



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

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

Also Present were: Attorney for the Board, Phillip A. Noblett; Jermaine Freeman (Interim Chief of Staff and Senior Advisor for Economic Development); Audra Kelly (SETD); Jason Bowers (The Daily Ration); Sarah Mattson; Taylor Hall (Datably, Inc.); Mike Pare (Times Free-Press); Gail Hart (Real Property); Eleanor Liu (Finance); and Janice Gooden and Joseph Paden (CALEB).



Chairman Hayes called the meeting to order, confirmed the meeting was duly advertised, and established that a quorum was present to conduct business, with one new member present, Melody Shekari.



MONTHLY MEETING OF OCTOBER 2, 2023 – MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Mr. Parker, the minutes of the October 2, 2023, monthly meeting were unanimously approved.



PUBLIC COMMENTS

Joseph Paden (CALEB)

Recently, the public hearing for PILOTs was closed but want to make a comment on the subject. There was not much presented during that moment. We understand that at this point the City is going to engage Mark Mamantov to help with the policy details. This is a smart idea. Mr. Mamantov asked them the question in a recent meeting what is the purpose of the PILOT policy

and what is it in effect to do? This is a public board representing the public's interest. CALEB wants to ask the Board the same question. What role should and will the IDB have in evaluating PILOT projects and what are you looking to achieve? How will you decide what projects are in the best interest of the City in the working public and what do you think is important that the policy include?

As the Board contemplates these questions, CALEB wanted to provide a policy memo that discusses some of the grounding policy features and principles that seemingly apply from a survey CALEB has done on economic development experts in the field. Some of these include the Governmental Finance Officers' Association, the International Economic Development Council, the Brookings Institute, the World Bank Group, and several other economists and academics. Hopefully, that provides the Board with a sense of CALEB's working policy concerns at this point and along with some possible methods and avenues the Board might find relevant to final policy framework.

Shifting away from incentive systems that is often based on vested interests or any observations to one that is rooted in economic evidence is one of the recommendations they think can pay dividends for the public.

Speaking of economic merits, they would also like to note that the PILOT goals and purposes imply and are predicated on what would be Chattanooga's economic strategic vision and strategic plan? Little if any of that has been articulated by the City at this point and presumably is based on the Chattanooga Climbs Plan. The Chamber's Chattanooga Climbs update also has not been provided. There was a work session proposed for that but was postponed or cancelled. There is a genuine interest as to whether the Chamber's Climbs Plan properly represents the City's public economic priorities. Does the plan properly account for the City's workforce needs, infrastructure, environmental concerns, and capacities?

Public investment by a PILOT in the last decade was mostly devoted to improvement of Volkswagen and its suppliers. Now is a new post-pandemic era of climate crisis, technological transformation, and global contention. Given our current economic landscape, what strategic aims do the City and Chamber think best suit Chattanooga in the next five to ten years?

We would invite, encourage, and ask for the IDB to be involved in this effort along with the City, County, and Chamber. It would give the public confidence that its money and future is being well thought through. Thank you very much for your consideration and for the opportunity to work with the City, the County, the Chamber, and others to establish a policy. The Kelly Administration and Mr. Freeman in particular have been wonderful in collaborating with CALEB and deserve great credit for taking time to listen to different viewpoints and pursue the best practices and good results for Chattanooga. Mr. Paden submitted his memo to the Chair for the Board, and the memo is attached to these minutes.

Mr. Freeman stated that they are planning to do a presentation for this body at our meeting in December and to have a final draft for consideration in January 2024 during the January meeting. For the rest of the month of November, Mr. Paden is correct that they are working with Mark Mamantov to come up with a policy that will have some changes from the policy draft as

presented by the Chamber and that policy we hope to collaborate with interested community groups so that when the Board sees the presentation next month and the final policy in January we hope it will be something that you will be proud of and something that will have a collaborated effort between the City, the IDB, and some of our community groups.



RESOLUTION

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

A RESOLUTION AUTHORIZING THE AWARD OF A GROWING SMALL BUSINESS INCENTIVE GRANT TO THE DAILY RATION, LLC, IN THE AMOUNT OF TEN THOUSAND DOLLARS (\$10,000.00). (SBI-26)

Some of the Board members who have served for a while will remember that we have done small business grants. It has been a while since we have done one and has been a lot easier to process the grants. We have delegated some of the responsibility over to the Southeast Tennessee Development District at a previous meeting to help with the third party review and processing of the grants, and Ms. Sarah Mattson, City's Director of Entrepreneurship, works closely with small businesses providing staff support to help the Southeast Tennessee Development District.

This incentive grant can provide up to \$10,000.00 to an eligible small business which is defined as being small businesses that have fewer than 100 employees, and in order to be eligible, the small business has to have hired at least five full-time employees within the previous 18 months before they apply. We can then determine the grant award which is based not only on the number of positions created but it is also tied to the average wages of the positions. We can also provide some financial assistance to reimburse small businesses for eligible expenditures related to capital improvements and cost of equipment and inventory.

Two of these small businesses are owned by the same business owner who qualifies for the grant. Mr. Jason Bowers was present to talk about two of his restaurants, The Bitter Alibi and The Daily Ration, which qualified with the hiring of full-time people.

Mr. Bowers introduced himself and has been in Chattanooga since 2005 and has been a business owner for 10 years and opened The Daily Ration and The Bitter Alibi, and within the last year and a half opened up the alehouse in Red Bank, and two ventures will be the Chattanooga Choo Choo Gardens and Station Street.

In 2014 he took over just a basement on Houston Street and really only seated about 30 people, it was he and two other guys. Then they took over the Holtz Building and expanded to 20 employees in 2016, growing to 40 people at the alehouse. They have 60 people at the new one on Signal Mountain and right at the 95. Their projections within the next year they will have easily over 100 people working in the buildings, special events, and lots of off-site catering, and help people with new opportunities. Mentoring is a huge part of what they do. They have easily five

other restaurants come from employees that work for him and in the next few years think will have a few more. They are goal minded to grow from the inside out.

Mr. Bowers has three Veterans on staff right now and is something that is always important and good to have. The money is only for the restaurants in Chattanooga. The two in the Chattanooga Choo Choo Gardens and Station Street are the ones that definitely need the most attention but The Daily Ration and The Bitter Alibi are both Chattanooga assists. Finding the right people and money is tricky.

The motion carried.

ADOPTED – 11/6/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE AWARD OF A GROWING SMALL BUSINESS INCENTIVE GRANT TO THE BITTER ALIBI, LLC, IN THE AMOUNT OF TEN THOUSAND DOLLARS (\$10,000.00). (SBI-27)

The motion carried.

ADOPTED – 11/6/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE AWARD OF A GROWING SMALL BUSINESS INCENTIVE GRANT TO DATABLY, INC., IN THE AMOUNT OF \$10,000.00. (SBI-28)

Mr. Taylor and Emily Hall were present from Datably, Inc. Datably was a company that was started three years ago in the midst of the pandemic and is from Orlando and is grateful for Chattanooga. It has been truly a success. They build custom software for enterprises especially with complex integrations and build customer facing mobile apps, portals, data warehousing, hosting, and application management development company.

In 2020, they started doing contract work and in September 2020 they joined the incubator and has been an amazing success. In 2021, they grew to six employees taking on \$330,000, and in 2023 had rapid growth and acceleration as they have been able to expand into a new market. They are currently sitting at 18 employees, which is a huge jump. Every one of the employees is located in Chattanooga. We have high wage earners that are all locals. Most come into the office every day and it has allowed them to have intense collaboration and allowed them to grow as a

team. Most importantly it allows them to take all of the income and revenue to go straight out into salaries and this community.

By year four, they are hoping to close in at the \$5 million mark and are launching an initiative which will be Chattanooga cloud and launching their own products. Up until this point, they have been all contracts. They are also looking for space in downtown Chattanooga. They support non-profit organizations and are part of the Scenic City Summit and extract more talent.

They do not have any Veterans at this time but are open to that. This grant is allowing them to continue to grow. They have two primary things they want to do: (1) They are battling to get operations assistance to stabilize. They have grown quickly and their developers are able to develop and run on their own but they need some operational assistance; and (2) The cloud initiative. They need to buy servers and infrastructure to get some of this on the ground.

The motion carried.

ADOPTED – 11/6/2023

RESOLUTION

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

A RESOLUTION AUTHORIZING THE EXECUTION OF A TEMPORARY CRANE SWING EASEMENT AGREEMENT WITH RIVERCITY COMPANY WITH REGARD TO THE PILOT AGREEMENT FOR THE NEW EMBASSY SUITES HOTEL CONSTRUCTION NEXT TO THE MAJESTIC 12 PROPERTY WHERE CONSTRUCTION WORK WILL BEGIN IN DECEMBER 2023.

Mr. Freeman stated that there is a multi-story Embassy Suites Hotel that is under construction on the parking lot directly adjacent to the Majestic movie theatre. The IDB is technically the owner of the movie theatre property because it is part of a PILOT lease granted through the RiverCity Company which helped with the construction of the movie theatre. That PILOT was issued back in 2008 during the Littlefield Administration. The term of the PILOT runs from 2010-2024. This agreement allows a high rise crane to be over the movie theatre. This agreement provides the developer air rights over the property under the PILOT agreement.

Attorney Noblett explained the process of a PILOT Agreement which is normally for 10 years and there is a spend down where they start escalating back up to the full tax payments at the end of the term over a four year term. They want to make sure the owners sign off. We have a hold harmless and indemnity provision in our Lease Agreement while that is occurring.

The crane is set to be up through the end of 2024. It is a seven or eight story hotel. It will be directly across the street from the John Ross Building which is four or five stories and this will be taller.

The IDB is the owner of the property and is the reason for the easement. It is on East 4th Street and Broad Street and are concerned about things swinging around. There is insurance protection by the Lessees. It is also across the street from the Children's Museum. The current Lessee is Vision RCC, LLC, Lifestyle Center, 329 Market (owners of the John Ross Building), Lincoln Partners, and RiverCity and are all involved in this process. The crane will be swinging over the John Ross Building as well. The Lessee is Mitch Patel's group that is building the hotel. This agreement will automatically terminate without further action upon the earlier of November 30, 2024, or at such time the Grantee completes construction and removes the crane.

The motion carried.

ADOPTED – 11/6/2023

OTHER BUSINESS

Our December meeting will be a significant one and we will hear a presentation on the final draft of the PILOT policies and procedures. Will this Board have any business related to the One Westside TIF?

Mr. Freeman stated the goal is to bring the final Development and Financing Agreement between the IDB and Urban Story Ventures which is the applicant for the One Westside TIF. That TIF's Economic Impact Plan was approved by both the City Council and the County Commission last week. The final step of the process is for the Development and Financing Agreement to come before this body. We had hoped that we would be able to get that before the Board in November but were not able to and will definitely try to have that before the Board during the December meeting.

The TIF proposes to create a significant, meaningful, and lasting development on the Westside of our community in partnership with the County for support for a new educational facility at the old BlueCross/BlueShield gateway site property on West M.L. King Blvd. It also proposes to provide financial resources to the Chattanooga Housing Authority as part of their efforts in Westside Evolves redevelopment plan which they are submitting a Choice Neighborhood Grant within the next couple of months to the U.S. Department of Housing and Urban Development to be the first step of pursuing the Westside Evolves plan which is a \$50 million grant. The Board will receive a packet of the Development and Financing Agreement for Urban Story Ventures TIF at the Monday, December 4th meeting.

There being no further business, on motion of Mr. Adkins, seconded by Mr. Parker, the meeting adjourned at 11:35 AM.



GORDON PARKER, *Secretary*

APPROVED:



KERRY HAYES, *Chair*

CALEB Economic Mobility Task Force

PILOT Policy Memorandum

November 2023

Understanding that City policy and programs play a direct role determining people's life opportunities and outcomes, CALEB's formed its economic mobility task force in 2018. Poverty and inequality continue to challenge our city and too often manifest tragic events in our communities and public spaces. The question remains, will City policy be created and implemented to prioritize their needs interests or, in the case of PILOTs, will permissive agreements favor corporate profit motives and even exacerbate longstanding disparities between black and white, rich and poor? Economic growth is essential – the question is how it will occur and whether Chattanooga's working communities be included. PILOT, as a driver of local economic activity, can play a critical role.

Caleb's Aim: To increase public confidence in the integrity and value of Chattanooga's PILOT program by incorporating best practices for the evaluation and selection of program recipients. Recognized authorities we have located on this subject have specified principles and practices so to increase the likelihood that the public's resources will be well used.

"Providing a thorough and rigorous analysis of each project is critical...Responsible use of public funding requires that projects funded provide a suitable return for the jurisdiction, are consistent with overall community goals and priorities, and require that investments are made in a transparent manner with full understanding of all short- and long-term costs and benefits." ¹

- Government Finance Officers Assoc. (2014)

Composed and Respectfully Submitted

On Behalf of Caleb's Economic Mobility Task Force

Joseph Paden

I) Economic strategic plan that serves Chattanooga's public interest

*"...First, policymakers should ensure incentives reflect local and regional economic objectives. This census of incentives provides one guide for how cities can situate their incentives practices within four principles of inclusive economic development."
- Joseph Parilla, Sifan Liu – Brookings Institute 2018³*

Chattanooga's Economy: Being intentional about Stewardship, Stability, Security, and Sustainability

Principal to any government program is its purpose and strategic objectives. A policy, in this case for PILOT, is intended to facilitate those strategic purposes and goals. To our knowledge, Chattanooga and its contracted agent the Chamber of Commerce have provided limited articulation and clarity of the City's Economic Strategic Plan goals and targets they propose to effect for the public interest. As the public's interests and funds are directly affected by PILOT agreements, it is appropriate that the public be fully consulted and included in determining the strategic needs and purposes the program aims to achieve.

Procurement of the City's economic vision and goals via PILOT involves the following domains:

City Stewardship: At the outset, the City must be judicious in the use of public monies for PILOTs. PILOT agreements affect not only public tax revenues, but also the structure and nature of economic opportunity in the local business environment. PILOTs can be of value to our local interests, but clarity of purpose and definition of legitimate public priorities is needed. At the same token, high order strategic needs and opportunities of public consequence ought to be actively pursued by the City, rather than ceded to private opportunism. The Chamber, as the City's contracted PILOT facilitator, also should demonstrate though transparent operations their deference and duty in executing the public's economic priorities.

Economic Stability: Strategic diversification and balance of our local industry sectors is of significance to the city's economic stability. Too great a reliance and concentration in one industry sector within our local economy leaves us at risk if that industry experiences a slowdown or crisis of future demand. Our local automotive sector, anchored by Volkswagen and its suppliers, is an example. Chattanooga may do well to attract other industry sectors whose business relies on market drivers different or removed from those of resident industries. Rather than incent firms that intrinsically are attracted to established sectors or Chattanooga's attendant attributes, attention to underdeveloped sectors that involve our regional security interests – such as those pertaining to climatic, technologic, and global pressures – or that otherwise provide unique societal benefits might be considered (Of course exceptions may be made in strategic cases – such as for ventures providing extraordinary advantage to established industries for instance). Historically goods manufacturing has been the bedrock of economic strength in Chattanooga.

Workforce Security: The economic mobility of working Chattanoogaans – and especially those historically underserved in black and minority communities – is of foremost concern in the program's performance and effects. Industries with skilled work trajectories offering good wages, benefits, and training compatible with our workforce's needs and requirements are desirable. Considering the use of public resources and their economic interests, it is reasonable that the City and Chamber ensure the public is informed and consulted for their input on the strategic purposes, needs, and objectives the economic plan via PILOT aims to achieve.

Environmental Sustainability: Chattanooga's health and productivity depend on a healthy and sustainable environment. Levels of increasing contamination in our air, water, and soils pose worrisome risks for adverse health outcomes and productivity loss on personal and community-wide levels. Local Air Quality within the past several years has seen increasing numbers of moderate or unhealthy days from Particulate Matter (2.5um) and Ozone. These pollutants are associated with higher incidence of cardiovascular and pulmonary morbidity and mortality. They are an especial risk to children and to those with preexisting conditions. Likewise, the existential climate pollution crisis we face demands greater attention to sustainability across all sectors. Resource and energy intensive business models also may experience increasing challenges to their viability from costs to mitigate their climate pollution outputs in the near future and should be weighed in decisions of public investment.

For Chattanooga to be successful in determining and implementing its economic vision and strategic objectives, a clear, up-to-date understanding of our economic position, potential, and modes of enterprise is necessary. The Chamber's Ernst and Young update to its "Chattanooga Climbs" Strategy may offer useful context, but it has not been elucidated or shared in full before the City Council, IDB, and public for their perspective. If the Chamber is to advise the City's economic plans and future, in fairness should it not demonstrate how it has fully solicited, prioritized, and developed a plan in concordance with public priorities? The City's economic plan goals and performance targets ought to be rooted in these interests, involving the "domains" above, if it has.

Recommended policy action:

1. The policy should explicitly include an annual presentation on the city's economic strategic plan objectives and workforce targets before the City Council with an opportunity for public and workforce input. Pertinent economic context including local industry challenges and opportunities, analysis of workforce needs, environmental sustainability measures and other factors bearing on the plan objectives should be detailed and accounted for in the plan.
2. Review of the Economic strategic plan may be combined as part of the City's annual cumulative report for PILOT program performance results. (See recommendation **IV.B** – Annual Cumulative Report)
3. The Economic strategic plan must be accessible to the City Council and IDB.

II) Transparent PILOT Presentation and Public Hearing Process

"Second, localities must commit to making incentives information publicly transparent, and then rigorously evaluate their impact on firm outcomes to determine what works."

- Joseph Parilla, Sifan Liu – Brookings Institute 2018 ³

CALEB View: Active City PILOT agreements account for millions in public tax concessions every year to selected private corporations. Minimizing unnecessary delay and complication is an important part of our competitive position as a City; however, how can the City be confident that its public investment will result in a strong return benefit, if it doesn't perform a thorough assessment of the business proposal? A transparent presentation of all material facts and circumstances for a PILOT application is necessary so the City's public have a clear picture of the costs it must shoulder in relation to benefits to be gained. This is particularly vital for transformative large-scale industry ventures with long trailing effects for the local economy (ex. Volkswagen in 2010).

Three essential features of PILOT evaluation must be provided to assure a transparent and effective process.

- 1) Clear purposes, goals, and performance criteria supplied by the City's strategic economic plan and policy
- 2) An independent 3rd party economic analysis of the costs and benefits of the proposed agreement
- 3) A presentation and review of the PILOT agreement terms and economic analysis of cost-benefits before the IDB and City Council with sufficient time allotted for examination, commensurate with the PILOT's scale and complexity.

The IDB may be a capable administrative venue for assessing the merits of PILOT applications, provided it is resourced to assure the features above and is free from political coercion in making economic determinations. Notwithstanding, past PILOT agreements have shown the involvement of the City Council and the public to have benefited outcomes and public support. Regardless of process format, their voice and inclusion are needed.

Recommended policy action:

The following table provides a general representation of three PILOT process formats for comparison. If the City's aims to base PILOT application approval determinations more on the ground of economic evidence ("depoliticize"), the application process theoretically espoused by Knox County, TN may merit consideration. CALEB suggests a process balancing the needs of public oversight alongside its competitive interests to recruit target industries:

PILOT Application Review Process by IDB and City Council:

III

<p><u>Current City PILOT review process:</u> IDB review & Public Hearing; City Council reviews IDB record and vote approve/deny</p>	<p><u>Modified Chamber endorsed Process:</u> <= 10 Yr term: IDB authority to review and vote to approve/deny > 10 Yr term: IDB reviews; City Council vote approve/deny</p>	<p><u>"Knox County" modeled PILOT process:</u> City Council pre-clearance public hearing; IDB detailed review, hearing, and vote approve/deny (theoretical model for Knox County, TN.)</p>
<p>a) Mayor's recommendation/conditional approval; Economic impact analysis by Chamber b) PILOT application materials submitted 14 days in advance to IDB c) IDB Public hearing & Presentation by City staff, applicant d) IDB determines accept or defer pending submission of required documents e) City Council Public Hearing post IDB acceptance; approve/deny resolution.</p>	<p>PILOT Agreement <= 10 Yr Term: Application submitted to IDB for review and approve/deny. No input from Council (Council approves this Policy) PILOT agreement > 10 Yr Term, And Policy Nonconforming PILOTs: Application to IDB for review/accept. If accepted, moves to City Council for approval/deny vote. (Public hearing for both?)</p>	<p>Step 1) Mayors' recommendation: a) application details submitted 8 days in advance to City Council & IDB; b) 3rd Party economic Cost-Benefit study is conducted Step 2) 1st review/Pre-clearance by City Council with public comment: a) Matrix scoring presentation by staff, accept or deny based on strategic targets b) Public comment considered. Council conditions/concerns attached for IDB evaluation. Step 3) If accepted, application submitted to IDB >= 20 days in advance for full review, including 3rd party economic analysis Step 4) Regular meeting IDB Review of Application and Public hearing. IDB decides approve, defer, or deny based on strategic plan targets and economic benefit to public</p>
<p>Pros: Application and economic merits evaluated by IDB and public. Determination of approval made by City Council based on complete PILOT agreement details from IDB. Public involvement before IDB and Council. All applications follow same process. Political interests potentially more present in decision; yet City Council the recognized authority to decide public incentive</p>	<p>IDB process for projects =< 10 Yrs excludes Council review and approval. Public Hearing only provided during IDB meetings. ((Could perhaps consider acceptance with cap for projects <= \$75 M or <10 Year Term???)</p>	<p>IDB makes independent judgment based on economic merits. City Council is included earlier in the process; they can leave final determinations up to IDB if project meets economic strategic plan goals. Public informed of project with initial presentation before City Council. All applications follow same process. Less politically influenced but based on economic, project merits. IDB must be equipped to make informed judgments.</p>
<p>Period of review: 29 days</p>	<p>Period (IDB only): 1 month IDB and Council: 14+8+7= 29 days</p>	<p>Period of review: 8+13 => 21 days</p>

III.A) Economic analysis methodology: Computing a project's Cost-Benefit ratio (I.e. Public Return on Investment):

*"...The key objective is for governments to consider cost-benefit analysis in their arsenal of diagnostic tools. And the larger premise of the exercise is for governments to shift away from an incentives system that is often based on vested interests or anecdotal observations to one that is rooted in economic evidence."*⁴ - Kronfol & Steenbergen (The World Bank Group 2020)

*"ROI demonstrates the effectiveness of an incentive by comparing its costs and benefits... Undertaking ROI calculation may require specialized staff training, cooperation among multiple government departments or agencies, and the use of independent reviewers."*⁵
- International Economic Development Council 2014

CALEB View: The heart and soul of the PILOT application review process is completing an economic study that quantifies the amount of economic and social return on investment the public can expect from a project. Quantifying the projected costs to benefits is a widely recognized standard for investment decisions. Essentially the economic study will sum up all the public benefits from a business project and then compare this to the sum of all the public costs to effect the project. The resulting ratio ("benefit-to-cost" ratio) indicates how economically advantageous the investment will be, with higher benefit-to-cost ratios resulting in greater net benefits over the term of enterprise. Professional public sector financial and economic expertise is necessary in producing accurate economic cost-benefit determinations. Every project application seeking public support ought to meet a minimum benefit-to-cost ratio threshold level to be specified by the City's economic plan. (A benefit-to-cost ratio of 5.0 would indicate that for every \$1 of total public costs, \$5 of public economic benefits result ($\$5/\$1 = 5.0$)).

The City's current method of "economic impact analysis" primarily measures only the estimated economic benefits from a project. This method fails to account for significant public costs, such as indirect costs from usage demands on city's infrastructure, transportation network, environment, and community. An incomplete and lopsided estimation generally results, overvaluing the net benefits of projects to the City.

Recommended policy action:

- 1) City policy ought to require a searching cost-benefit study to be completed for each project, commensurate with the project's complexity and the magnitude of public investment involved.
- 2) A third-party economic cost-benefit study must be performed by qualified professionals with recognized expertise in applying public economic and financial methodologies pertaining to industrial development enterprise.
- 3) The study results should be provided to the City Council, the IDB, or both, during the public review process with sufficient opportunity to evaluate the nature and degree of public costs and benefits.

III.B) Economic Scoring Matrix: Weighted to Chattanooga's strategic targets and public interests

"...Finally, clearer criteria and more effective targeting should reserve incentives only for those firms that will advance broad-based opportunity, either by incentivizing opportunity-rich firms and industries, incentivizing firms to provide workers more opportunity, or by addressing place-based disparities in opportunity..."³ - Joseph Parilla, Sifan Liu - Brookings Institute (2018)

"Targeting some firms for greater incentives than others may be rational. Such targeting should not, however, be based on political pressure or media attention. Targeting should be based on which firms are likely to provide greater social benefits at lower incentive costs. Reasonable targets include firms that provide greater social benefits because they pay higher wages, or are more likely to employ local residents."⁶

- Economist Timothy Bartik - W.E. Upjohn Institute for Employment Research

CALEB View: Currently, each PILOT application is scored according to the Economic Impact Matrix to determine how much incentive (i.e. PILOT term length) it is eligible to receive based upon the benefit it offers to the City. Criteria factors that contribute to the matrix score should be suitably weighted to incentivize the types of strategic industry targets sought and equally to promote strong wages, alleviate place-based disparities, and protect environmental quality that foster economic security for local citizens. The factor weightings ought to comport with up-to-date strategic goals and local standards (for example the wage baseline for new jobs should be tied to 100% of the local annual average wage for Hamilton County, TN maintained by the US Bureau of Labor Statistics). PILOT applicants with negligent track records posing substandard or potentially harmful impacts to the City's interests, ought to be scrutinized for reductions in the matrix score, or be dismissed.

Generally, the term score rendered by the matrix for a given project ought to correlate with the degree of benefit quantified by the economic cost-benefit study. It will differ significantly, however, in that it does not explicitly account (or discount) for public costs incurred by the project.

Recommended policy action:

1. Specification of eligible target industries of interest issuing from City's economic strategic plan
2. Specification of minimum threshold eligibility benefit-to-cost ratio based on the City's expectations.
3. Specification of minimum eligibility score for target industries, and disqualification criteria for corporate track records indicating harmful labor, environmental, or community practices.
4. Up-to-date scoring benchmarks and factors, weighted to procure local standards and strategic targets – especially for jobs, wage levels and benefits, and environmental sustainability.
5. Justification of discretionary Matrix points and term increases in City staff report presentations

IV.A) PILOT Agreement Tracking and Performance Measurement

“...localities must commit to making incentives information publicly transparent, and then rigorously evaluate their impact on firm outcomes to determine what works.”

- Joseph Parilla, Sifan Liu – Brookings Institute 2018³

CALEB View: Have PILOT recipients upheld their commitments to Chattanooga for the millions in tax benefits they receive? Without consistent and complete annual compliance reporting and tracking, the public has no reason to believe they are getting their monies' worth. PILOT agreements should be honored with agreed to employment, wage, investment, and other commitments being implemented at 100% within 3 years or less. A robust audit enforcement mechanism also is necessary to ensure that public funds are reclaimed and/or suspended in noncompliant cases.

An accountable program further requires that PILOT reporting data be complete, up-to-date, and organized with ready accessibility to oversight bodies and the public via the City's Economic Development website. The creation of a PILOT performance dashboard or tracking register showing updated progress toward strategic PILOT goals would help demonstrate the program's effectiveness.

Recommended policy action:

1. Ensure recipient annual reporting forms and the City's tracking system are effectively designed and managed to collect PILOT reporting information in a complete, organized, and timely manner.
2. Ensure a clear process for auditing PILOT recipient commitment performance, and where necessary recapturing incentives proportionate to recipient noncompliance.
3. Ensure performance tracking information is up-to-date and readily accessible to oversight bodies and the public on the City's economic development website.

IV.B) PILOT program Annual Cumulative Report presentation and Public Input

“Organizations that regularly perform evaluations of their investments and actively manage their portfolios are significantly more likely to achieve their projected returns.

(Project Management Institute, “Portfolio Management.” Retrieved December 11, 2014.)”

“Over time, comprehensive evaluations help economic developers to sharpen investment criteria and mitigate emergent risks.”⁵

- INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

CALEB View: Is Chattanooga’s PILOT program making real progress toward its strategic workforce and industry economic objectives? Just as important as tracking individual PILOT agreements is evaluating whether the program as a whole is achieving its composite, big picture strategic objectives for workforce and industry, as articulated by the City’s economic plan. At least annually, a cumulative PILOT program report should be presented by City and Chamber program officers to the IDB, City Council, and public, detailing performance toward specified annual targets (i.e. aggregate public ROI, workforce employment and wage levels, target sector investments, brownfield reclamation, disadvantage zone opportunities, etc.). The annual cumulative report presentation also provides a natural opportunity for the City Council and public to reassess the City’s strategic economic plan and determine if economic factors indicate that adjustments ought be made. Cumulative report presentations and other program wide performance data and analysis reports ought to be made readily available to oversight bodies and the public.

Recommended policy action:

1. Annual presentation of PILOT cumulative report to City Council, IDB, and public conveying performance toward economic plan goals, and receiving public input.
2. City Council and public annual review of the City’s strategic economic plan, including explanation and/or adjustment of plan goals and performance targets as indicated by macro and micro economic contexts.
3. Ensure PILOT Annual Cumulative Reports and strategic plan updates are readily accessible to the public on the City’s economic development website.

V) IDB Staffing Resources - Objectivity and Independent Assessment

*"Undertaking ROI calculation may require specialized staff training, cooperation among multiple government departments or agencies, and the use of independent reviewers."*⁵

- International Economic Development Council 2014

CALEB View: Does Chattanooga, as a mid-size city making transformative investments, have sufficient expertise on hand to ensure the public's short and long-term economic interests will yield optimal results? If the IDB is to take on a central role in evaluating high capital business applications and make informed economic judgments, it seems advisable that they have ready access to professionals of public economic and finance who can supply objective context and analysis regarding investment decisions. Additional program management and oversight tracking responsibilities also require sufficient staffing to verify PILOT and other investment agreements are honoring contractual obligations. Resources dedicated to the IDB to manage the PILOT program must be distinctly designated within the PILOT program and application process.

Recommended policy action:

1. Dedicated IDB funding mechanism must be prescribed and instituted for active management, evaluation, and oversight of the PILOT program
2. Professionals suitably qualified in public financial and economic analysis must be available

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