



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES**

**City Council Building
Chattanooga, Tennessee**

**for
July 12, 2021
11:05 AM**

Present were Jimmy F. Rodgers, Jr. (Chair), Althea Jones (Vice-Chair), Patrick Sharpley (Secretary), Gordon Parker (Assistant Secretary), Ray Adkins, Kerry Hayes, and James Floyd. Absent was Lance Truett. It was established that a quorum was present to conduct business, and the meeting was duly advertised.

Also present were: Phillip A. Noblett (Counsel for the Board); Jermaine Freeman (ECD); Eleanor Liu (Finance); Gail Hart (Real Property); Helen Burns Sharp (ATM); Geoffrey Meldahl (Caleb Community Group); Daniel Deas (PUREGraphite); Mark Smith (Miller & Martin); Carl Hartley and Evan Sharber (Baker, Donelson); and Charles Wood (Chattanooga Chamber of Commerce).

Mr. Rodgers called the meeting to order. It was established that a quorum was present to conduct business and the meeting was properly advertised.



ELECTION OF OFFICERS

- **Jimmy F. Rodgers, Jr. – Chair** (motion by Mr. Adkins, seconded by Mr. Hayes)
- **Althea Jones – Vice-Chair** (motion by Mr. Adkins, seconded by Mr. Parker)
- **Patrick Sharpley – Secretary** (motion by Mr. Hayes, seconded by Mr. Adkins)
- **Gordon Parker – Assistant Secretary** (motion by Mr. Adkins, seconded by Mr. Hayes)

All motions were unanimously approved.



MEETING MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Mr. Sharpley, the minutes of the June 7, 2021, meeting were unanimously approved.



(1) Geoffrey Meldahl (CALEB Community Group). Mr. Meldahl spoke about the issues of transparency and public education when it comes to tax incentives. Mr. Meldahl wanted to encourage the Board and share the collective thoughts that when it comes to PILOTs, the public does not have enough lead time coming from the announcement of a PILOT. He wanted to encourage the Board to use its influence to get a little more lead time, speak to the Mayor, speak to the Chamber, and the contractors who are requesting the tax breaks, and to give a little more time for public input.

(2) Helen Burns Sharp (ATM and Member of CALEB Economic Mobility Task Force).

Sharp: Let's continue progress on tax breaks
July 4, 2021 | by Helen Burns Sharp | Copyright © 2021

“The public recently learned of a new payment-in-lieu-of-tax (PILOT) application for a property tax abatement for Novonix, an affiliate of PUREgraphite LLC. The company plans to purchase the "Big Blue" building at the former Alstom site, create about 300 jobs, and build components for the emerging electric battery market.

PILOTs have come under scrutiny in Chattanooga in recent years, with questions raised about whether we are paying enough attention to what is a good deal and what is not a good deal. Our city and county governments are very dependent on general fund property taxes to pay for needed services, such as fire, police, streets, youth & community programs, and affordable housing. PILOTs (and other forms of tax incentives) reduce general fund revenues.

So we need to make sure that any tax incentive provides significant public benefit and meets the "but-for" test (i.e., determining whether a company would locate here without an incentive).

This company appears to meet several key aspects of the public benefit test. It would create about 300 jobs; it has the potential to create more jobs, and it would give Chattanooga a presence in the sustainability and electrification arena.

The project also appears to meet the "but-for" test. Company officials said they looked at sites in Texas and throughout the Southeast, including Huntsville, Alabama. Likely these places were interested in the project and may have been willing to offer incentives.

The term of the proposed PILOT agreement is 10 years, which is a shorter period than several existing PILOT agreements, including Volkswagen (and suppliers), BlueCross BlueShield, the Provident/Unum parking garage, and the Majestic Theater.

Other encouraging features of the proposed agreement include:

- A "Community Benefits Agreement," where the company pledges a good faith effort on recruiting local employees, using local contractors and working with local workforce development partners, and
- "Clawback" language spelling out how the amount of the tax abatement would be reduced if the company falls short on the number of jobs or amount of investment.

During the months leading up to the recent city election, a task force held a series of candidate forums. Members of the Chattanooga in Action for Love Equality & Benevolence (CALEB) task force asked mayoral and city council candidates to commit to more transparency when considering PILOTs, including adopting written policies for jobs PILOTs and holding public hearings before acting on PILOT requests. The response from the candidates was very positive.

This application is better than most previous PILOTs. It is encouraging that Mayor Tim Kelly's office prepared a written staff report to the City Council. It is encouraging that City Council members asked excellent questions. Let's build on this model in the coming months and continue to improve the process for future applications.

This initiative should include codifying the good policies that are already informally in place (such as not waiving property taxes for education or stormwater fees); adding new policies (such as a required public hearing process before the council vote); evaluating the components of community benefits agreements, and having thoughtful discussions on how much jobs should pay to qualify for a PILOT subsidy.

CALEB looks forward to contributing to the conversation with the city council, Hamilton county commissioners, city and county mayor's offices, the Chamber of Commerce and other community stakeholders.

Helen Burns Sharp is the founder of Accountability for Taxpayer Money and is a member of CALEB's economic mobility task force.”

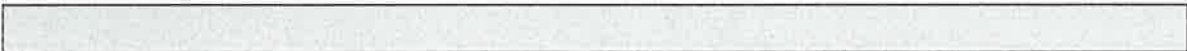
Ms. Sharp explained that she thinks the PUREGraphite PILOT is good and seems to meet the but-for test. There was a lot of competition for this. It was not automatic that they would locate in Chattanooga. It is for a relatively short term (10 years) and seems to position us in a field that would be a good niche fit for Chattanooga in terms of our economic development strategy. There are positive things to say. It has claw-back language and for the first time in a PILOT agreement has some community benefit language where the company pledges to make their best effort to hire local workers and local contractors which is a plus. The commentary goes on to say that we believe the PILOT process can be made better. This is a good model to build upon. We can do that by (1) codifying the existing good policies that we have that are informal like the companies pay their education taxes and stormwater fees in full; and (2) new policies such as adding public hearings to the process.

When you deal with TIFs, this Board holds the public hearing but not for PILOTs. It would create more public trust, the more transparency we had. For example, each item on the agenda have a brief staff report about one page that summarizes the background information would be really helpful. The reason we are doing this is not to be critics, but that this is a big deal, and collectively this last year we abated \$25 million in property taxes. A big chunk is Volkswagen, but that is one year. We want to try to make sure we believe that tax break incentives need to be in our tool box, but we need to be strategic because when we are not collecting these property taxes what really we want is the investment and good paying jobs and tax base. When we do not collect taxes, then we do not have that revenue. This Board keeps getting better and better.



VOLKSWAGEN FINANCE REPORT

Ms. Eleanor Liu presented the VW grant finance report. The VW grants started in 2008 with two MOUs. Those MOUs are still ongoing. The third MOU a couple of years ago was supposed to be coming, but Ms. Liu has not seen the paper work yet. There are very little activities and have made no payments. The only activity was that two POs have closed. Overall percentage spent, encumbered, and contingencies are at 98.84%, and we are within budget.



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

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (THE "BOARD") TO ENTER INTO A JOINDER WITH GESTAMP CHATTANOOGA II, LLC (THE "COMPANY") AND CERTAIN CONFIRMATIONAL REVISIONS TO THE COMPANY'S AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES, AND RELATED DOCUMENTS.

Mr. Jermaine Freeman deferred to attorney Noblett on this item to shed more light on how the structure of this will be. Mr. Evan Sharber is also here to give more detail. Mr. Rodgers congratulated Mr. Freeman on his appointment by the new Mayor. Mr. Noblett stated this resolution is necessary because it needs to clear up an issue as to the provisions for an amendment to a 2019 agreement approved by the County Industrial Development Board but was not approved by the City. In 2015, the City agreed to have a development with Gestamp Chattanooga II, LLC. This is involving property on Ferdinand Piech Way. The improvements on the property included some personal property at that location. The City Council adopted a resolution in 2015 and resolutions adopted by the County Boards concerning this matter, but the City IDB was left out. We need to include that reference. The provisions to the agreement are clearly showing that this initially started back with the 2015 PILOT. There is a real property lease and additional investments that resulted in the three-year extension to that term. In 2019, it was approved by the City Council, but they did not come to this body and that needs to be resolved.

The 2019 PILOT agreement is a First Amendment that has been adopted by the Board as an intended party for those amendments. The only changes to the original agreements that this Board was involved in is an extension for three more years based upon a new piece of property that is going to be involved for improvement. They need to have the IDB's name on these documents for a real property lease and amendment to the real property lease to resolve that. The resolution and joinder is simply going to allow this Board to join into the agreement that is there for Gestamp II on Ferdinand Piech Way.

Mr. Sharber represents Gestamp. Everything in Mr. Noblett's presentation was accurate. Gestamp is seeking conformational revisions to the PILOT agreement documents of the amendments that occurred in 2019.

Mr. Noblett stated there is a "Confidential-Not for Distribution" which is a one-page summary that might be wonderful for someone like Ms. Sharp to be able to see? Mr. Sharber wanted a chance to double check and make sure there was no error because it was put together in a rush and wanted them to have a little time. Mr. Noblett explained to Ms. Sharp that this is such a big deal and had to be done on an 11 x 17 paper. It is one page. We had three PILOT agreements involving the company over the period of ten years, and this has a little complicated history.

Mr. Hayes asked for the record is that none of the investment has yet commenced as far as this new agreement? Mr. Sharber believes it has commenced. The expansion was announced in 2019, and the new period for which targets the investment and job figures applies the period from 2020-2023 for the new investments. Mr. Hayes asked if Mr. Sharber has any awareness of how the hiring has been going. Mr. Sharber does not have the exact numbers in front of him but his understanding at the beginning of this year are the targets, and he can get the numbers.

The two documents today are just simply a resolution and a joinder that allows the IDB of the City to be joined to this project which has already been approved by the City Council.

After further discussion, the resolution was unanimously adopted.



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

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 PUREGRAPHITE PROJECT, TO LEASE SUCH PROPERTY TO PUREGRAPHITE LLC AND TO NOVONIX 1029, LLC AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

Mr. Freeman stated as the Board evaluates and reviews whether or not PILOTs are good for the City, an education session would be helpful to the Board to fully understand what a PILOT actually is. The presentation before the Board today is going to be Mr. Freeman's attempts to walk the Board through the process of what a PILOT is, how it works, and how we arrive at determining which companies are recipients of PILOT agreements.

PRESENTATION AND BACKGROUND INFORMATION
BY JERMAINE FREEMAN

A PILOT is the form of tax abatement and is an acronym which stands for Payment in Lieu of Taxes which means that during the time that a company is under a PILOT agreement, they are making payments to the IDB and the City, and instead pays traditional property taxes. The City offers two different types of PILOTs: (1) Economic Development PILOTs; and (2) Affordable Housing PILOTs. Developers who are building density, affordable housing, and provide affordable housing to people who are at certain income thresholds might be eligible for some sort of abatement of property taxes on the development. Companies that are proposing large expansions or relocations that will create lots of jobs and capital investment could be eligible for an abatement of property taxes.

Aside from tax abatement, projects can also be incentivized with cash grants and/or discounted or donated real estate. The Affordable Housing Project Program particularly goes through the Health, Educational, and Housing Facility Board (HEB). This Board reviews and evaluates PILOTs regarding companies that are creating jobs and doing major capital investment projects. By state law, those abatements have to go through the IDB. The City is not permitted by state law to unilaterally grant tax abatements to companies when they apply. The IDB has to do that in partnership with the City in order for there to be a third party to provide some sort of review and oversight of the process. The way that the City's process works is that PILOTs are approved by both the City Council and the County Commission. Companies pay both property taxes to the City and the County, and the PILOTs must meet the but-for test, meaning that a project would not happen "but-for" the incentive.

Companies will reach out to the Chamber of Commerce which partners with the City and County for economic activities. Companies may also reach out through TVA or some of our utility partners or they may contact the Tennessee State Department of Economic and Community Development. The Chamber will then evaluate the request on behalf of the City and County. Companies that are not recommended for PILOTs are communicated with privately. We do not make a habit of publicizing the companies that are declined for PILOTs and that is because we do not have any interest in embarrassing the company for which we choose not to do a PILOT. We communicate with those companies in private. At the same time, when the Chamber does recommend a company for a PILOT, initial approval is also sought from both the City and County Mayors who both weigh-in and review the but-for basis, as well as the benefits of the community in the tax abatement. No PILOT will ever come before this Board that has not already been approved and supported by both Mayors as well as the City Council and County Commission.

Last Tuesday, the City Council voted to approve this PILOT. The County Commission voted to approve this PILOT last Wednesday. Final approval for the lease of the land for the property is granted by the IDB. Sometimes PILOTs will come through the IDB. The County also maintains a separate IDB, so occasionally there are projects that will go through the County's IDB. Typically, our preference is for projects that are in the City limits to go through the City IDB. Although legally, the projects can also go through the County IDB. The County IDB does not meet on a regular monthly basis but only as needed.

This is a typical structure of a PILOT agreement. In year one of the PILOT, the company will pay zero percent of the regular property taxes which then graduates up through the years of the PILOT. In year two, they will pay 25% of the regular property taxes. In year three, they will pay 40% of what they owe for regular property taxes. Years four and above, they pay 50% all the way through the end of the PILOT. As our community members mentioned earlier, all companies that receive PILOTs have a standing policy by both the City and County to continue to pay all school taxes to support the Hamilton County Department of Education. School taxes are not forgiven and are not abated. Companies are also required to pay all stormwater fees which are not abated. In terms of the percentages, the City and County IDBs both reserve the right to charge economic development lease payments which are approximately 15% of what the property taxes would have been that go to the IDB.

For the City's IDB, the proceeds are used for the economic development lease payments to provide incentives to small businesses. This is the way this all works together to support the ecosystem. Once a company pays that economic development lease payment, it comes to the IDB where the rest of their payment goes to the City's Finance Department and into the General Fund. We can then use the proceeds that we collect from the economic development lease payments to support our small business grant programs. We offer a number of different programs for small businesses for creating jobs. The proceeds that we use from PILOTs can be used to incentivize small business grants. There is a significant number of capital investment and jobs that are created by these companies. It is also important to note that companies like Gestamp, HomeServe, Plastic Omnium, Volkswagen, and Yanfeng are all international companies. This is important because it shows that our city is able to tap into foreign, direct investment when companies invest in Chattanooga. Yanfeng is headquartered in China, Volkswagen is headquartered in Germany, Plastic Omnium in France, HomeServe in the United Kingdom, and Gestamp in Spain. It is important as we tell the story of economic development in our city, that we talk about the fact that our city has been able to leverage its automotive sector and it has also been a primary city for drawing foreign investment which creates jobs.

In the investment of PILOTs, we have seen over \$1.6 billion of capital investment be created since the active PILOTs. That includes over 9,000 jobs that have been created. Right now, and as you look over the past several years, the average wage for the City has increased to \$22.71 per hour which has grown. A big part of that is because we have tried to incentivize projects that would pay a higher annual wage based on the hourly rate so that we could see wage growth in our city. We want to continue to push wage growth in the City. We want to make sure that all of our constituents have an opportunity to live the lives of their choosing, and they can only do that if we can continue to push wage growth. We do not want to be a city that will always be known as a place where you can find cheap labor. As we continue to grow our economy, it is going to be important that we do what we can to push wage growth up.

Some other PILOTs that fall within the economic development realm are not explicitly job PILOTs. Several years ago, the City entered into PILOT agreements for the creation of apartment facilities for UNUM as well as the Majestic 12 movie theater. Those are also considered economic development projects or PILOTs because they were essentially done for economic development purposes. Those PILOTs are not tied to specific job creation or wage numbers. Some recently expired PILOTs include, Westinghouse Electric, CBL Associates, and Van de Weile.

Nippon Paint which is a company based in Japan is currently in the process of constructing a \$15 million facility on the former Harriet Tubman site. That project was not incentivized with a PILOT. This was an example of how we use a different tool to bring Nippon Paint to the City. We donated real estate to Nippon because it shows that the City does have different types of tools at its disposal to use to incentivize projects. Nippon is not the recipient of a PILOT. They pay full property taxes, however, they were the recipient of donated land which was valued at \$1.1 million.

Additional benefits of PILOTs are that we can use these projects to reduce blight, abandoned, and underused property. The PILOT today for PUREGraphite is the re-innovation of a site that was formerly occupied by Alstom. That facility has been vacant for several years. That includes the exception of last year where the Hamilton County Health Department used the Alstom site on a temporary basis for COVID-19 testing. Beyond that, the property overall has been vacant and not in use for a few years.

These incentives also allow our leaders to target certain types of companies in specific industries and allows us to create jobs around specific clusters but also to create jobs that are close to where people live. That is another benefit of the PILOT today. Because it is at the Alstom site, it is actually squarely in the City's urban core which should make it easier for people that are eventually hired to work in the facility to actually access the facility.

No economic development PILOTs have come before the City Council in over two years prior to the PUREGraphite PILOT. The last PILOT approved by the City Council and the County Commission was the extension of the Gestamp PILOT which was two years ago. We have not seen a whole lot of PILOTs because we are still in recovery from the pandemic. We did not see a lot of activity on the economic development front with regard to PILOTs last year.

Finally, one of the things that is not talked about is the fact that as we look at incentives and the way the City and County participate, we try to participate in a way that we can incentivize projects and also participate because we have to bring skin to the game when it comes to working with the state and utility partners on luring projects to the area. It is very important to our friends at the state and our friends in the utility world that as we look at doing incentives. As the state considers whether or not to incentivize projects to come to our City, they do look to local communities to see what is the skin that you will put in the game along with the investment that we will make on behalf of the state to incentivize this project.

We anticipate there is a total of \$400 million economic impact over the course of the 12-year period. The project first came to our attention under the Berke Administration through the Chamber. We are estimated that the total abatement of city property taxes during this PILOT project will be about \$2.7 million. The 12-year period was the analysis that the economic development partners looked at in terms of total economic impact, however, the PILOT itself is only a 10-year PILOT. PUREGraphite will pay all school taxes and stormwater fees which was approved by the Chattanooga City Council last Tuesday and the Hamilton County Commission last Wednesday.

PUREGRAPHITE

Mr. Charles Wood (Chattanooga Chamber) stated that PUREGraphite is a subsidiary of Novonix Corporation. Novonix is based in Nova Scotia with a small test facility here in Lookout Valley. That is where the root of the company technology is based. They have about 35 employees in the market today. The company is creating a holding company that will own the real estate. This is similar to what has been done in a number of other projects, including the Amazon facility at Enterprise South and a few others where you have an entity that is owned by the company that holds the real estate, and they lease to another company which is PUREGraphite.

The company is an acquired facility, and there are plans for continued growth at the Lookout Valley facility, as well as plans for the growth at the Alstom site. There is a significant level of investment as part of the project but also in long term growth rise. This was a highly competitive project. They have looked at a number of locations before making this decision to move forward with Chattanooga, and the incentive did play a role in that process both at the state level where there is an incentive and at the local level.

The company is in the early stages of a long-term trend towards electrification in the automotive space but also beyond automotive. When you think of what is happening with companies like Tesla and groups that are going on houses. Those houses basically have energy storage in the battery that is inside the house. This is a bigger player than just the automotive sector. A big part of why we view this positive project for Chattanooga is it is in the very early stages of a really long-term trend. We expect to see long-term growth around the industry but also around employment. The goal is to see Chattanooga continue to attract other businesses that fall into that sector.

Another key component to this that is pretty interesting is a homeland security dynamic around the fact that most graphite is either mine or synthetic graphite is made in Asia. The level of investment that comes into this creates a manufacturing presence in the U.S. to serve that industry sector. If you have been paying attention to supply chain issues of nationally and around the globe, having this industry invest heavily into the U.S. creates some protection for us long-term around the industry sector. One of the board members who is not here today spoke to City Council and County Commission the last few weeks is a retired Admiral who serves on the company's board. He is particularly invested in this effort because of that homeland security dynamic. The project again is a clean tech industry part of a supply chain that for us is moving away from fossil fuels which ducktails in with Chattanooga's legacy.

Key numbers for the project are 300 new jobs, a little over \$150 million in capital investment for the project, which much of that is equipment. The existing facility is pretty impressive if you have the opportunity to go in it. A lot of this investment will happen in new equipment that the company will own when they go into the facility. The average wage is \$42,000. This is a ten-year PILOT. There is a five-year window for them to determine when they want the PILOT term to start. That adds some flexibility as they have to go through the process of acquiring and implementing the new equipment that comes in. The schedule follows a very standard abatement schedule that you see in most of the PILOT agreements. All PILOT agreements only determine the percentage of abatement. It is not necessarily a dollar figure. The reason for that is that neither the City nor the County determines what the valuation of that equipment of the facility is. That is the Assessor's role to determine what that value is. That value could be different than what the actual payment for the equipment is. That is why when you see the agreement, it is not a dollar value tied to the abatement. It is the percentage abatement schedule instead of a dollar value.

There is claw-back language in the agreement. Basically if there is a non-performance, that claw-back starts if the company does not hit at least 80% of the threshold per capital investment or jobs. That gives that some leeway if strange things happen which most recently for some of our companies was the pandemic but that gives a little flexibility. If they do not hit that

80% number, then the way the claw-back structure works is that the incentive amount is reduced based upon their performance. If they only hit 75% of their goals, then the incentive is reduced by 25%.

Younger & Associates is the company who did the cost benefit analysis. This firm does a lot of work across the State of Tennessee to provide some outside perspective on what the costs and benefits are of the community. The City taxes abated as part of this are estimated to be just under \$2.8 million. New PILOT payments come into the City will result in about \$5.7 million in property taxes, as well as the economic development fee. Direct wages over that 12-year window from the analysis resulted in \$180 million in new wages coming into the community, as well as non-direct jobs, beyond the 370 jobs, that would be created because of the economic activity in the market.

When somebody gets hired in manufacturing, typically they are manufacturing a product that is sold somewhere else. When they make that sale, some of that money comes back to Chattanooga gets re-spent in the community. It gets re-spent as wages from the PUREGraphite's employees and those employees that spend their money in other businesses in Chattanooga to create additional jobs. It is a multiplier. We are working with a company that produces a product or has a service that is sold outside of the market and brings new money back to Chattanooga and is growing the economic pie. We talk about how we grow the pie. Those non-direct jobs are estimated to create a little over \$200 million additional income in the community and basically the payback when we combine that is \$6 per every \$1 of the incentive.

The breakdown on wages for the project is roughly 60-70% of the jobs created will be operator positions with an \$18 an hour starting salary. This is pretty significant when you think about the scale. There will be a small number less than 5% that will be \$16 an hour wage. Probably folks like material handlers. Ten percent of the positions will be supervisory. They will be managing the operator positions and 20-30% are in engineering, lab technicians, which require four year degrees and administrative. It is a pretty broad breakdown from a wage perspective. Not everyone is going to be a software engineer. Not everyone is going to be a chemical engineer. We need to create jobs that create opportunity for those chemical engineers but also opportunities for kids who come straight out of the high school. The idea is that we are creating layered income levels that allow people to step into jobs based on where they are at the time. We have companies that allow economic mobility inside a business but even if they cannot do that, we want them to plug into other industry sectors where they might start at one company at \$12 hour, gain experience, and move to a different company in the same industry sector at \$15 hour. Even if they cannot stay with one company there is economic mobility opportunity in the community.

A few comments on some of the community benefit components that were added to this agreement. This is relatively new. We do see it as something that will continue on in the future PILOT agreements for future projects. One is a good faith effort by part of the companies who are recruiting employees. Companies are not allowed to basically say we are only going to hire from a set zip code, but we do want them to at least make a good faith effort to try to recruit from the local market here. Obviously, these are local tax dollars that are being abated as part of that. The same is true for utilizing qualified local contractors. That would be less of an issue for this project because there is an existing building. You are not building new so there is a limit of our potential to use local contractors. We would like to see this in future PILOT agreements.

The last is working with our local education partners' pipeline. One of the things that is currently in discussion is with Hamilton County schools around investing in an institute at Lookout Valley High School. Right now, they have a future ready institute around STEM (Science, Technology, Engineering, Mathematics) but it is not brand new where others were a corporate sponsor. This first discussion happened Wednesday last week and went well.

Mr. Adkins asked if they were increasing the facility at Lookout Valley? The company's plan right now is 120,000 sq. ft. and to scale into the existing building at Lookout Valley. They will continue to grow into that building. The PILOT is for only 10 years. It will include both locations. One agreement but will have two addresses for the PILOT.

Mr. Sharpley asked if the group that is supposed to make \$42,000, what group are they in? That is an average across all of the jobs created. But if you look at \$18 an hour wage which is the operator level, it is a starting salary at 60-70% of the positions that are going to be created. At \$18 an hour works out around \$40,000 or so. There is a small number that makes less than that and a little bit bigger number that makes more than that. The challenge is just presenting the average wage which is what is in the agreement. In this case, most of the positions is at 60-70%.

Ms. Jones asked a question about the good faith efforts that are going to take place. Is there any information that you can let us know about what that means? Mr. Danny Deas is the COO with PUREGraphite and is over all U.S. based operations. What we are experiencing is explosive growth. That is driven by demand in this market. The demand is far outpacing the supply. Right now, they are only able to produce about 1,000 tons per year. Currently, the United States is consuming about 300,000 tons per year.

What Big Blue is going to allow them to do is to get to 10,000 tons per year, but that does not really make a dent in the market. In order to do that, our labor force is driven by equipment. Within a year and a half it is going to be seven times the employees they have now. That is an extremely fast rate of hiring and if he had to do it right now, he could not do it. What they have done is that they talked to Mr. Woods and Hamilton County schools. They are very excited about the future institute. They have spoken with Lookout Valley, and they have a great program in place already which could actually help our future institute as well with some specifics and be able to filter qualified people straight to our workforce. Right now, what we do is so specialized. All of the equipment which he and CTO Harrison basically designed is one of a kind in the world. There is not a whole lot of manufacturing experience that you can bring to the table that is going to help you understand how to do what we do. They started off trying to hire people with

manufacturing experience, and it does not help. Being able to train specifically in a future rate institute for what they do and why they do what they do is going to be extremely helpful. This future rate institute at Lookout Valley is not big enough. We have to have more. But we are going to concentrate on getting this one right and then start popping these things all over the place because this is not their last stop.

In order to make a dent in the market, we need to be somewhere around 100,000 to 150,000 tons. We are looking at a new facility that is capable of doing on the order magnitude three times of what Big Blue is capable of doing. Those jobs scale at of about 1.2. If we have 300 jobs, which is a conservative number at Big Blue, then we will be able to do three times as much. Future rate institute at Lookout Valley is able to provide several quality workers. They are excited about getting this going now. They really look forward to working with the Hamilton County schools in the City to be able to provide employees that are immediately productive and takes about six weeks to train. In order to do that, they also run three shifts. They have to double and triple up on first shift to be able to train until they are ready to go on their own shifts. They have a severe overlap on employees which are non-effective because they are being trained. It is a huge cost to them. They are really excited about this opportunity as well as the opportunity to use local contractors.

Mr. Deas is from Chattanooga and comes from a construction background and was in mechanical, industrial construction for 15 years. For several years, he was Vice-President of the Mechanical Contractors Association in Tennessee. One of the advantages of that is that he gets to work with the most contractors in the Southeast on the eastern seaboard. Some of the best contractors are in this City. He has worked with a bunch of them. Right now they have two contractors that are local and are doing all of their work for the past two years. That is going to continue. What they do is highly specialized and so as they move forward, about 90% at Big Blue is going to be done with local contractors. They do have some engineering firms that are coming out of Michigan but that is part of a partnership with one of the equipment manufacturers we have as well. About 90% of the work is going to be local contractors.

Mr. Hayes asked if the PILOT proceeds that we will receive are somewhere in \$4-5 million assuming the state approves. What is that currently now? Mr. Woods does not have that number. Mr. Freeman can include that in an e-mail to the Board. Mr. Hayes stated that he made a comment about the wages rising up to \$22 an hour. Mr. Freeman stated that if you look at the last several years going back to 2013, the average wage across the Chattanooga Metropolitan statistical area has risen. As the average wage has risen, that is because of a number of reasons. (1) Labor has become harder to find; and (2) the City, Chamber, and County have been working to identify economic development projects that could also push that as well. As they look at the way we do PILOTs and what our community members are asking is to be always thinking about how we can incentivize projects that will continue to push the wages higher for Chattanooga residents. Mr. Hayes asked if Mr. Freeman's office has done some kind of analysis of competitive markets to see since 2013 if that is going to be a beginning date in the way we tract in terms of that wage growth so we can have some information. Mr. Freeman stated we can do a more education session.

Mr. Rodgers stated that given the building already exists itself, is retrofitting going to be involved? Is that what you are contemplating using the local contractors? There are several things that they have to do over Big Blue. It is an amazing facility. The way they built that building is

very unique and it happens to fit them perfectly. They need high ceiling clearances as well as freight cranes and a lot of power. Currently, there is 40 megawatts brought in. There is also a mechanical room that provides several thousand tons of cooling. They use cooling chill water on all systems and what that building does is provides enough chill water capacity to not start adding chillers which is millions of dollars at a time. In order to get the amount of flow for the water, they have to take out what is essentially 16" pipe, which there is miles and miles of it, and change it to 18" pipe. That is part of the retrofit. There are several pieces of equipment in the building left over from GE and also that we are taking out for several custom pits that were custom poured for equipment they had, making those the same grade level. There are two vacuum chambers. One vacuum chamber is from combustion part which is being taken out. It is 40' x 40'. The walls are about three-foot thick concrete. That is a huge job. They are also adding some dock doors. Currently, there are only two doors that service that. They are adding some of the same wall. It is about \$5.4 million with work to retrofit the building to get them to move in.

Mr. Rodgers was asking about the retrofitting because what he has not seen, and this is not a criticism, it is an acknowledgement that when we are talking about these non-direct jobs created, there are a lot of jobs created usually in the construction of a facility. Here you already have a shell, but there are other jobs that are being created to do what is identified now. Those are no less important than the jobs that are long-term because they are important, valuable members of our community who do construction and those kinds of jobs for a living, and knows Mr. Deas recognizes that given his background. Mr. Rodgers notes by comparison, this is more so than Mr. Wood and Mr. Freeman in asking in the future when we have these kind of projects that we include contemplation for construction jobs that go into this kind of analysis.

Just the other day, Mr. Rodgers saw the McLemore, a \$100 million hotel in Walker County, Georgia. The announcement in The Chattanooga talks about almost 300 new jobs but also specifically noted about 1,900 construction jobs which is important to the community. Chattanooga will benefit from that in the construction jobs. Mr. Rodgers asked of Mr. Wood and Mr. Freeman that in the future when they come with PILOTs and hard stuff in the background, to give some insight into construction numbers and include those in non-direct jobs because those are just as valuable.

Mr. Parker asked about the PILOT if they are still required to pay the education portion. What percentage is the education percentage? Mr. Freeman stated the education percentage is generally around 49% roughly that is required for school taxes. Mr. Freeman will verify what the exact rate is. The Board would like a copy of the presentation.

Mr. Hayes asked what the transportation access is to the site and is the City prepared to do anything in regards to improving that? Mr. Freeman stated that it needs to be improved. As of right now, the bus service is provided by CARTA that goes through the Collegedale Courts on the westside which is across Riverfront Parkway. What needs to be worked on is contacting CARTA to see if we can get bus service along Riverfront Parkway itself to provide better access. Riverfront Parkway is a busy street, there is a lot of truck traffic, businesses and residential traffic. We will have to work with CARTA to figure out the best way to do that. Right now there is bus service that goes through Collegedale Courts across the street from the facility. There is just not bus service on Riverfront Parkway itself. Mr. Hayes would like to know what information can be provided. Mr. Freeman will provide that information.

After further discussion, the resolution was unanimously adopted.



BREAK

Mr. Rodgers stated that normally these meetings do not have too many items on the agenda. We have more this time. This one is taking a little bit longer than normal. They normally last 30-45 minutes. This is unusually long. Mr. Rodgers took a Chair's prerogative, and the Board took a five-minute break at 12:10 p.m.



ETHICS EDUCATIONAL SESSION

The Board reconvened at 12:20 p.m. for its Ethics Educational Session. A Powerpoint was presented by Mr. Noblett which is also attached to these minutes. The purpose of the educational session today is for our last resolution we have on the agenda. That resolution is to make sure that we have told the State Comptroller's Office that the Board has completed a Conflict of Interest Statement, and the Board has a reference to be posted on the website for the state. This is a new state requirement that only went into effect as of July 1, 2021. That was our purpose for doing this.

The City of Chattanooga has had an ethics requirement under state law for the last five or six years. Ethics is a system of moral conduct that distinguishes between right and wrong and wanted to make sure the Board knew what the definition was. We have a requirement under state law at T.C.A. Section 8-17-103 to do a Code of Ethics which applies to not just the City employees but also to all of the members of any boards or commissions. It is designed to promote integrity, instill public trust, and ensure accountability of all of the boards and the employees that work for the City.

In the City Code, Chapter 2, Article 13, there is a requirement for all people that are full and part-time employees that are appointed or elected officials (which is this group) or individuals serving on a board, commission or authority to sign off on an Ethics Code. It does not matter if you are compensated or not, you are required to comply with the ethics requirements under the City Code. This is designed to try to make sure that there is integrity in public service, promote the public's trust, and place some restrictions on what officials who are on the job or after hours. It is regarding this Board's actions as officials on the Industrial Development Board.

If there is a conflict, the Board member should talk with their lawyer about the problem, and if you think it is something that might conflict with the interest of the citizens of the City. The Board member should discuss with Mr. Noblett and decide whether it is something that will affect the Board member's ability to vote or not vote on an item.

Any public official has a duty to perform their duties in an objectively and impartial manner not to take action that may affect the Board member's own financial state or that of the Board member's family, relatives, business or associates. That may be the issues that come before the Board as a member of this body on the Industrial Development Board.

The Board needs to make sure that if there is some sort of private interest which would substantially conflict with the Board's execution or voting on matters by this Board, that the member disclose that in public and cause you to recuse yourself on the vote if you are in front of this body.

If the member is voting, the provisions of the state law clearly require that anybody that is voting on a measure, who has a personal financial interest in the matter, should disclose it during the meeting at which the vote takes place before the vote and so that it appears in the minutes. All these meetings are public meetings. If it is a personal interest that would affect or lead a reasonable person to think it affects your vote, that needs to be done. You cannot lobby other people outside the meeting before that occurs on matters in which you have a personal interest and would be a violation of the Open Meetings Act. All of these are public meetings and business has to be done in public.

Financial ownership or employment interest is a matter that the Board would be dealing with. For example, a financial or employment interest in PUREGraphite, then that is the type of issue that the member would not get involved in. If it is a financial interest of yourself, your wife or spouse, parent, step-parent, someone in close standing relationship, it is not that third cousin that you never talk with but close family, you should not be involved in. Employment interest also includes situations where someone trying to get a job for a company. If you are voting on a matter and PUREGraphite is the company that is about to hire one of your family members in that regard, that is the type of thing that would cause you not to want to be voting on the issue in connection with that matter.

Issues that may come in front of this body are things that sometimes you may not be able to disclose. You clearly cannot disclose the fact for financial gain that you have a company coming to Chattanooga that is going to provide multiple millions of dollars and suddenly you are going to go into the alternate business for providing lithium battery materials to be able to take advantage

of that. You cannot use public information for private gain or seek to receive favoritism to get 150 lithium batteries for free because you helped them on the deal.

You are not to profit for your business. We will reimburse expenses and costs which is required by the statute that is involved under T.C.A. Section 7-53-301. We cannot pay you for your work. You are elected by the governing body of the City, hold office for staggered terms, and the work on this board is not to be for compensation, except for expenses. City officials should not take outside employment which conflicts. The Board members have their own jobs and as long as your jobs are continuing the business on this board to affect one of your companies then that might be an issue to be careful about and to recuse yourself. The Board is given water here, that is not a problem. You cannot accept directly or indirectly any money, gift or gratuity for doing your work just because you are on this board. You cannot go out and expect a gratuity, which is nothing in excess of \$50 under this statute. No official or employee shall solicit on behalf of themselves or others a gift of things. For example, if the folks for PUREGraphite say that they got this great place at the beach and ya'll could stay there at the beach for a week without having to pay anything, be careful about that because it can get you into trouble. As long as it is a gift for a gratuity that is less than \$50, then there are no problems.

There are also a number of exceptions in the Code that can include if it is a larger amount of money, then anything has to be approved by the City Council in a public meeting. Sometimes folks offer at least a viewing of a matter that might be in a different location, but if so, would have to be approved from the Council before any employee or a board member could be able to do more than that. Beware of people trying to offer you things just because you are a member of this body.

Anything of economic value, money, service, loans, travel, entertainment, hospitality or a promise without inadequate or lawful consideration does not include anything for expenses which would otherwise be reimbursable by the City. If you have to go on a trip to some location, then your per diem for those trips or your business expenses would be done. Normally, the employees would be the other ones that would be getting per diem. The reason might be an attempt to somehow influence your performance or your action on this matter for this board might have an appearance of a conflict of interest to be received by the public as someone giving money to you with the intent to get you to vote that way. Like a free vacation home, meals, rents, and sports tickets to be careful about that. You might always want to go to the ball games in Knoxville for free but just be careful about somebody offering you that.

One of the things Mr. Noblett does for employees here are a lot of times if you know there is an inspection that is going on, you just do not tell somebody in advance an inspection will be performed because that will allow them to be able to get ready. There is confidential information you might learn in connection with an event that would get someone an advantage.

If you have access about the people that are confidential here, as soon as Mr. Noblett can get the unconfidentiality of that portion of the one-page sheet, Mr. Noblett would be glad to get that out very soon, but do not have the authority right now. As soon as that occurs, he will be glad to do so.

You cannot go out and make sure the people are giving you special benefits by trimming your trees or removing debris on your property after hurricanes or tornadoes before everybody else.

Do not receive parking tickets and expect that they will simply be removed, reduced or dismissed because you are a board member. Give them to the City Attorney's office, and we will try to talk with people and see if they can do that in connection with your event.

You cannot direct repairs for somebody that you have a direct or indirect interest in.

You cannot use the City telephone to make personal calls to benefit yourself as a real estate agent. Do not use City supplies or computer for personal use.

As of July 21, 2021, the Board is required to complete a new statement and acknowledge that the Board member has received a copy of the Code section which is attached to the packet for your review. The statement has to include acknowledgements by the Director that you understand the requirement to refrain from voting on matters on which the Director is directly interested or to disclose any matter which you are indirectly interested before voting on the matter as defined in the law. We have already developed what we consider to be what was a direct, financial interest in the state statute, but they are now throwing in a couple of other sections. The provision for a direct interest is defined under 12-4-101. The statute says that if you are directly interested in a matter which is very similar to it being a situation where you are the person involved in a business that your family is directly involved, then you are not allowed to vote on the matter. If you are indirectly interested, you may be able to vote on a matter under state law for the IDB, but you have to disclose that before you vote on the matter.

The Conflict of Interest Statement states, "I will not vote on anything in which I am directly interested, and I must disclose any interest in any matter in which I am indirectly interested as defined by T.C.A. Section 12-4-101(b) before voting on any matter." We will make sure that the Board has a copy of that whole section. We have the provisions of 7-53-301 which are now requiring that to occur anytime the Board votes on a matter. This Ethics Commission Conflict of Interest Statement comes directly from what the State of Tennessee has given us for each one of the board members to sign. We will make sure we have a copy of the entire 12-4-101(a)&(b) before you. Let the record reflect that all ethics statutes were provided to board members. That is the latest requirement that just went into effect as of July 1, 2021. Since this is a new board it is good to get that all signed in the first meeting that we have of this new body. The reason for this is that the City Attorney is designated as the Chief Ethics Officer of the City, and we are tasked with investigating any complaints against somebody that is charged with an Ethics Code violation. We do a report based upon if someone files a complaint.

The punishment that is in there is in the City Code. The City Code also states that if you are not present at three standing meetings during the calendar year, that is a basis for not being a member of the Board. They are just trying to make sure they have people attending. Mr. Noblett asked the Board to please let Maria know if you can or cannot be present at the meetings. It is important. All these meetings have to be noticed and put out to the public as an open meeting. Maria sends out the notifications annually or at the beginning of the year about the meetings that

will occur, and we try to establish that as well as send out notification of what the agenda is like which is published before each meeting occurs. That is why the Board gets copies in connection with the meeting.

The Board needs to sign this document and there is also an ethics provision that the Mayor actually is required.

Mr. Adkins asked if when he asks about Veterans preference if he is in violation of ethics? Mr. Noblett stated not that he is aware of. It is a good thing to be able to ask, and there is a federal requirement of Veterans preference that individuals can have. You cannot necessarily turn someone down because you are a Veteran and they are not. That may be a personal issue for you, but if it meets all the other requirements of the City Code, and Mr. Noblett does not think that can be a basis for denial. The educational session has concluded, and the members are asked to give Maria their signed Conflict of Interest Statement for the record.



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

A RESOLUTION AUTHORIZING THE CHAIR TO EXECUTE AN ACKNOWLEDGMENT THAT TENNESSEE CODE ANNOTATED TITLE 7, CHAPTER 53, RELATING TO THE INDUSTRIAL DEVELOPMENT BOARD AS ENACTED BY HB0831/SB0787 REQUIRES EACH MEMBER OF A BOARD OF DIRECTORS OF AN INDUSTRIAL DEVELOPMENT CORPORATION TO COMPLETE A CONFLICT-OF-INTEREST STATEMENT; REQUIRES THE TENNESSEE ETHICS COMMISSION TO POST ON ITS WEBSITE A SAMPLE CONFLICT OF INTEREST STATEMENT, AND HB0831 HAS BEEN ASSIGNED PUBLIC CHAPTER NUMBER 228 BY THE SECRETARY OF STATE, AND THAT AN ETHICS EDUCATION SESSION HAS BEEN ACCOMPLISHED.

We will send the information to the Secretary of State that we have performed the training, and that everyone has gotten the Conflict of Interest Statement information in accordance with the new law that has just passed. Mr. Rodgers asked if the documents the Board is provided ahead of time to the IDB members are provided to the public? They are published on the City's website.

After further discussion, the resolution was unanimously adopted.



OTHER BUSINESS

Mr. Freeman spoke a little earlier to Mr. Parker's question about the school taxes question property taxes. The actual portion that goes to school taxes is 45.22%.

Mr. Rodgers would like to split up education sessions on TIFs and PILOTs and offer to have a brief instructional session on how the Chamber of Commerce approaches these things to get some background. Mr. Rodgers will spread those sessions out and get those set up so hopefully we are all more informed about what we do.

Mr. Noblett stated that the Board would also need an educational session of bonds periodically. Mr. Freeman stated that they could do TIFs at the August meeting, and Mr. Rodgers agreed.

After further discussion, the meeting adjourned at 12:45 p.m.



PATRICK SHARPLEY, *Secretary*

APPROVED:



JIMMY F. RODGERS, JR., *Chair*