



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
City Council Building
Chattanooga, Tennessee
for
November 1, 2021
11:00 AM**

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

Also present were: Phillip A. Noblett and Valerie Malueg (Counsel for the Board); Jermaine Freeman (Economic Development); Eleanor Liu (Finance); Bill Payne, Dennis Malone, and Jason Payne (Public Works Engineering); Mark Heinzer (Waste Resources Division); Mike Patrick (WWTA); Mark Smith (Miller & Martin); Mike Marino, Travis Hamby, and Xavier Pedoux (Jacobs Engineering); Jason Provonsha (Steam Logistics); Steve Hiatt and Charles Wood (Chamber); Todd Phillips (Noon Development); Justin Bolender (HDR); and Helen Burns Sharp (ATM and CALEB).

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



MEETING MINUTES APPROVAL

On motion of Mr. Sharpley, seconded by Mr. Parker, the minutes of the October 4, 2021, meeting were unanimously approved.



CHAIRMAN'S REPORT

- (1) Mr. Rodgers reminded the Board members that the Board can now park in the Warehouse Row parking garage, and the City Council Clerk's office will stamp the tickets.

(2) Back in July, the Board had a thorough and good educational session about PILOTs from Jermaine Freeman and because of our heavily than normal agenda this month, Mr. Rodgers has asked to again put this off another month as far as TIFs. The same type of discussion or presentation of the Tax Increment Financing. Mr. Freeman has agreed to put it off to next month's meeting.

(3) **PILOT Policies and Procedures**

(a) With regard to PILOT policies and procedures the City Attorney's office sent out, (let the record reflect that Ms. Malueg is standing in Mr. Noblett's place who is delayed for the meeting at this point). Mr. Rodgers wants to make sure that the new board members understood what this is. The policies and procedures are not on letterhead or signed.

(b) Mr. Freeman stated that the policies and procedures were drafted to be a potential recommendation if the City decided to create an official policy and procedures structure. That document is a draft of what those would look like. They have not been approved by the IDB to his knowledge for the City of Chattanooga but is a working document that sort of exists. At some point in the future, it is possible that the City Council could say they want to create a formal sort of structure that governs PILOTs the same way the City Council created a formal structure for TIFs.

(c) One concern Mr. Rodgers had from the IDB standpoint for our fellow members, is the fact in looking this over, there is no contemplation in this draft format or discussion regarding the construction jobs that go into these facilities. Mr. Rodgers points that out to the members because he thinks, to the extent the Board ultimately adopts any such thing, and hopes that the City or even the County for that matter, that they do give some consideration for the construction jobs that go into these projects. The number of jobs can vary depending on the size of the project. There could be some substantive construction jobs like Volkswagen, the processing facility in Oak Ridge (has 2,000 people working construction) and have done so for years and will for several more years. Those are not something that Mr. Rodgers thinks our City would overlook, especially, at a time when last week in the newspaper, the Chattanooga Construction Career Center over in Avondale and yet our own draft policies and procedures do not do anything to help the people who get the training get meaningful jobs.

(d) Mr. Rodgers pointed that out to the Board because he would hope that as the Board considers these PILOTs and look into these things more, that we make sure that the folks who go into the building and construction trades are addressed just as much as the people who are openly in the plants, factories or offices doing the jobs themselves.



PERSONS WISHING TO ADDRESS THE BOARD

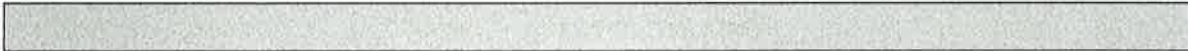
Helen Burns Sharp (Founder for Accountability for Taxpayer Money and Member of CALEB's Economic Mobility Task Force)

Ms. Sharp made a comment on the Steam Logistics PILOT application. From the process standpoint, perhaps this is the best PILOT the City has seen. There is a written Staff Report, Feedback Form for the public on page 15 of the packet. Ms. Sharp suggests that for the future that this be moved up to the beginning. The PILOT agreement is fairly dense and sometimes people might get lost. Putting the Staff Report and Feedback Form near the top might be an idea to consider.

It is very positive that the IDB is being brought in on the front end. This is the norm with TIFs, but not a norm with PILOTs. Ms. Sharp suggests in the future that this not be advertised as an informational meeting but as a public hearing. It signifies that this is an important thing and this is the only public hearing in the process; the City Council does not have a public hearing. Ms. Sharp suggests calling what the Board is doing right now a public hearing which is, in a sense, what it is.

Another positive point is it will be on several Council agendas before the anticipated vote on November 16th. In the past, it seemed pretty rushed that the Council would hear about it and then vote on it very shortly thereafter. That's a positive.

It has community benefit language where the company will commit in a good faith effort to recruiting employees, using qualified local contractors, working with partners to develop a talent pipeline. It contains better clawback language. The company will be held to be accountable for 90% of jobs that they say they are going to create and inventory. Those are the process things that are really good. From the substantive standpoint, it is in a logistic sector, well-paying jobs, and they will be re-routing the ability that has been challenging in the arts downtown.



On motion of Mr. Sharpley, seconded by Ms. Althea Jones,

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO EXECUTE ANY AND ALL DOCUMENTS RELATED TO A CHATTANOOGA GAS EASEMENT FOR GAS REGULATOR STATION ON PROPERTY LOCATED AT VOLKSWAGEN DRIVE, IN SUBSTANTIALLY THE FORM ATTACHED, AND AMENDING THE VOLKSWAGEN LEASE AGREEMENT RELATED TO SAID EASEMENT. (VW(CB)72)

Mr. Jason Payne spoke on this resolution. This easement was originally approved in May 2021 and is moving a little bit farther to the south.

After further discussion, the resolution was unanimously adopted.



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

**A RESOLUTION AUTHORIZING AN AWARD OF A
SMALL BUSINESS INCENTIVE GRANT TO
READY2HANGART.COM, INC., IN THE AMOUNT OF TEN
THOUSAND DOLLARS (\$10,000.00). (SBI-25)**

Mr. Jermaine Freeman stated that as we put this on the agenda, that we had some new members of the IDB who probably never presided over some of the small business grants that are provided from the IDB.

Mr. Freeman gave a quick overview:

- (1) The City of Chattanooga by way of the Chattanooga City Council, and authorized through the Industrial Development Board, we offer a couple of different small grant programs for small businesses. These businesses are typically businesses that employ less than 100 full-time employees at all of their locations. The basic structure of this grant (Growing Small Business Incentive Grant) is that small businesses can apply for up to \$10,000.00 in grant funding. In order to be eligible, you have to hire five full-time employees within a previous 18-month period and the award is calculated by them calculating a multiplier of \$1,000.00 per full-time job. It is not an automatic \$10,000.00 by any means. Award amounts typically vary depending on what the average wages are of the jobs that were created by the small business, as well as, the number of jobs that were created by the small business. That is compared to the average wage across the entire Chattanooga area as is dictated and determined by the U.S. Bureau of Labor Statistics.
- (2) This is not for small businesses throughout all of Hamilton County. Because we are the City of Chattanooga and the City of Chattanooga's Industrial Development Board, this only applies to small businesses located within the Chattanooga City Limits. Full-time employees are defined as employees who work at least 30 hours a week, and the application must be submitted on-line. There is an internal staff that reviews the grant applications and then makes a recommendation for the grant application to move forward and put a resolution on the agenda.

Ready2HangArt.Com

The award this time is for a fast-growing art supply company based in Chattanooga called Ready2HangArt.Com. Typically, Mr. Freeman would invite the small business owner of the company to come and do a presentation before the Board, but unfortunately, the small business owner in this case were unavailable due to illness and that is why they are not here today.

Ready2HangArt.Com are located on Calhoun Avenue in the East Lake area. This award is for the creation of 13 full-time jobs over the previous 18-month period before they applied. The owner is Julianna Roslyn and her husband is Josh Roslyn, who works as a paid employee for the company as well. They relocated to Chattanooga from Palm Beach area in south Florida and decided to expand the company here because they felt like there were some good opportunities in Chattanooga. Ready2HangArt.Com has a pretty diverse staff in terms of male and female representation. Fifteen to twenty percent of their staff are also people of color. The award is for \$10,000.00. Due to illness, the owner was not able to attend the meeting.

Board Comments

Mr. Hayes asked what kind of reporting requirements do these companies have after a grant is made? How often do you hear from them, and what does that look like? Mr. Freeman stated that they typically try to check with companies a couple of times a year over the course of a year. They have to provide a substantial amount of information in order to qualify for a grant. In addition to providing an application, the applicants need to provide a Certificate of Existence (issued from the Secretary of State), spreadsheet with the employees hired (including wages), quarterly report submitted to the Tennessee Department of Labor and Workforce Development showing what wages were paid out to employees over the course of the entire quarter, and also have to report all of their hires to the Tennessee Human Rights reporting office for child support purposes. The Tennessee Department of Human Services tracks whether or not people who go from job to job and whether they are delinquent on child support payments. Economic Development continues to follow-up to see how they are continuing to grow. Businesses under this program are eligible to re-apply for funding if they create five more jobs. It is in their benefit to also stay in contact with the City as well. The company can re-apply for funding up to the point that they hit 100 employees, and then at that point, they are considered too large for the Growing Small Business Grant.

Mr. Parker asked how many requests are made on a quarterly or annual basis? Mr. Freeman stated that is a good question and has changed a little bit throughout the pandemic because they saw a lot of small businesses struggling. Typically for this grant, they probably get somewhere from 5 to 15 requests over the course of a year. Everyone that applies does not qualify. The Board will never see the businesses that do not qualify. They do not bring them to your attention. Typically, Economic Development will get somewhere between 5 to 15 applicants. Sometimes there is a little bit of confusion as to what constitutes eligibility. In order for you to be eligible, the five employees, which is the minimum created, have to be working for you at the time you apply for the grant. If you hired five people over the course of a year, but they all transition out and moved on to other jobs, you would not be eligible.

Mr. Rodgers asked Mr. Freeman to clarify for the new members who handles and evaluates these applications? Mr. Freeman stated the internal staff includes: (1) Jermaine Freeman (Economic Development); (2) Tony Sammons (Community Development); (3) Karen McReynolds-Collins (Director of Supply Diversity), and (4) Harolda Bryson (Office of the City Attorney).

Mr. Hayes wanted to know where the funds came from? Mr. Freeman stated that when the program was first created the Chattanooga City Council appropriated funding over to the Industrial Development Board to start this program. Today, there is a company called Steam Logistics that is in the process of seeking a PILOT from the City and County. When larger businesses are approved for PILOTs, there is an Economic Development lease payment that comes into the City. The Economic Development lease payments from PILOT recipients can be used within the Industrial Development Board to provide funding for small business programs. One of the tradeoffs and benefits when the PILOT comes before the Board that the Board feels good about, you can also know the funding that will be paid in terms of the Economic Development lease payment from the company, if they receive the PILOT, will be recycled back to support small business development.

After further discussion, the resolution was unanimously adopted.

**NOTICE OF INITIAL INFORMATION MEETING
STEAM LOGISTICS / 329 MARKET PROJECT PILOT REQUEST**

Mr. Freeman gave a presentation to the IDB Board Members, especially for the new members, on what a PILOT is and how it works:

- (1) As part of today's process, we want to try to be as responsive to Mayor Kelly, as well as members of the City Council, who have asked Economic Development staff to be more responsive to the Community's desire to make the PILOT process more transparent. The purpose of this today is only to provide information. The Economic Development staff are not asking for the Board to take any votes today. There is no resolution associated with today's meeting but simply are providing information about what the PILOT program is. Charles Woods (Chamber) will describe what the proposed PILOT project is.
- (2) The PILOT (Payment in Lieu of Taxes) program are forms of tax abatement. There are two different types of PILOTs that come before the City of Chattanooga: (1) Job PILOTs come before the Industrial Development Board; and (2) PILOTs for Affordable Housing Development come before the City's Health, Educational, and Housing Facility Board. The IDB will never see housing PILOTs; only the HEB.
- (3) PILOTs allow communities to incentivize projects by foregoing some property tax revenue in exchange for capital investment, job creation, and higher than average wages. PILOTs are one form of incentive for companies that may come before the Board. (Let the record reflect that Mr. Noblett was present in place of Ms. Valerie Malueg). Cities have been

known to do cash grants, as well as the donation of real estate at low market prices. Typically, when the City is asked to be a part of a PILOT, the City is asked to provide a tax incentive in partnership with some of the other area partners. Whether or not it is the Chattanooga Chamber, the County, as well as the State, TVA, there are other organizations that are typically part of conversation when the City is engaging a company around a PILOT. These companies do not come to us in a vacuum and do not come to us in isolation. There is typically a much larger process happening in terms of vetting and reviewing a PILOT application for incentives and submission to the State.

- (4) The Chamber evaluates the request for the PILOT on behalf of both the City and County, and companies that are recommended for PILOTs and then communicates with them privately. Sometimes businesses do not qualify. That is not brought before the Board. Economic Development only brings companies that are recommended for PILOTs. When the Chamber does recommend a company for a PILOT, initial approval is sought from both the City and County Mayors and approval is also sought from the Chattanooga City Council and Hamilton County Commission. Final approval and security for the promises made are granted by the members of the Industrial Development Board for the City of Chattanooga.
- (5) Our PILOTs for the past several years have been structured basically in that 100% of property taxes are abated for the first year; 75% of property taxes are abated for the second year; 60% of property taxes that will be normally due are abated in the third year; and 50% of property taxes that would normally be due are in the subsequent years through the end of the PILOT. During the PILOT term, the property is deeded to the IDB and leased back to the company. In addition to the amounts listed, the companies also pay the lease payments to the City and County for further economic development. The Economic Development lease payments to the IDB are used to support small business development.
- (6) A list of the actively current PILOTs was presented. The most recent PILOT approved in July 2021 was for PUREGraphite. Typically, the City does not see a lot of PILOTs that come before the Industrial Development Board, City Council, and County Commission. Between April 2019 and June 2021, there were no PILOTs. The PILOTs may happen a couple of times a year. Expired PILOTs are Westinghouse Electric, CBL Associates, and Van de Weile.
- (7) The IDB is also responsible for parking facilities which companies may ask for PILOTs. An example would be the Majestic Theatre, RiverCity Company. The Nippon Automotive Americas (Nippon Paint) is located in East Chattanooga next to the Construction Career Center which is an example of a company that did not receive a PILOT. The Berke Administration felt that the best way to incentivize that project was to donate real estate. Nippon Paint did not get a PILOT but received a donation of real estate and a commitment to build infrastructure as part of the project.

- (8) We have not seen a whole lot of PILOTs come before the City Council and IDB over the course of the past few years, with the exception of PUREGraphite. There have been a total of five economic development/job PILOTs that have come before the City Council in the past four years. Typically, when we are at a point where we are advocating for a PILOT, we are not doing so in isolation. We are doing so because it is part of what is projected to be the overall incentive for a company that the State and some utility partners are also involved in.
- (9) Some of the goals of the Kelly Administration with regard to PILOTs:
- (a) Continue to make sure the PILOT has passed the but-for test (meaning but for the incentive) the project would not happen;
 - (b) Want to include community business language in every PILOT to talk about how the expansion of the tax abatement will benefit the public;
 - (c) Emphasize the development of local talent pipelines, as well as hiring local contractors; and
 - (d) Continue to use PILOTs for small business development.

Another benefit is that PILOTs also allow for urban infill. In the case of PUREGraphite, the Big Blue facility at Alstom was a vacant facility. This allows us to reactivate that facility. Steam Logistics is going to redevelop the John Ross Building which has been vacant in our downtown corridor for a number of years.

This PILOT is exciting because the Kelly Administration is very supportive of it and will lead to the creation of a national headquarters for Steam Logistics right in the heart of downtown. As mentioned, a long-abandoned and blighted building, the John Ross Building, sits at the corner of 4th, Market, and Broad Streets which used to be the old Newton Chevrolet auto dealership. That property has sat vacant for a long time and will allow us to reactivate it. The presence of new employees downtown at a time when many companies have begun to make arrangements for employees to work from home on a long-term basis, allows us to have people who are downtown, spending money, supporting and shopping at local businesses, and eating at local restaurants. This is why this is a project that is also supported by the Kelly Administration. There are previous PILOTs where the PILOT recipient did not pay stormwater fees. This is not one of those PILOTs. This company will continue to pay all stormwater fees.

When you look at the estimated impact of creating 400 jobs that pay an average wage of \$56,000 a year and for a nine-year PILOT period is a total economic impact of \$115 million. That \$115 million is new money circulating in the economy because we have new employees being paid wages. As Americans, we spend our money when we make it. This is why this project is so exciting to us because it poses the opportunity for lots of new revenue to come into our city and it is not often that we get an opportunity to say that we are creating a new headquarters in the heart of downtown. There are other parties who have tried and failed to redevelop this building over the

past few years. They could not make the numbers work. This is why we think it makes sense for us to try to do this with a PILOT and to support this project.

We also want to make sure that we are doing everything to retain college graduates as they graduate from UTC or Chattanooga State. Steam Logistics typically hires people who are more college-educated or some college experience which gives us an opportunity to raise wages in our city and to keep more talented people here in our city. When students graduate from college, we want to make sure that they are staying here in Chattanooga and using the education and talent they developed to continue to reinvest in our economy. The total estimated abatement over the nine-year period for Steam Logistics is about \$500,000. This has a tremendous economic impact for the community. We are here to offer the community some additional public input.

STEAM LOGISTICS

Presentation by Charles Wood (Chattanooga Chamber)

Mr. Charles Wood stated that this is a great project and is meant to be a very high-level overview. This will obviously go to City Council next week during their Economic Development Committee meeting, as well as County Commission on Wednesday during their committee meeting. It is back for a formal vote before City Council and the County Commission the week after, and then will go to the IDB at the next board meeting in December.

The project represents about 400 new jobs, located in downtown, average wages are \$56,000, and is about a \$10 million capital investment in the existing facility. The facility itself will be 60,000 sq. ft. of office use. This is a significant level of commitment and investment.

PILOT Details:

- (1) This will be a nine (9) year PILOT entered into between the City, County, Company, and Developer and owner of the building. Example – there are several PILOT agreements that have been put in place over time where effectively there is a fourth party, which ends up being a real estate entity. This has been the case of the HomeServe project which just announced another competition in jobs there, the same as the Amazon project, and also the same with PUREGraphite. Typically, especially if we have higher-end firms, they are investing their capital in people and in hiring and growth, rather than in real estate.
- (2) This project represents a very strategic opportunity for the Community. First and foremost is that in the logistics tax sector, Chattanooga is a core-cluster they are trying to write. They have had some very successful entrepreneurs in this industry sector that have grown over time. In the trucking industry, most of the growth in the market is really around white-collar positions that are highly paid, very technical, and certainly with high wages to go with it.

- (3) This is the largest job announcement since January 2019 when Volkswagen announced their expansion. This is a massive number of jobs being created in the core of downtown. That location is another really critical asset to this project. A number of companies have moved their employees downtown for remote work, and local small businesses have felt that impact in a very negative way. We are hoping a lot of those major employers bring people back into their downtown offices. This project represents a great opportunity to put more than 400 people, new and existing jobs, on this site. The broader impact is important.
- (4) This is a highly-blighted piece of property in the core of our downtown. It is one of only three large buildings that sit vacant in our downtown here in the Chattanooga Bank Building. There are a couple of properties on Market Street next to Regions Bank. Part of the goal in working with City partners is to see the City's properties get re-invented, innovated, and then put back to use. The presentation would show what the old building looks like now and after.

Mr. Woods stated that this is a real meaningful project for them, are excited about it, and can take questions on the broader PILOT process as well as this project.

Board Comments:

Mr. Rodgers asked Mr. Wood about Noon Management being the fourth party to the agreement and wanted clarification as to who are the parties in the agreement? Mr. Woods said the City and the County are both parties to the agreement, as well as the company Steam Logistics. Mr. Rodgers asked who is 329 Market LLC? Mr. Woods stated that is the LLC owned by Noon Management. Typically, most commercial real estate is held as separate entities which separates it from other property that is owned by a developer. In this case, it is a new LLC and can set up ownership of the structure. Who is doing the development of the building itself? New developments team will be over that and then they will work through the process of bringing on a general contractor. That has not happened at this point.

Ms. Althea Jones asked, 329 is not the developer? Mr. Woods stated that 329 will be the entity that owns the property. Mr. Rodgers asked who is hiring Noon Management? Mr. Woods stated they own that entity which is 329. Mr. Rodgers asked if Noon is a signatory to this agreement? Mr. Woods stated they will have a signatory on that as a representative of the company. Mr. Woods stated that is something that a lot of people probably do not understand about the complexity of the real estate market that typically you can have an owner, a parent company, that has dozens of LLCs because they own dozens of pieces of real estate, and they keep them separate.

Mr. Hayes asked Mr. Woods if he knows how quickly they will have all 400 folks there, is there a timetable? Mr. Woods thinks they have a window of four to five years. It will be in the agreement. There will be a start date that will be worked through as well in the agreement based upon the timing. The facility actually has to be redeveloped. There will be funding on that. The company has some ability to continue to hire before the building is done. They are basically in a facility that is adjacent to that so the hope is that hiring happens fast, and the building redevelopment will be substantial.

Mr. Parker asked where are the 400 people going to park, what does the parking look like? Mr. Woods thinks we could probably get an answer to that. There is a UNUM lot across the street. If you look across Market Street, there are several lots there with UNUM. There are two garages there as well with CARTA. One thing that is a unique opportunity for this part of downtown is it is pretty heavily driven by tourism right now. The opportunity is it will take time to use the parking that is effectively shared with night time use and is not going to be office hours.

Mr. Freeman stated that the agreement calls for the jobs to be created between October 2021 and October 2026. It is a five-year window. Mr. Rodgers asked in looking this over, it looks like to him, in paragraph seven on page seven, is really the key as far as the jobs and developing talent and local opportunity. There are three obligations listed, but Noon Management 329 are not included and that bothers him. Why do they not share the good faith obligation? Why shouldn't they?

Mr. Freeman stated they will share the good faith obligations through 329 Market LLC on the construction side. On the actual hiring of the jobs, 329 Market LLC will not be creating 400 jobs. Steam Logistics, LLC will be creating 400 jobs. Steam Logistics will share obligations. The way the agreement is structured is 329 Market, and we have a representative here to speak more to that relationship, but they will share that responsibility as a signatory because they have to sign the agreement for the development of the local contractor case. That again is one of the things about this deal is that we have one party that is doing the job creation and who the capital investment costs will be passed through to as the occupant of the building, but we have another party that is actually redeveloping the building. Steam Logistics is not a property management company; they are a logistics company. They do not have the ability to do that contractor piece. 329 will be held to that.

Mr. Rodgers goes back to some of his earlier comments when we were getting started, his concern is these three prongs that are listed and do not say anything about the construction jobs and the obligations to use good faith efforts to do the same things that are required for the non-construction jobs. Mr. Rodgers understands that Steam Logistics is not about construction jobs, but that is part of the parcel of what we are doing. Mr. Rodgers thinks we are doing a disservice to our community if we do not address those in here.

Mr. Rodgers specifically asked Mr. Freeman's office, that going forward with the City and the County, to specifically look at including language in these agreements. This is going to come back to the IDB for approval. Mr. Rodgers wants Mr. Freeman to please relay, at least from the Chairman's perspective, that Mr. Rodgers is concerned. When we are out like last week as having the Construction Career Center, we are not doing things that, Mr. Rodgers said, could be done contractually; to make sure the folks that get out of that center, and otherwise, have jobs that are being provided, so that as Mr. Freeman referred to some of the 400 jobs, UTC people not having to go elsewhere. That way the construction people do not have to go elsewhere. They are getting jobs here in town.

Mr. Rodgers thinks we are doing a disservice by not looking at those folks and saying, this is a project that you can help on, you can be proud of, and when all is said and done, you see these 400 people walking in this facility, and you know that you've got pride because you helped build it. Mr. Rodgers thinks that is important and would, from his perspective only, ask that be included in the language in the future because it is 329 and Noon as signatories, we ought to be stronger and to have them agree to make the good faith effort so when an applicant like Steam Logistics or anybody comes before the IDB seeking this kind of a tax break, that they can hire who they want to for development or they can rent to who they want to from a standpoint of building the facility. But to make sure that in doing so, they are going to take care of the folks in the construction trades as well.

Ms. Althea Jones asked would that be part of the actual – it would include the plans for redevelopment? Mr. Freeman stated there is a limited amount of plans for redevelopment because of the fact that obviously the company cannot move too fast for plans for redevelopment. They do not know whether or not they are going to get the incentive, and therefore, have the ability to actually redevelop the building. To a certain extent, the plans that were described will not be there because the company cannot sort of presumptively assume that they are going to get the incentive. They can come if they have (inaudible), but they cannot go ahead and start to hire some of the people that will be in place on the construction side, because they have to be sensitive and mindful of the fact that they might not get approved for the PILOT. They cannot automatically assume or enter into contracts for the redevelopment until the PILOT is approved.

Ms. Althea Jones feels like we have seen that before in the past, where we have seen efforts that they have on paper, and plans they have on paper. Mr. Freeman is happy to ask Mr. Phillips to come up if he has anything he would like to add. We want to be, and the company is trying to be, very sensitive about this in moving forward. In not assuming that there will be an approval of the PILOT, without making sure, and not sort of entering into contracts with other parties, because they did not know whether or not they were going to be approved. That is something we have to keep in mind. One of the delicate things about doing a PILOT is a company cannot get out too far ahead of the process. Because they do not know whether or not it is going to be approved by City Council and the County Commission.

Mr. Woods stated his good friend, Ms. Sharp, would call that basically ignoring the but-for. The concept around this is that the project will not (inaudible). How we address some of the construction impacts. One of the challenges is there will be a general contractor that is hired for this. They will hire and be responsible for hiring people that will build this and redevelop it. That is not something that the owner is able to control what that is going to be. That is where it becomes a little challenging as far as requiring job numbers because then there is not a general contractor that is going to be the entity that actually is does the hiring. Mr. Woods would like to pull everyone in to work through that. There are some complications around the construction industry in general, how a project works, and who actually hires people to do the construction work. Typically, there is a general contractor that is responsible for hiring and they hire subs that are also responsible for hiring. Wrapping that into a PILOT agreement will probably be rather complicated. There is probably some opportunity to at least shed light on the impact and what we expect to happen. That may be another way to work through this as we work on PILOT agreements in the future.

Mr. Rodgers gave the public the opportunity for anyone to comment. Ms. Sharp did not have any comments. Mr. Rodgers stated that this particular PILOT is already somewhat mid-stream. In a sense, a lot of work by Mr. Woods and his office, Mr. Freeman and his office, has gone on already. It may be that Mr. Rodgers' concerns and Ms. Althea Jones' questions are something we might want to consider addressing down the road and not specific to this PILOT. This is a wonderful project and would greatly improve this building. It is great that Steam Logistics would bring in these jobs. The construction side is important.



OTHER BUSINESS

FOR INFORMATIONAL PURPOSES: WASTEWATER DIVISION PRESENTATION: PARTNERING TO DESIGN AND CONSTRUCT REGIONAL SEWER PROJECTS NEEDED TO SUPPORT ECONOMIC DEVELOPMENT.

Mr. Bill Payne, the Interim Administrator for the City of Chattanooga Department of Public Works, made a couple of brief comments. Mr. Mark Heinzer is our Interim Director with the Waste Resources Division, and Mr. Mike Marino is the Program Manager for the City of Chattanooga's Consent Decree Program for the Sanitary Sewer Project and other capital items they do. Today is a brief presentation about some projects that need to be done in conjunction with the Hamilton County Wastewater Authority. The projects can be done faster and very much reduce both the cost and risk associated with Economic Development by the City and the County providing those funds through the IDB, and the IDB partnering with them for design and construction.

Mr. Heinzer stated there is a large scale project that they want to bring the Board in on. The Waste Resources Division has a \$100 million per year operating budget with about \$3 billion in assets in the ground around the City. That is a scale of what they work with.

Mr. Marino gave a brief overview of what the project is: (1) Funding; (2) Financing; (3) Procurement; and (4) Schedule of Benefits. Clear Chattanooga is the brand for the Consent Decree. e2I2 stands for the Environmental and Economic Infrastructure Improvement Program. It is a joint project between the City of Chattanooga and Hamilton County WWA which is the Water and Wastewater Treatment Authority.

The reason for the program is overall to reduce sanitary sewer overflows in both systems, state compliance with the City of Chattanooga's wastewater program, and soon for the Hamilton County Consent Decree Program to promote regional growth in the area. The one way to promote growth in the area is by not having moratoriums sewer construction on people able to connect to the sewer system. This program includes equalization stations, and storage tanks at strategic locations on the border between the City and Hamilton County. These stations create capacity in the system, help prevent the sanitary sewer overflows, and they equalize the flow as they go through the system.

The City of Chattanooga has about 1,260 miles of pipe, WWTAs has about 500, and they are all connected. As we connect to each other, we have areas of vulnerability that we need to pay attention to in order to keep the flow in the pipe. Ultimately, this is to improve and promote future growth of developments and to provide with EPA requirements. Why are we doing the project? Because these projects are mentioned in our Consent Decrees. We basically have to do them. There is also an Interlocal Agreement between the City of Chattanooga and Hamilton County to move forward with this project. As we connect on our geographic borders, instead of putting one station here and one station here, we put them together, and we are able to combine this infrastructure for cost savings. Ultimately, it is going to provide capacity out to the year 2045 for both the City and the County. This gives a brief look. There is going to be three locations. Mg stands for millions of gallons and in the Pineville area, Hudson Road, these are estimated which we call west Chickamauga, intersection at I-75, and then on south Lee Hwy. These are in construction right now. These are three 10 mg equalization stations that are about to go on-line at the end of the year. These improve the overall sewer system allowed to create capacity. They keep sewer moratoriums away from the City.

- **Funding** – the total cost is estimated at this point to be \$125 million. The cost will be shared between Hamilton County, WWTAs, and the City of Chattanooga, about a 60/40 split based upon what is the volume. Simply responsible for initial funding, plumbing, engineering, procurement management, and project execution, the WWTAs will be responsible to pay a monthly amount based upon their total contribution of the cost.
- **Financing** – these projects are going to be awarded through or would like them to be awarded through the IDB similar to previous projects at Enterprise South. The City was approved to apply for loan funding for the EPA Water Infrastructure Finance Innovation Act (WIFIA) and will apply for additional funds to cover it with the State Revolving Fund (SRF). WIFIA can cover about 49% of it and can cover the rest by SRF, and if not, by SRM. The City will then issue General Obligation Bonds.
- **Procurement** – we want to use a progressive design build approach to utilize design and construction.
- **Collaborative Delivery** – we can mitigate potential design conflicts, conflict claims during construction, and allows for the design team to procure equipment quicker, and streamlines design and construction with one crunch by contract versus three separate engineering and construction contracts. Once constructed, the City of Chattanooga will be maintaining the system. In a traditional design build view, you basically have three entities: (1) City; (2) Engineer; (3) Bid it. Once it is fully designed to a construction entity you then start it up. With progressive design build there are only two entities: (1) Owner; and (2) Design Builder. This overlap in design and construction ultimately will reduce cost risk by knowing the price sooner and earlier in the design as opposed to doing a low bid contractor bid in design to build. Of course, because we can overlap design construction, we can finish the project earlier which reduces moratorium risk by having the schedule

reduced. The EPA wants you to mitigate, and many times eliminate, sanitary sewer overflows. They want you to keep it in the pipe. The sooner you do that, the better.

- **Schedule for e2I2 program** – ultimately we would like to get the procurement documents out for design bid at the top of 22. This will go on, design will start to go deep into the year, and then we can actually start construction at some of the piece of construction similar to VW. You can do a lot of the civil work early. You can get that out to the subcontractors. Ultimately, the project owing out to 2024. This will provide about 47 mg of equalization storage in the system which will keep the moratoriums at bay, keep the sanitary sewer a flow in the pipe, and to protect the quality for the people and the environment.
- **Benefit** – this approach, coupled with sharing infrastructure, solves joint problems, provides unique opportunity for cost savings, environmental compliance, and regional economic growth.
- **Next steps** – draft an Interlocal Agreement between the City and the IDB. At the next meeting it would be presented to the Board. Parallel, they would like to have Council resolutions to allow the City to sign off on this. Ultimately, we would like to get the RFP out to the design builders at the top of the year. Whatever steps that need to happen, they will be working on those in conjunction with Mark and Bill with the Public Works Department.

Board Comments:

Mr. Rodgers asked how much capacity will that provide for new development? Mr. Marino stated that they would try to say at this moment, but they look at the models, population growth from an industrial standard, residential standpoint, and put into these hydraulic models. It is basically going to help keep the sewer in the pipe to year 2045. That is how you put the timing in there as far as what the population is going to be. The goal is to continue business as usual, without sewer moratoriums, and to not have sanitary sewer overflows. Right now, the City is under an order instead of telling EPA, staying in compliance with our permit, they are mandating us to actually spend this money and improve our infrastructure. The WWTA will be under a similar order here.

Mr. Rodgers asked if there has been any kind of similar build out in the past? Mr. Marino stated in the past, under the border, he does not believe so. They have a combined sewer system downtown for stormwater sewer connected with these large pipes. They spend out \$90 million back in the 90's and created infrastructure to manage this combined sewer to treat it somewhat as it goes into the waterways. Plus, currently, the City has spent to close to about \$300 million on sewer infrastructure for the Consent Decree.

Mr. Bill Payne wanted to add to the question about capacity. Part of what is in the Consent Decree and is required by all the sewer systems is to make sure that we have a capacity assurance program. This is critical in order to get those in place. The program has some milestones inside the Consent Decree. They are essentially tied together with their ability to be able to get these

equalization stations in place and on-line. Our real risk does come in having that capacity put in place in sort of a moratorium. That might prevent economic development to occur for being able to make a connection to the extent that they want it to. This is what the IDB is interested in and the design build process is one the Board has equalized with VW on a couple of different large incentive contracts. It is a process that could be repeated here and provide some savings for the City and County on this joint project.

Mr. Hayes asked that to the degree that the City is 60% responsible for the financing of the build out, at what point the SRF gives way to the City having to bond out the remaining dollars? What is the City's bonded obligation for a project at this scale?

Mr. Marino stated that so far they utilize fund balance and SRF funding. Right now, they have the WIFIA funding that they are going to be applying for which is basically a golden ticket because you get about 49% of the funding. Then, we are going out with the SRF money. That is going to be happening in the next six months to a year that we want to make sure we start to apply for that to get on an economic cycle. They have these companion loans. It is one project, and they feel comfortable that we will be eligible for funds. These are great projects they like to fund. The City is a great customer to SRF. We are hoping, but have been very successful. We are talking in 2022 for a better idea of what we will have to use to go after a bond.

Mr. Bill Payne stated that we will follow these with the General Obligation Bonds. That is the City's choice because basically it is a better interest rate that effectively are revenue bonds that are backed by the revenue from the sewer system. There is dedicated revenue funding. We just do not go specifically after revenue bonds because it is a slightly better rate.

After being no further business, the meeting adjourned at 12:10 p.m.



PATRICK SHARPLEY, *Secretary*

APPROVED:



JIMMY F. RODGERS, JR., *Chair*