



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES
John P. Franklin Sr. City Council Building
Chattanooga, Tennessee
for
December 6, 2021
11:00 AM**

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

Also present were: Phillip A. Noblett (Counsel for the Board); Jermaine Freeman (Economic Development); Brooke Satterfield (City); Gail Hart (Real Property); Eleanor Liu (Finance); Jason Payne (Public Works Engineering); Adam Shearer (Steam Logistics); Charles Wood (Chattanooga Chamber of Commerce); Mark Smith (Miller & Martin); Chuck Fisher; and John Wilson (The Chattanooga).

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



MEETING OF OCTOBER 4, 2021 – AMENDED MINUTES APPROVAL

The October 4, 2021, amended minutes were presented for approval showing that Kathy Jones was present at the meeting, and the prior minutes were passed as reflecting Ms. Jones was absent. The current amended minutes are reflecting that Kathy Jones was present. On motion of Mr. Adkins, seconded by Mr. Sharpley, the amended minutes of the October 4, 2021, meeting were unanimously approved.



MEETING OF NOVEMBER 1, 2021 - MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Mr. Parker, the minutes of the November 1, 2021, meeting were unanimously approved.



There was no one present wishing to address the Board.

CHAIRMAN'S REPORT UPDATES

- (1) Board Member, Kathy Jones, has had to resign due to other obligations. Her spot will be filled by Councilwoman Carol Berz. We do not have a replacement at this time. We are down to eight board members.
- (2) Mr. Rodgers stated that he has been in contact with Mr. Noblett and is looking at some things the Board could try as an Industrial Development Board to improve transparency for the Board. Mr. Rodgers has been looking at some sister cities – Memphis, Chattanooga, Knoxville, and what they do. Mr. Rodgers is especially impressed with Knoxville as far as the information. Mr. Sharpley commented. The information available is a map which shows where the TIFs have been awarded, and the PILOTs that have been awarded, and where they are in different parts of the City. The other thing that Mr. Noblett pointed out is that the Knoxville IDB actually has a website that is separate from the City of Knoxville.
- (3) Mr. Noblett has informed the Board that the City of Chattanooga IDB is a public corporation technically distinct from the City of Chattanooga, and therefore, in a lot of ways, it makes sense for us to have a separate website. That is something the Board is looking into because there are a lot of things that can be done especially if you look at these other cities in the state, what they have done, and the information they present. Some are better than others. The City of Chattanooga has a lot of room for improvement. One of the rooms for improvement would be an updated version of the Bylaws. The Bylaws are not signed, not dated, and nothing that looks official. The Board is going to try to see if we can update the Bylaws for the website and possibly getting the Board's own website if not at least making some major improvements to what is there.
- (4) Another thing that in 2017, there was a resolution that Mr. Noblett brought to his attention as far as fees for bond applications. It was resolved that there would be a fee policy that was to be put in place and does not know if that has ever been implemented. Mr. Noblett stated the folks for Community Development will have to give information on that. It used to be Economic and Community Development. Mr. Rodgers stated that he does not think we have a fee policy for TIFs and PILOTs. That is certainly something that we will keep on the radar and look at as well. Our sister cities, at least some, do have fees and quite a bit higher fees than the City of Chattanooga. Those are things that we can look at, and not that it needs to be a revenue generating fee, but it certainly can off-set a lot of the substantive costs that behind the scenes we have.
- (5) As far as the PILOT agreement itself, we are going to hear about the Steam Logistics PILOT. There was discussion about construction jobs and concerns that at least some of the Board has as far as the construction jobs that go into these projects the Board is evaluating. We are going to be looking at what we can do to get that addressed on the front

end so there is more acknowledgement and more attention given to not only just for more permanent jobs that go ultimately in these facilities, whether it is The Bend or Steam Logistics for which we are highly grateful, but at the same time, send the message that those construction jobs that improve the property or builds the property, also get attention.

- (6) Back in mid-November, the paper talked about a facility in Wyoming being built, a smaller version of a nuclear facility in Wyoming by a private company. It talks about the project employing as many as 2,000 people during construction and 250 once operational. The article did not say what the value of that project was, but the key thing that really jumped out that here is our local paper talking about a job in Wyoming and can tell us how many construction jobs and more permanent jobs. Yet, we cannot get the same information for Steam Logistics or for The Bend, as-is. Mr. Rodgers is not being critical or intended to be about Steam Logistics. Mr. Rodgers is simply grateful that we have the Steam Logistics issue that brought this to the Board. We can take it and tweak some things about the process.

Mr. Parker stated that he did notice in the resolution that there was a specific numbered item that outlined that there would be due diligence in attempting to hire local construction through the process and developing a local pipeline. At least we are seeing it started in paper and it is written that they are making due diligence on that forefront.



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 DOCUMENTS ASSOCIATED WITH TAX MAP PARCEL NO. 130.001.39 TO INCLUDE A PORTION OF SUCH PROPERTY AS THE SIXTH AMENDMENT TO THE LEASE AGREEMENT BETWEEN VOLKSWAGEN AND THE INDUSTRIAL DEVELOPMENT BOARD. (VW(CB)73)

Mr. Jason Payne spoke on this resolution. This piece of property was originally in the option property to Volkswagen and has the option of 30 years from 2008 to request this additional property to gain access, ingress, and egress for utilities for the new R&D facility. This resolution is similar to many other resolutions related to Volkswagen. Mr. Noblett stated the entire property initially was owned by the City and County. There was a portion that Volkswagen had an opportunity to be able to acquire. This property is a triangular section right next to the Volkswagen property. This parcel is owned by the City and the County who have authorized that transfer to occur. It is owned by the IDB now.

After further discussion, the resolution was unanimously adopted.



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

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY IN CONNECTION WITH THE STEAM LOGISTICS PROJECT, TO LEASE SUCH PROPERTY TO STEAM LOGISTICS, LLC AND TO 329 MARKET, LLC AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

Mr. Jermaine Freeman gave a presentation to the Board. This project was brought to the Board last month regarding the expansion of Steam Logistics into the John Ross Building to create a national headquarters. The City Council and County Commission have approved the PILOT for Steam Logistics.

Mr. Charles Wood stated that this is a substantial project and certainly the largest job creation project in downtown. Steam Logistics, 350 employees, Chattanooga-based company that are freight brokerage which means they operate like a stock brokerage entity, but instead of moving stocks, they are coordinating as a middle-man freight between different parties. This project would have 400 new employees to a site downtown, average wages are about \$56,000 a year, a little over \$11 million in capital investment for the project, and a 60,000 sq. ft. redevelopment of the existing John Ross Building.

This is a nine-year PILOT term with a five-year hiring timeline. It will be entered into between the City, County, Steam Logistics, and the developer building owner, 329 Market LLC. This is a tax phase-in. The current value of the property will continue to be paid as have been the last several years. The first year of the abatement of the project will be 100% of new property taxes, which does not include school taxes. The value of the incentive gradually declines over time. The first year it is 100%, second year is 75%, third year is 60%, and it drops to 50% for the remaining years of the PILOT agreement. There is a revenue stream that begins at the beginning of this process.

The PILOT Agreement only determines percentages of the abatement. The developer nor the City controls what the actual tax valuation of the property. That is done by the Assessor's Office. Percentages versus dollars. There are clawbacks in place for non-compliance which has become a standard process. Valuation determined based upon the estimated investment for the project, the City's incentive portion is about \$502,000. The total economic impact is \$114 million. The new salary revenue is a big part of the economic impact. That money gets spent over again into the community. This project is relatively small compared to companies like Gestamp who are investing more than \$100 million in new capital. This is an office project. The biggest impact is around salaries.

New fees paid to the City during the period of the PILOT are \$126,000, and new property taxes paid to the City during the PILOT are \$339,000. Right now, this project generates \$29,353 a year for the City. The current property tax is being paid. That will continue through the life of the PILOT and will happen whether this project happens or not. This project, even with the PILOT, generates a substantial amount of revenue each year. This is new property tax revenue generated from the project. It does not generate new property tax in year one, but does in year two. It evens out through year nine at \$45,000 per year in new property taxes to the City.

There is an economic development fee with each PILOT. There is a fee with every PILOT Agreement we have done which is quite substantial. It is a percentage of the abated property taxes, which is 12%. That fee is used by the City and the IDB for other economic development projects. One of the key uses of that fee or those funds is around small business incentives. Small businesses are not going to have enough capital investment for it to be vital for PILOT agreement which is the traditional economic development incentive for the City. This creates a revenue screen for other economic projects that might be small business grants. In 2015, there was a flat amount.

Mr. Woods stated that for almost every agreement except for the Volkswagen agreement, that fee is 12% for the City and 15% for the County. That has been standard now about the last five years. Volkswagen was a flat fee per year. Typically, every PILOT Agreement or Consent Agreement negotiated is worked with the City and County Mayors as part of the process for term and what the consent package looks like.

Year ten after the PILOT expires, the fee goes away, but basically, we see an increase of \$90,000 a year in new property tax value. One of the things that gets confused with PILOT projects, is thinking that cash leaving a City or County budget and going to a company which the reality is that this is just a tax phase-in. The company's property tax payments effectively are being phased in over time to reach that full 100%.

The City and County always end up with a positive economic impact. If you do nothing, you get no new revenue. This project is viewed as a strategic opportunity which is important for this Board to understand. The first is freight tech and white-collar aspect of logistics spectrum is a target industry. They went through a strategic planning process with a significant amount of public input to help work through targeted industry sectors. The logistics and freight tech sector is a key target. There is a relatively low barrier entry for the jobs as far as skill sets go, but there is a higher wage. That couples with the fact that we have a cluster of companies already that allows us to build off of that. It is a target industry for us and certainly the largest job announcement since Volkswagen's expansion in 2019 which puts jobs downtown and redevelops what is very much a blighted building. It has been vacant for decades.

This building used to be a car dealership a long time ago and has been bricked in and closed off and sat vacant now for more than a decade. A picture was shown of what it will look like in the same location. This will have a massive impact on that corner of 4th and Market Streets.

There is a commitment and good faith efforts related to recruiting local employees, to utilize local contractors, and working with area workforce development partners to develop a talent pipeline for the project. The company has recently met with Mr. Freeman and UTC. There are some other diverse pipelines as well.

Mr. Adkins asked if the 350 people will be working in this building. Mr. Woods stated yes, there has been some discussion – the company is in the adjacent building and there has been discussion inside the company as to whether they keep that space that they are currently in as well as the John Ross Building. Mr. Woods does not know the answer to military preference.

Mr. Adam Shearer (CFO from Steam Logistics) stated that they love hiring military Veterans. They do not have a stated preference for it but work their best to hire people of all backgrounds, especially Veterans.

Mr. Freeman stated that the fee schedule is reversed. The City's fees are 15% for the economic development lease payments, and the County's fees are 12.53%, if he is not mistaken. These fees are used to fund the small business programs.

Process given by Jermaine Freeman:

Steam Logistics submitted an application for incentives to the State of Tennessee's Department of Economic and Community Development (TDECD). The Chamber evaluated that request and made a recommendation to support the PILOT and determined that it met the but-for test. Steam Logistics has the opportunity to expand in other offices that they own - most in Birmingham and Minneapolis. We always want to be aggressive in creating jobs in Chattanooga. We have no interest in seeing more jobs created in Birmingham or Minneapolis. The Chamber recommended in favor of this project. Both Mayors Kelly and Copping support the PILOT. We had a public session of the IDB last month on Monday, November 1st to describe what this project is and to educate the community. There was no stated public opposition. We shared the minutes from the public information session with the City Council. That was a new step in our PILOT process. As we formalize our PILOT process going forward, that is a step that we want to keep. It makes the process more transparent and open to the public. It also gives the Board more information about the project to learn a full month before taking a vote, and the project has a chance to work through the governmental bodies through the City Council and County Commission.

The PILOT Agreement was approved by the City Council on Tuesday, November 16th and was then approved by the Hamilton County Commission on Wednesday, November 17th. The purpose of today's meeting is for the IDB to consider the lease agreements for Steam Logistics LLC and 329 Market LLC. The Lease Agreement for Steam Logistics will be for the personal property in the building, and the Lease Agreement for 329 Market LLC will be for the building itself. They will be the entities that will own the building and actually make the improvements to the building. They will pass those costs down through Steam Logistics in the form of a triple lease.

This property will require some environmental remediation as it is Brownfield. The John Ross Building used to store cars. Cars often times leave behind substances that can be an environmental hazard. 329 Market LLC under the Lease Agreement will be required to comply with Tennessee Department of Environment and Conservation (TDEC) to remediate the property.

This will also require the IDB to be a party to a Brownfield Voluntary Agreement Program to provide indemnification to the IDB for the time period that the property is being remediated and to make sure that as 329 Market LLC is remediating the property, that there is no liability to the IDB whatsoever. Those terms are spelled out in the Lease Agreement and Attorney Noblett can provide more information.

This is an exciting project. It provides overall \$114-115 million economic impact that creates a national headquarters in our downtown Chattanooga. There will be an abatement period of about nine years. The company will pay all school taxes and stormwater fees. None of the school taxes or stormwater fees will be abated. This is an exciting project because it gives us an opportunity to reactivate a building that has long been vacant and abandoned in the heart of our downtown.

This is a traditional PILOT structure in terms of the PILOT payment schedule, but the City collects a fee that is equivalent to 15% of what the property taxes would have been had there not been a PILOT. That is the economic development lease payment fee, and the County collects 12.53%.

Questions from the Board:

Mr. Rodgers asked that the 15% and 12.53%, those are paid only if the PILOT is ultimately approved? Mr. Freeman said that is correct. What about the PILOTs that do not get approved or have decided not to pursue? Is there a fee paid at that point? Mr. Freeman stated not to his knowledge. There is no application fee for a PILOT. The City Council adopted an ordinance that includes a \$1,500 application fee for TIFs, which is nowhere near high enough given the number of hours that you spend talking to attorneys and consultants when dealing with PILOTs which probably needs to be revisited. These economic development lease payments are only fees for doing a PILOT for each year that the PILOT is in effect.

The updated Lease Agreement included a provision that requires the IDB also to be named as a co-insured on the insurance for 329 Market as they begin to work on this project. That was something that our attorneys asked for because this is now going to be entered into the Brownfield Voluntary Agreement Program. Mr. Noblett stated that this was additional protection provided for the Board because there are requirements that the State of Tennessee through TDEC is going to require for this project to be done. During the term of a PILOT, the IDB will be the owner of the property. We wanted to have assurances that the Board would be protected from any liability. We have also provided a provision for insurance in the event there is a loss during the time of this which it would be protecting and naming the IDB as well as an additional party. There is a Brownfield agreement and the IDB will be the owner for the first nine years of the project and wanted to make sure there was protection offered to this body.

Mr. Rodgers questioned the party “Noon Management”, and who are they? Mr. Freeman stated that 329 Market LLC is the landlord who is a company that is made up of members of both new management and Steam Logistics. Those two parties have gotten together to form a new company that will be solely responsible for owning and improving the building. Mr. Rodgers asked why is it we are not asking Noon Management to sign the Lease Agreement as well as the other? Mr. Freeman stated that they are not the legal owner of the property. 329 Market LLC would be the legal owner of the property. They are not leasing the property from 329 Market LLC. Steam Logistics is leasing the property. Is Noon Management obligated in any manner to pursue the good faith efforts described regarding local employees and local contractors, is there anything to obligate Noon Management? Mr. Freeman stated no, because they are a separate company that is unrelated to this project. Although they are representatives from both companies, there are representatives from Noon Management that will be part of 329 Market LLC. 329 Market LLC is a completely separate LLC. That is Mr. Rodgers’ concern going forward.

Ms. Jones asked for the description of Noon Management again. Mr. Freeman stated that they are two separate companies. Representatives from Noon Management that are part of the ownership group of 329 Market LLC, but you also have representatives from Steam Logistics that are part of the ownership of 329 Market LLC. The building will be owned by 329 Market LLC. That is who the IDB will be entering into the Lease Agreement with because that is who owns the building.

Mr. Rodgers is still confused. How are they on the documents? What relevance do they have for the IDB? Ms. Jones also has that question. Mr. Freeman stated there are no relevance except to mention that there were people who – there was some question about who exactly is 329 Market LLC. In our efforts to be more transparent to tell the Board who that was, the ownership of 329 Market LLC is made up of folks from Noon Management and Steam Logistics. That is the only purpose. Mr. Parker stated that 329 Market LLC owns the building, Steam Logistics will lease it from 329 Market LLC? Mr. Freeman said yes. 329 Market LLC has an option to purchase the building, and once they purchase the building, they will enter into a lease with Steam Logistics. Mr. Rodgers asked who is overseeing the contractors and subcontractors that are improving this building-property? Mr. Freeman said 329 Market LLC. Mr. Freeman stated that Mr. Chuck Fisher can answer any questions.

Mr. Rodgers has advised Mr. Noblett that he knows at least two minority owners in Steam Logistics and is going to recuse himself from voting for that reason. Mr. Rodgers discussed with Mr. Noblett that they are long-time friends, truly no issue connection to this, Mr. Rodgers does not even know if they know he is on the IDB but still thinks the proper thing to do would be for him to let that be known and recuse himself. Mr. Rodgers will oversee if there is a motion to entertain this resolution to be approved, he will entertain that motion.

After further discussion, the resolution was adopted by five board members, and one recusal by Mr. Rodgers.



TAX INCREMENT FINANCING (TIF)
EDUCATIONAL PRESENTATION
By Jermaine Freeman

Background:

The State of Tennessee authorizes the use of TIFs in four different statutes. It is approved for industrial development boards, housing authorities, redevelopment organizations, and community redevelopment organizations. That only applies to Shelby County, Tennessee.

The idea behind TIFs is that TIFs would create sort of a future revenue stream that will allow municipalities and counties to spur economic development or the development of housing using a new tool in the toolbox. (Mr. Floyd left the room at this point). When housing authorities are typically using this tool, they are typically doing it to sort of remove blight, remove dilapidated buildings, and overall improve the quality of a neighborhood or community. When industrial development boards are using this tool, they are primarily using the tool to spur sort of a specific economic development project, including the creation of an industrial park.

When you read the legislation, it really speaks to the industrial park characteristic in the legislation, however, over time TIFs have also been used to spur other types of economic development projects that align with what the community is looking for. (Mr. Floyd returned to the room at this point). It does not have to be an industrial park. It could be one company creating some sort of a manufacturing facility, some communities use TIFs to create malls. What different communities deem as a catalytic economic development project will look different depending upon the community. A community of 15,000 people is not going to necessarily see the same benefit from the same types of projects as a community with 180,000 people like Chattanooga. The statute provides a broad latitude for industrial development boards to determine sort of what is an eligible TIF project.

From the Comptroller's office, a TIF is a powerful new tool to reduce blight and promote economic development and build affordable housing. (Mr. Floyd returned to the TIFs create up-front capital for development by borrowing against future property tax revenue that could then be used to finance the cost of public and private improvements. The way to think about that is that a TIF is not designed to subsidize the entire cost of a project. TIFs are typically designed to subsidize the public infrastructure improvements that need to be done as part of the project. If you think about our larger economic development projects, we will give examples, but where the company is looking for help with public infrastructure, whether the roads, sidewalks, utilities, hard spacing, green space, those are some of the typical, eligible uses that we see for TIFs.

How does it work? An example would be to let's say you have a dilapidated building on a parcel that currently generates \$30,000 per year of property tax revenue, and the proposed new office building to be built on the same parcel will eventually generate \$70,000 in property tax revenue. The increased value of the property taxes, which we call the increment, would be \$40,000 which when multiplied over a set period of time and does not have to be ten years (ten years is an example) that would come out to be about \$400,000. What a potential developer can do is sort of

use that future revenue stream, that estimated impact, to sort of borrow against that money in order to be able to finance the public infrastructure. Typically, what will happen is that a developer will either secure a bank loan or get bonds from the Industrial Development Board or have capital by investors and use the TIF as a way to recoup some of those costs for the infrastructure and improvements over time. It is important to note that when you are dealing with the TIF, TIF proceeds are only forecast. What you are doing is predicting what the future value of property taxes will be. In the event that those future property tax revenues do not reach what you have predicted it to be, you only have whatever increment you have to work with. It is not a guarantee. It is based upon what actually comes in to the City and County.

A graphic was presented by Mr. Charles Wood with the Chamber, to illustrate how a TIF works. You freeze the base property taxes on a specific project or parcel or set of parcels, and everything that is over and above that base property tax in terms of the value from the development goes into a bucket where the IDB has the ability to control which is called TIF funds. The IDB is able to reimburse the developer as the developer is making improvements.

TIFs were approved at the state level. However, in 2015, the City of Chattanooga also adopted its own local TIF policies. We have our own law that governs how TIFs work and under the Chattanooga ordinance adopted in 2015 specifically applies to industrial development board projects. It does not apply to projects that are initiated by the Chattanooga Housing Authority. The Chattanooga Housing Authority does have that authority under the state's TIF statute. The policies adopted by the City Council in 2015 really apply directly to IDB economic development projects.

The City of Chattanooga has the option to follow whatever guidelines it deems necessary. If we decide to initiate a TIF application on behalf of the City, which we have done before, if there is a TIF initiated by the Chattanooga Housing Authority, the City has the ability to follow whatever policies or procedures it deems necessary.

Under local guidelines, under the local ordinance, the primary purpose for TIFs is for public infrastructure. If you think about what is public domain, sidewalks, traffic lights, roads, utility improvements, parks, easements, sewers, stormwater maintenance, are all things that fall under the use of public infrastructure. Under the TIF guidelines, the total project has to be at least \$5 million and at least \$1 million in public infrastructure in order for an application for a TIF to even be eligible for consideration.

Application Process:

A company, developer or organization will submit an application to the IDB. Economic Development staff will review that application on behalf of the Board. The application is then brought before the IDB. The IDB will then pass a resolution of intent accepting the application as complete if you feel that the application is complete. That will refer the resolution over to City Council for consideration. If the City Council is interested in moving forward with evaluating whether or not a TIF is warranted, the City Council will pass a resolution of intent for the creation of what is called and Economic Impact Plan.

The guideline for how you create a structure of an Economic Impact Plan is spelled out under Tennessee State law and Tennessee Code Annotated. Once the City Council passes that resolution of intent, the applicant then submits an Economic Impact Plan to the IDB. The IDB will call for the creation of an Application Review Committee of community members to evaluate the Economic Impact Plan and determine whether or not to submit the Economic Impact Plan to the City Council and County Commission. The Application Review Committee will also set a public hearing either regularly or specially scheduled meeting of the IDB, and the public hearing will be to talk about the TIF. The minutes from this meeting, along with the Economic Impact Plan, have been provided to the City Council and County Commission for consideration and approval in which case they will actually vote as to whether or not to approve the TIF. If the City Council and County Commission vote to approve the TIF, the applicant will then work with staff and the IDB to enter into a Development and Financing Agreement which will incorporate the specific terms of the TIF.

There are three existing TIFs in Chattanooga:

(1) **Black Creek Mountain**, which was public infrastructure for that community in Lookout Valley (initially approved in 2012) and was for approximately \$9 million;

(2) **M.L. King Extension**, which provided for an extension of M.L. King Blvd. to the Riverfront past Riverfront Parkway to provide certain connections to the Tennessee Riverwalk and The Blue Goose Hollow Trail of the Tennessee Riverwalk (approved in 2018) which was a smaller TIF for \$3.5 million, with an additional \$1.7 million for interest and other accounts; and

(3) **East Chattanooga Rising**, which is also created to provide an extension of an existing road. Hardy Street is in East Chattanooga and dead ends into Roanoke Avenue. This TIF will allow Hardy Street to be extended beyond Roanoke Avenue and to provide connection for employees to enter into the new Nippon Automotive Americas facility being built on the former Harriet Tubman site in East Chattanooga. This TIF also provides the refunding for the redevelopment of some additional city-owned land that is right next to the facility along Roanoke Avenue (approved in 2019).

Looking forward, we want to think about how we use, and the IDB to think about how to use, the TIFs further economic development. That is what it was originally designed to do when used by the IDB. We want to make sure that we are using the TIF to: (1) reduce blighted and abandoned buildings; (2) creating public infrastructure for projects that pay above average wages; (3) make sure that TIFs meet the but-for test which the state allows every community to determine on their own; and (4) make sure that we are using this for economic development and catalyze areas that are underdeveloped.

We want to make sure people are aware that a couple of years ago the State of Tennessee also passed a new law around Brownfield TIFs and allow both the incremental property tax revenue and the incremental sales tax revenues to reduce sales taxes to also be captured in the eligible Brownfield TIF District. That is to make the redevelopment of Brownfields more attractive to developers and organizations.

Questions from the Board:

Mr. Sharpley stated that the use would be for above average wages, is there a baseline of what you consider? Mr. Freeman stated that above average wages change because the average wage is constantly changing. As the Bureau of Labor Statistics continues to make changes and to evaluate where wages are given whatever the economy is, we typically would want to look at whatever the average wages are at that point in time. The local ordinance does make the specific reference to the use of TIFs for the creation of jobs that pay above average wages.

Mr. Adkins stated that he has read and been aware that TIFs are primarily for blighted areas. It seems like now we are moving away from blighted areas to give TIFs. Mr. Freeman stated in our local legislation, as well as in state's legislation, it does not necessarily have to be blighted. It can also be just underdeveloped. If you have an area that is underdeveloped and has not been developed for whatever reason, you can also use TIFs based upon our own local ordinance, as well as the state's statute to review TIFs for economic development in areas that are underdeveloped.

An example would be the East Chattanooga Rising TIF, the former Harriet Tubman site was not blighted, it was just an open green after being cleaned up. The Berke Administration felt very strongly that given the level of disinvestment in East Chattanooga for the number of years and given the higher levels of unemployment, it would be good to use the former Harriet Tubman site as a place that could attract some industry to create jobs. That parcel was not blighted, but it was vacant. It was underutilized. The Berke Administration felt it was underutilized and thought that the use of TIFs in order to build that extension for Hardy Street would be a good use of that tool.

Mr. Adkins asked if building a big manufacturing or business section or apartments, which one would be more appropriate? Mr. Freeman stated that it depends because for the IDB, our local TIF ordinance does not really give the Board the authority to build apartments. Projects that are mostly residential it is assumed that those projects will be initiated by the Chattanooga Housing Authority or by another organization. Our local ordinance does give the IDB the ability to do a large industrial project. The Board has the ability to use TIFs if you thought that it was in the best interest of the City for a large industrial project.

Mr. Parker asked how many applications does Mr. Freeman get for TIFs on a quarterly or annual basis and are they advertised enough? Is this a tool that we should be using more? Mr. Freeman stated that he believes in our administration's perspective it is a tool that we should be using more, but we should be using it more selectively. This is not something that we necessarily want to advertise to the widespread community for come one, come all for TIFs. TIFs obviously carry a tremendous amount of considerations with the terms of fiscal impact and overall economic impact, and then, there is also a political consideration. Before you submit a TIF application, you really should have a conversation with Economic Development to determine whether or not this is in the spirit of what the current Mayor of the County and City are interested in doing. It really should have the support of the administrations.

Mr. Rodgers asked Mr. Freeman why is Steam Logistics a PILOT instead of a TIF? And who makes that decision? Mr. Freeman stated that Steam Logistics requested to apply for a PILOT. That was the decision they made. There is an argument that you could have used a TIF to redevelop the John Ross Building. That certainly could have been a use. What we could have done is potentially create a TIF district. The size of the TIF district could vary. Essentially, it does meet the standard of a project based upon the state statute. The problem with the Steam Logistics project is that there probably would not be a million dollars' worth of public infrastructure that needs to be improved. It will certainly go past the threshold of \$5 million on the private investment side, but it probably is not going to be the threshold above a million dollars' worth of public infrastructure. The Black Creek Mountain TIF was the first one we have done.

Mr. Noblett stated the benefit to the City in all of these is what amount of public infrastructure is put in place. If you have roads that are developed, sidewalks developed that would otherwise would have to be provided by the City, that is a benefit, and it is paid for by the increment that comes in off the taxes. The Economic Impact Plan has to be presented on the front end showing what benefits you will receive from that as a city in the long-term. That is what the City Council looks at and this Board approves after they have looked at it.

Mr. Sharpley asked with the Nippon Paint TIF, where were we at with the conversation with the community, with minorities, and Nippon Paint? Mr. Freeman stated that is something we still want to do. For clarification purposes, Nippon Paint did not apply for the TIF. They were not the applicant for the TIF. The City initiated the TIF process itself as the means of building that public infrastructure and building (inaudible). The City was actually the applicant. For the remaining acreage still owned by the City, the City fully intends to continue that community engagement process although the community wants to see on the front end of the redevelopment of the site. We wanted to have in-person meetings and in-person community input meetings to design what that looks like, but it has been very difficult because of the pandemic. That is something they still intend to do.

Mr. Rodgers stated that this is what he envisions being on the website. It should be accessible to the Board.



SMALL BUSINESS GRANT
EDUCATIONAL PRESENTATION
By Jermaine Freeman

Mr. Freeman gave the educational presentation on small business grants. The Board reviews applications or recommendations. The City in the past few years have been more actively involved in small business grants. We have three small business grant programs. Mr. Freeman will only speak about two. The third one is the construction mitigation grants which is a different type of grant, and we will save that one for another day.

The growing small business incentives are probably the most popular grant incentive. It was initially created by an ordinance by City Council back in 2014 and amended the ordinance in 2018. The amended ordinance basically raised the multiplier per job to \$1,000 from \$500 and extended the hiring period to count eligible employees from one year to 18 months, and also included the allowance for the reimbursement of eligible expenses.

A small business comes to us and if they are located in Chattanooga and then create at least five full-time positions over the previous 18 months, they have an opportunity to apply for a Growing Small Business Incentive Grant. Based upon the wages that they pay, we use a multiplier to determine what the grant amount is. The maximum award is \$10,000. One thing to note about this grant is that small businesses can reapply for the grant. The applicant cannot exceed \$10,000 per year in terms of total award costs. The \$10,000 is the maximum that any small business can get per year. This is only available for small businesses that have less than 100 employees. Small businesses that are over 100 employees, we do not consider small for the purposes of this grant.

We have a number of small businesses that have received small business grants under this program: Childcare centers; an accounting firm; bar; a tech company that specializes in cyber security; a food service caterer; ReadytoHangArt.com was the grant that was approved last month by this Board which provides art supplies; commercial cleaning companies; adventure sports innovation which provides outdoor recreation; and The Athletic Shoppe. We have covered the spectrum in terms of industries. If the small business has less than 100 people and have created five full-time jobs within the previous 18 months, they potentially qualify for a grant after they go through our process.

The other program is the Innovation Grant. This was created by ordinance by the City Council in March of 2015, and it was also amended in 2018. It will individually provide a grant for \$250 per job, and originally that was fast-growing, had to create at least 25 full-time jobs in order to qualify for this grant. This past year, we extended the 12-month period to an 18-month period and raised the threshold from \$250 a job to \$1,000 per job. It is important to note that this grant is discretionary. It is specifically for hybrid companies that specialize in innovation space - factories, tech companies, data analytics. This is not for everyone. This is only for companies that specialize in the innovation and tech space. We have an internal committee that reviews whether or not companies meet that threshold. These are some of the past recipients: FreightWaves; Branch Technologies which does 3-D printing; and American Bicycle Group. We focus on companies in the tech site, manufacturing, software development, innovation companies. When this grant was first created, it was created for specifically companies that were physically located in the City's Innovation District. One thing that we decided to in order to make it more as small business friendly was extend that out to anywhere in the City of Chattanooga.



There being no further business, the meeting adjourned at 12:05 p.m.



PATRICK SHARPLEY, *Secretary*

APPROVED:



ALTHEA JONES, *Vice Chair*