX MAP NO. 139P-C-007, FOR THE PURPOSES OF CONDUCTING SURVEYING, SUBSURFACE SOIL INVESTIGATION, AND PROPERTY APPRAISAL TO OBTAIN A NEW SANITARY SEWER EASEMENT RELATING TO THE HOMESERVE PILOT PROPERTY.

Mr. Bill Payne gave a brief reasoning behind the project. Ms. Elizabeth Goss is the project manager. This is part of the e2i2 project which is one of the IDB's projects. There is a new line that needs to go in that would cross a portion of the HomeServe property, but they have some permeable pavement on the property. These investigations are needed.

Ms. Elizabeth Goss said this is part of the e2i2 project. The City owned parcel on St. Stephens Place which is across from Lee Highway with pump station reversion structure we will (inaudible) flow and we need to get it back to our parcel which is on Lee Highway. The practical way to do this is to come through the HomeServe property which lies adjacent to the City property on Lee Highway. A part of this is for the appraisal process which will include potential for a future permit access agreement because this HomeServe property is the easiest way we can access our property due to the typography and Consent Decree.

This does not have anything to do with what HomeServe has done. We are asking the Board's permission. The tenant has been notified. They have dealt with Mr. Edwards and HomeServe and met with them several times, and they have given us homework and questions asked. This is the last step with the parking lot. We need an engineering study. It will be done in one day and will go back to the lab to study. We should get it back pretty soon. The appraisal process will probably take a month and a half. They have gone back to HomeServe several times and talked about different things they can agree on. One of those being to ensure that we can get them access the whole way through construction.

The motion carried.



On motion of Ms. Kain, seconded by Mr. Adkins,

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA WITH RESPECT TO AN AMENDMENT TO AN ECONOMIC IMPACT PLAN FOR THE SOUTH BROAD DISTRICT PLAN AREA AS AMENDED BY COUNCIL OF THE CITY OF CHATTANOOGA.

Mr. Jermaine Freeman said that at our last meeting this body took action to create an amendment to the Economic Impact Plan for the South Broad Stadium Project. That will allow the new financing structure that was approved by both the City Council and County Commission to move forward. During the process of the City Council adopting their resolution for the Economic Impact Plan, the City Council wanted to change one paragraph that was in the amendment to specify and call out the fact that there will be a certain level of debt service protection for the City throughout the TIF.

We are coming back to this Board for acknowledgement of the fact that the City Council made its own amendment to the amendment to allow for the City's capture and protection of debt service revenues throughout the time of the TIF. That was one paragraph that they basically changed which reads, "notwithstanding the foregoing and the provisions on Section 6 below, the City percentage as defined below irrespective of the City property taxes allocated to debt service shall not be less than 25% provided that the Chief Financial Officer of the City is directed pursuant to Tenn. Code Ann. § 9-23-13(g) to establish the debt service amount in a manner such as the debt service amount would not exceed 25% permitted by applicable law." This is an amendment to the amendment that the City Council wanted to make sure that the portion of revenue is protected that will continue to flow to the City's General Fund during the TIF that it is protected within the 25% threshold.

Chairman Hayes asked what the Board's role was. Mr. Freeman said that the Board is being asked because of the way the Economic Impact Plan is written, the Board is being asked to acknowledge the City Council's amendment to your amendment so we can move forward and keep the project rolling. Attorney Noblett said that this body has to pass the Economic Impact Plan. This is the last stop on the train.

The motion carried.

Chairman Hayes announced the groundbreaking for this project is Monday, July 15th at 10:30 AM.



OTHER BUSINESS – DISCUSSION ITEMS

- **Discussion by the Chattanooga Chamber regarding PILOT policies and procedures.**

Mr. Freeman would like to give an update on where the conversations with the PILOT policies have been. We will get an update from Adam Myers with the Chattanooga Chamber (Vice-President of Economic Development). We had hoped to bring a draft of the policies today, but Mr. Myers has had robust and meaningful conversations with the City Council. We anticipate those conversations will continue and want to give him a chance to update the Board and talk about the next steps.

Mr. Myers followed up from the last IDB meeting in March we had some conversations about PILOT policies. We have been taking a look at the policies that we have presented in partnership with Mr. Freeman, the City staff, and Administration, and we have taken feedback from this IDB Board saying how has City Council felt about these policies. We have had a number of conversations with many City Council members to garner some feedback and garner what they would like to see in the policies. Much like this Board, they definitely want to see a focus on target industry specific in order to be able to delegate authority for the IDB to approve the PILOT policies without having to go back to City Council.

We have taken a look at target industry folks' strategy plan in partnership with the City as well as the County. We also took a glance on the State's targeted industry too. We are focusing on manufacturing automotive vehicle parts, machinery and robotics, outdoor products, specialty food, aviation and aerospace manufacturing, which is a key target for the State, medical devices and pharmaceuticals (life sciences sector), and operations using very enhanced manufacturing processes which often need to hire average wages, freight services, financial services, and created media, as well as, software information technology, office projects, and headquarters for relocation, expansion, and retention of international and national primary regional headquarters of established companies.

Additionally, we have looked at future technologies as well for this targeted industry like quantum computing, electric vehicle parts manufacturing, biomedical, smart city technology, industrial design, engineering, and robotics technologies. These are the targeted industries they are focusing on PILOT policies.

Another feedback from Council so far, we have not talked to all council members yet but are continuing to work with City Council. The next steps are that we want to make sure our matrix is set up to where it is encouraging investment in disadvantaged areas to make sure we have cap established, and what they would look like for projects, and the IDB's authority.

Mr. Freeman said Council has given them some assignments. We are now working with the Chamber to make sure that we can answer any outstanding questions they have. We would like to meet with the Council members so there can be open discussion and review of their recommendations and feedback with regard to this policy.

As we talk about the policy, the City of Chattanooga does not currently have any existing policy regarding jobs PILOTs at all. We do have existing policies for projects that are related to affordable housing PILOTs which this body does not see and comes before the City's Health, Educational, and Housing Facility Board.

The IDB has never had a policy regarding jobs PILOTs. We are not asking for the City Council to give up its ability to review PILOTs. We are saying that working with the Chattanooga Chamber of Commerce which receives an appropriation from the City Council in our budget every year which is a trust economic development partner are there certain key types of industries that the Council is comfortable delegating responsibility to this Board for, and that we can all agree that there are key industries we are trying to recruit to the City of Chattanooga, grow for the City of Chattanooga, and if these projects meet certain prescribed investment and job creation thresholds.

What the Chamber has been working with the Administration on is seeing if Council has an appetite to say we can all agree that since the Chamber is our trusted partner and there are certain key industries we are pursuing, we are comfortable that if those projects within those key industries that need certain prescribed investment job creation thresholds, we are comfortable with the IDB reviewing those up to a cap.

The Council's role does not go away because they would have ultimate power over which industries and projects would fit within this delegation resolution the Chamber is recommending. Any company that comes to the City and is seeking a PILOT that would not fall within this prescribed threshold or within this private industry sector would still come before City Council as well as the County Commission for PILOT approval the way they currently do. That will not change.

Mr. Freeman wants to make that clear that the City Council's role is not going away. We are simply asking them are there some target industries that we think you all can agree with the Administration and move along in the field when it comes to economic development in Chattanooga that the IDB can approve that these are targeted industries that we all can agree on. We will continue to work with the Council to make sure that we can get a meeting scheduled to make sure we can have public discussion about policies so that everyone is clear.

Chairman Hayes recapped that the Council has requested the economic development community how to look at the draft as it currently stands and the framework. Mr. Freeman said that the Council would like the Chamber to investigate. We would ask the Council if they would be okay with meeting in Economic Development Committee or Strategic Planning Session to have a robust discussion over the policies similar to the new housing process. This could come back in the Fall.

Mr. Rodgers asked if it is still the plan to hold off on requesting or presenting any new requests for PILOTs until these policies get implemented? Mr. Freeman does not know if they have ever committed to that. Realistically, if a PILOT came before us tomorrow for a PILOT, because there is no policy, a project would then be heard before the City Council and County Commission. If it were the City Council's will to hear the presentation and resolution, they would have the ability to do that. Because we do not have a policy in place, if a project came before the City and County and said we are interested in expanding in Chattanooga and are requesting and here is what the structure looks like, that then comes before the City Council and County Commission for review. They have the authority whether or not to do that.

Mr. Rodgers' concern is that when we started this process back last Fall, the minutes reflect the representation that no PILOT would be brought before the Board until this gets resolved. It is important because this is taking a while and for good reason, but at the same time, the public needs to know this is going to continue to be a process that is not going to surprise anyone with something during the interim period of time. We can put something in place and amend it, we do not necessarily have to have this ultimate product in place. There can be amendments to it. That is Mr. Rodgers' concern from a timeline.

Mr. Freeman is not aware of any projects that are in the hopper right now. As we continue to move forward with this process, Mr. Freeman does feel confident that we can get this process resolved and have a policy that we can put in place over the next couple of months. Again, Mr. Freeman does not know of any projects in the hopper right now anyway. They all work out just in terms of time.

Mr. Freeman will keep the Board in the loop about when the Council plans to meet on this for some time this month, and we will wait to hear more as that process unfolds.

- **Discussion by Eleanor Liu regarding the Tennessee Comptroller of the Treasury letter for the financial report.**

Ms. Liu recapped that the reason we received the letter from the State Comptroller's Office was because we presented last year's financial reports a negative or deficit of net position. That is due to interest in payments payable reported. We currently have three TIFs that we are receiving tax increment revenue on. The loan agreement is at 3.5% interest that is due. Part of the schedule loan agreement, the City has received an interest payment before the principal payment. All that is fine except the payment received so far is about \$20,000.00 a year for the past four years. For the past two years, the interest payment alone has been over \$140,000.00 a year. Therefore, I record an interest payable which is what triggered the negative net position. Trying to resolve the problem, we had a meeting with CFO, Mr. Majid, Brian Smart, and TIF attorney, Mr. Mamantov, and Weston Porter, auditor. At the meeting, it was discussed that the accounting sheet could be changed due to the loan itself is a non-course loan. The principal and interest payment disclosure can be in the notes section. Pretty much everyone agreed with that, but auditor, Weston Porter, wants to review the Knox County IDB, and their financial reports to see how they report. We are waiting for the final word from Mr. Porter within a couple of weeks.

Chairman Hayes says that it sounds like there is a little bit of disagreement about the timing with which these things were recorded. We are trying to see what the best practice. Ms. Liu said more like the position the way it is disclosed. Whether on the main body of the financial statement or another section. We will have this recapped for discussion next month as long as you are continuing to figure this out. Ms. Liu said today is July 1st and we will start a new fiscal year and Ms. Liu must close last year. For her benefit, Ms. Liu is the one that gets this resolved because she knows. Ms. Liu is pretty confident we should have a final word at this next meeting.

Attorney Noblett asked Ms. Liu if there was anything else that needs to be added to the note. Ms. Liu said if we agree to all the external audit, Ms. Liu will remove that interest payment from the financial statement. The dollar amount to be put in the notes section. We can do that for the current year based on what Ms. Liu has learned.

Mr. Rodgers asked Ms. Liu if the Comptroller's Office is not pressuring her for a response to them. It is a matter of future reporting. Ms. Liu said it looks that way from the language we discussed. Chairman Hayes said that we need to respond in writing at some point. Will this body need to act on the letter to authorize? Attorney Noblett said yes because it is to the Board of Directors of the IDB. We will make sure the staff make sure that get prepared so we can take action to make sure we respond to them in writing.

Mr. Rodgers said the last sentence said that you can send a response to this letter after noting about future reports. Mr. Rodgers said he may be wrong, but he does not agree that it requires a response. Attorney Noblett said it got made. Mr. Rodgers said that it does not say we could not do it. Attorney Noblett said it is always good for us to tell them we are thinking about them though. Chair Hayes recommends that it be done to make sure. Chair Hayes asked Ms. Liu to have time for the next meeting to have a draft of something that summarizes something for the Board to look at.

- **HomeServe**

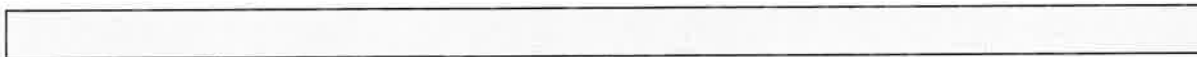
Mr. Rodgers said for the record for the minutes he wants to note that he did have a concern about the HomeServe resolution to the extent that it is unclear from looking with the Tennessee Secretary of State's office, and he passed out a handout, which HomeServe entity that we as an IDB are dealing with. There are three potential ones and was just concerned seeing that Mr. Payne has described that nothing they were here for the purposes of the resolution had to do *per se* with HomeServe itself. He will certainly let it go and am concerned to know when he sees something like that from a legal standpoint it kind of raises a yellow flag of who we are dealing with. Which one of these entities. Hopefully to the state that HomeServe comes back before us we can have it pinned down.

Attorney Noblett went back and checked since he does have access to all of our documents that were involved. We are actually dealing with HomeServe USA Corp. out of Pennsylvania, which shows it is an active corporation at this point time in 2009. This was done – Wade Hinton was the attorney for the Board at the time this issue went down in 2017 and the County, Mr. Taylor, was the attorney for it and showed that Mr. John Kitsey who is the Chief Operating Officer from HomeServe USA Corp., and they are out of Connecticut. Different corporations, but it is the HomeServe USA Corp. that is domiciled in Pennsylvania.

Chairman Hayes said we need to make sure the corporation is in good standing with the Secretary of State's Office just as a matter of protocol.

The next few meetings are Monday, August 5th and Monday, September 9th.

Chairman Hayes wanted to acknowledge Dave Flessner in the audience that he understands this is his last meeting at least in his capacity as a reporter for the Times-Free Press. Thank you very much for the transparency to what this Board does and appreciates it very much.



There being no further business, on motion of Ms. Jones, seconded by Mr. Parker, the meeting adjourned at 11:45 AM.



GORDON PARKER, *Secretary*

APPROVED:



KERRY HAYES, *Chair*