



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
John P. Franklin Sr. City Council Building
Assembly Room
Chattanooga, Tennessee
for
Monday, August 5, 2024
11:05 AM**

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

Also Present were: Attorney for the Board, Phillip A. Noblett; Elizabeth Goss (Public Works); Gail Hart (Real Property); Mike Pare (Times-Free Press); Steve Jay and Shane Cook (Brasfield & Gorrie); Justin Bolender (Jacobs Engineering); Janice Gooden (CALEB); Eleanor Liu, Javid Majid, and Paul Boylan (Finance); Mark Mamantov (Bass Berry & Sims); Daniel Bowley (Hamilton County); Jermaine Freeman (Chief of Staff); and Mark Heinzer (Wastewater).

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

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MONTHLY MEETING OF JULY 1, 2024 – MINUTES APPROVAL

On motion of Mr. Rodgers, seconded by Mr. Adkins, the minutes of the July 1, 2024, monthly meeting were unanimously approved.

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PUBLIC COMMENTS

No one from the public had comments.

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**PRESENTATION OF e2i2 QUARTERLY REPORT AND
CLASS A POWER PROJECT UPDATE**

Mr. Mark Heinzer (Administrator for the City's Wastewater Department) gave the presentation with the assistance of Justin Bolender (Jacobs Engineering). This is for the temporary storage tanks for high flow wastewater. SSO Abatement is Sanitary Sewer Overflow.

Program Overview, Project Cost, Project Schedule, and Next Steps:

Program Overview – e2i2 = Environmental and Economic Infrastructure Improvement.

This is a joint project between the City of Chattanooga in partnership with the IDB and the Hamilton County Water and Wastewater Treatment Authority (WWTA). They are financial partners in this project as well.

The goals are to reduce the Sanitary Sewer Overflows (SSO). It is also a project that is dictated in our Consent Decree. We do have to do this project. The main thing is to improve our water quality and will allow for more economic growth. This will increase capacity in our collection system so we can accept new flows from new industries and new developments around the region.

We are doing a Progressive Design-Build (PDB). We selected our design builder last summer. The City will take ownership of the project once construction is complete. This phase of the project where we are in construction is where the IDB and City have its partnership having this project delivered, and then the City will take it over and maintain in perpetuity after that.

A slide of the Hamm Road facility was shown. The facility has been working very well and saved millions of gallons of wastewater. It has been operational for little over a year and a half. We are replicating that model on two different sites. One is the West Chickamauga Site near the interchange of I-24/I-75 which will be 30 million gallons, and another 10 million gallon facility on South Lee Highway.

Mr. Bolender spoke at this point. He is with Jacobs Engineering and also the Deputy Program Manager for the Consent Decree Program. As a project status and update, we wanted to present this information to you and allow you to ask any questions.

Project Status:

We have been on a journey for the past year starting last summer and completed the Phase 1 Design. That is from start to 60% design and they have reached the milestone where we received the 60% (Guaranteed Maximum Price) (GMP) which is \$147.8 million which is the cost for the remainder of the design and the completion of the construction.

Today we are discussing Change Order No. 1, which is a resolution today for the Board's consideration and approval. Also, is approval for money to be used for easement acquisition. We have approximately 20 easements and this lump sum here will account for what we are able to use to purchase the easements. In the present process, we use a firm to help us with negotiations and all those offers are backed up by the appraisals.

We completed our 60% design in June, and we are continuing with permitting and easement acquisition. Upon approval of the GMP, we will complete the final design and move forward with the rest of the project.

The Change Order has a lot of details which include:

- Deduct for removal of pipeline upgrades
- Additional permitting
- Additional waterline extension
- Easements, surveying, and site access design
- Addition of retaining wall design

Overall in financing the project with the WIFIA loan, there is a deadline on executing this work. Overall we are funding the project with approximately half of the WIFIA loan and half of the fund balance. The total \$153.7 million does include the Phase 1 cost as well. The GMP is \$147.8 million change including the original Phase 1 work that the total project cost is \$153.7 million.

The cost sharing and partnership with WWTa. WWTa is invested in part of this project in the West Chickamauga site. They are responsible for exactly 30% of that cost. The approximate amount there we have not agreed on that final cost with City and WWTa and listing that as an approximate. WWTa is responsible for a down payment and monthly payments for 20 years to complete that amount which matches the payback on the WIFIA loan as well. They do not have investment in operating maintenance. They are just financing the project and their IJA is being adjusted to get that benefit. The City is responsible for the engineering, construction, maintenance, and operation of the part that WWTa is contributing to.

This project began in July 2023 and expecting to complete in May 2027. The WIFIA deadline is December 31, 2028. We are well within that deadline and will expect much change from that May 2027. We have some room if we have to change scope. The main thing is that we have our GMP, schedule, and plan to present this GMP at the next meeting on August 26th for consideration and approval so we can move forward with issuing the Phase 2 Design Build Phase.

Overall, we will be presenting this approval at the next IDB meeting on August 26th. With that you will see execution of the final design starting in September of this year, including next spring, and construction completing in May 2027.

Discussion:

Mr. Adkins asked if their work would include working with the Tennessee American Water Company. They have had extremely large amount of water bursting and leakage lately. This project does not address that specifically. They are supplying water to use at these facilities so we will have connections to their system, but this project does not address the reliability of their system.

Attorney Noblett asked how big is this system that we are adding in comparison to what you already have on Hamm Road? Hamm Road is 30 million gallons. You have three 10 million gallon tanks. At the West Chickamauga site, we are going to have two 15 million gallon tanks and the other location north of there is the 10 million gallon which is about 25% more capacity overall than what we had at Hamm Road. The purpose of this is during peak weather event seasons this will help hold the effluent which is coming in the flood waters here in there as well as sewage coming through a combined system? Correct.

Mr. Heinzer said when we get a big rain event, a lot of water finds its way into the old pipes. The pipes are very old in some parts of town and water will find its way in and increases the flow. What that does is overruns the collection system, overruns the pipes, and they cannot handle the rain. You get a mix of rainwater and wastewater spilling out of the collection system whether it is out of a manhole or something like that. The whole Consent Decree was around stopping those instances from happening and this is a continuation of all the efforts that we have done. We are going to resolve a number of different points of overflow that we know we have. We get reports of overflows. We map them and know them, and how often they occur. These projects are situated to address those prime locations. This is something that EPA and TDEC will approve here based on what we have been doing previously? Correct.

Mr. Rodgers asked if this situation was unique to Chattanooga? Has Knoxville, Nashville encountered this? Nashville has some combined sewer areas. They have a lot of infiltration in their system as well. Knoxville had a consent decree before we did and have made a lot of improvements up there. It is not unique across the nation. Having a consent decree and having these storage facilities is not unique. Atlanta dug tunnels. They have massive tunnels underground to hold their excess flow. That is a very expensive proposition. Their real estate they felt was worth to put it underground but for us we have a location that made sense financially for above ground. That is what we do. Cleveland, Ohio, also has some underground storage. It is not unique. You do not usually see them above ground necessarily but those do exist in other cities as well. It is a common way to handle this situation. One of the number of things they do. They have pipes, they upgrade pump stations, and use some storage. We do a little bit of everything to handle everything going on.



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

A RESOLUTION AUTHORIZING THE EXPENDITURE OF UP TO FOUR HUNDRED FIFTY THOUSAND DOLLARS (\$450,000.00) FOR THE PURCHASE OF TEMPORARY AND PERMANENT SANITARY SEWER EASEMENTS, IN ACCORDANCE WITH CITY PURCHASING RULES, FOR THE CONSTRUCTION OF CONTRACT NO. W-20-001-201, E2I2 SSO ABATEMENT PROGRAM PHASE 1 – SOUTH LEE HWY. AND WEST CHICKAMAUGA EQ STATIONS.

The motion carried.



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

A RESOLUTION APPROVING CHANGE ORDER NO. 1 WITH BRASFIELD & GORRIE, LLC, OF BIRMINGHAM, AL, FOR CONTRACT NO. W-20-001-201, E2I2 SSO ABATEMENT PROGRAM PHASE 1 – SOUTH LEE HWY. AND WEST CHICKAMAUGA EQ STATIONS, TO INCREASE BY TWO HUNDRED THIRTY-EIGHT THOUSAND SIX HUNDRED TWENTY-FOUR DOLLARS (\$238,624.00) DUE TO ADDITIONAL DESIGN AND PROPERTY SERVICES, FOR A REVISED AMOUNT OF FIVE MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS (\$5,130,000.00), FOR A TOTAL AMOUNT OF FIVE MILLION THREE HUNDRED SIXTY-EIGHT THOUSAND SIX HUNDRED TWENTY-FOUR DOLLARS (\$5,368,624.00).

The motion carried.



PRESENTATION OVERVIEW OF THE SUBORDINATE TIF FINANCING NEEDED FOR THE SOUTH BROAD STADIUM PROJECT

Mr. Jermaine Freeman said as many are aware, we have held the groundbreaking for the stadium project. Work is commencing. As some may remember that in order to make financing possible for the new stadium, the City Council and County Commission each approved amendments to the Economic Impact Plan for the project back in mid-June. Those amendments allow for a restructured financing that allows for excess tax increment from the City to be used to pay for around \$26 million of subordinate financing that is necessary to get the stadium to completion.

Mr. Mark Mamantov went over what will be brought to the Board in a few weeks. The sources of financing for the stadium were discussed. The bonds are \$80 million. One series is taxable which will be paid from the lease payments and one series is tax exempt. To bridge the gap, the City has agreed to back an additional \$5 million in debt from the hotel/motel taxes and sales taxes that will hopefully be generated within the area of the stadium outside the stadium itself for a total of \$85 million. The difference of \$26 million is the tax increment financing where the IDB comes in. This is a critical portion of the financing. There is also \$30 million in equity coming from the team and \$1 million of interest on the \$80 million that we expect for a grand total of \$115 million (inaudible) to pay for the entire project.

There is a special law that says that we get the state sales tax off the stadium itself. Five and a half percent which is a significant amount of money, roughly \$700,000 to \$900,000 a year based on what estimates we have. The rent is \$1 million a year payable by the team. The City's tax increment revenues pursuant to the Economic Impact Plan. The County tax increment revenues from the South Broad District also approved by the County IDB. The City and County agreed to make up any shortfall on the Series A/B Bonds with the City agreeing to do the same thing on the \$5 million Series C/1. The chart was shown at this point.

The Series B Bonds are the Sports Authority bonds. The Series A Bonds will come from the sales tax. The tax increment with the City and County providing the backstop. The Series B Bonds are expected to be paid from team rent. If the team defaulted, it would be paid from the tax increment, and given the backstop from the City and County equally. The subordinate \$5 million Series C Bonds backstopped by the City and \$26 million would be this Board's borrowing. Non-recourse for this Board solely payable from tax increment revenues. This is a critical part of the financing.

Sales tax revenues are paid monthly and collected by the state to the Sports Authority and will flow directly to the Bond Trustee for the Sports Authority. Team rents will get paid semi-annually to the Sports Authority. The County collects their taxes and figure out what the increment is from the South Broad District. It flows through the County IDB, because they do a separate Economic Impact Plan under the Interlocal Agreement which this Board has already approved and signed. It will flow from the County IDB to this Board and this Board will agree to contribute it to the Sports Authority to pay debt service.

It will be segregated by the Bond Trustee into two accounts. County Increment Account and the City Increment Account to be tracked. Once it goes to the City Increment Account, it will be used to pay debt service on the Series A/B Bonds, debt service on the Series C Bonds (\$85 million), once it crosses the threshold that between team rent, sales tax revenues, and these tax increment revenues, once they are adequate to pay debt service on those bonds, the Series A/B/C Bonds, then the City portion only, not the County portion, will flow back to this Board to be available to pay the \$26 million tax increment note held by the team and the site owner. This is \$10 million of the \$26 million, and the team is \$16 million of the \$26 million, and the team is

contributing an additional \$3 million for a total of \$19 million. They are taking the risk that if the area is developed, there is no backstop in any form whatsoever from this entity, from the City or County on that tax increment note. The Board has approved the Economic Impact Plan and Amendment to revise the financing plan. The Board has also approved the Intergovernmental Agreement with the County IDB where they give you their increment to flow through.

On August 26th, we will have the tax increment financing documents, two Loan Agreements, one between the team and this Board and one between the site owner, Pipe Properties, and this Board. Pipe Properties is to do the initial pad-ready type work to have the stadium site. They are donating the site, and they are going to spend \$10 million on getting it ready for any remaining environmental needs and coordinate the mutual construction aspects of the deal. The team's increment financing is going to be used to finish out the stadium. Everything from the equipment needed, netting, seating, and things like that. That is where their \$19 million will go.

Those documents are ready but the issue is trying to finalize what we do not want to happen from a community perspective that while we are building the stadium if there is any default on any of those things, we want to make sure the \$19 million is there when we need it. Jason Freier is working with First Bank and want to give a positive report at the next meeting. We will have a revised Interlocal Agreement with the Sports Authority. Originally, all of the money was flowing from the Sports Authority and staying here, now it is coming back to this Board for the debt service. We are fixing it so that once the Bond Trustee says there is enough to pay the bonds, we will get the excess back to the Board to pay debt service on the TIF note. This is what will be coming to the Board on the 26th.

Chairman Hayes asked if the Intergovernmental Agreement would sort of memorialize the transfers of the funds? The IDB will not have to do monthly approvals. Reports will be brought to the Board on a quarterly basis.

Ms. Shekari said the last time this had come up before this body there were discussions about a Community Benefits Agreement and then read in the paper that it fell apart. Mr. Freeman said that it has not fallen apart from what you probably saw in the media. The primary group that is working on behalf of the community to negotiate the Community Benefits Agreement is the Bethlehem Center who is working with the developers and have a meeting today. Not all of the original parties are in the group. From the City's perspective, we continue to say that we want a CBA. However, we also understand we are not a party to it, but we are encouraged that the Bethlehem Center is working with the developers along with the South Chattanooga Community Association to continue to move it forward.



OTHER BUSINESS – DISCUSSION ITEMS

- **Discuss response letter to the Tennessee Comptroller of the Treasury for the financial audit by Eleanor Liu.**

This letter is in response to the letter received from the State Comptroller’s Office. As we discussed before in previous meetings that we did with our internal auditor’s approval, the liability will be removed and leave it in the notes section. That will remove the deficit in the financial report. The Chair can sign the letter with approval and this addresses it satisfactorily. Mr. Rodgers asked Ms. Liu if she has been in contact with the Comptroller’s Office such as you thought this will work. Ms. Liu was not in contact with them but from the conversation we had this was all they needed. Mr. Parker asked if this was just an accounting, we are moving it to another bucket *per se*. Ms. Liu said correct. Attorney Noblett said that we are responding and if there is anything else they want us to do, to let us know.

- **FYI – copy of the IDB Annual Debt Report filed with the State Comptroller’s Office.**

Attorney Noblett said that we do an update each year that we file with the State Comptroller’s Office telling them of any outstanding Tax Increment Financing or bond arrangements that this body has. We list those and send them each year as required by law.

Please note that our next meeting will have some time sensitive needs, and we have a quorum for the August 26th meeting. Chairman Hayes will not be able to attend the meeting, however, Vice-Chair Jones will Chair the meeting.



There being no further business, on motion of Mr. Adkins, the meeting adjourned at 11:40 AM.



GORDON PARKER, Secretary

APPROVED:



ALTHEA JONES, Vice-Chair