

ECONOMIC DEVELOPMENT COMMITTEE

September 29, 2009

4:10 P.M.

Councilwoman Scott, Chairman, called the meeting of the Economic Development Committee to order with Councilmen Murphy, Benson, Berz, Ladd, Gilbert, McGary, Rico and Robinson present. City Attorney Michael McMahan and Shirley Crownover, Assistant Clerk to the Council, were also present. Attorney Crystal Freiberg joined the meeting later.

Others present included Solomon Hatch, Missy Crutchfield, Larry Zehnder, Richard Beeland, Lee Norris, Chief Cooper, Steve Leach, Dan Johnson, Chief Parker, David Johnson, and Daisy Madison.

PILOT PARAMETERS

Chairman Scott passed out prepared information, which is made a part of this minute material. She read the following sentence: *“When the City of Chattanooga grants a PILOT tax abatement to bring jobs to our people, should there be a claw back provision to specifically protect the City?”* She stated that she had talked to Steve Hiatt about this, and his response was as follows: *“If the Company moves from the City **and or the County** during the term hereof, the City **and or the County** reserves the right to require the repayment of amount that would have been payable on the Property if it were subject to property taxes”*.

Councilman Benson stated that he thought this was a great idea and should have been done in the beginning.

Councilwoman Robinson stated that as long as it is within Hamilton County, it gave her no “heartburn”. She questioned if we funded these jointly and stated that as long as it stays in Hamilton County it should not matter and questioned what are our damages and loss? Chairman Scott responded that it was money abated. Councilwoman Robinson still had no problem as long as it was in Hamilton County.

Councilman Benson stated that he was tired of paying City taxes and more to the County and questioned why we should not retrieve the rebate—that it works for both, and we are in the County.

Councilman McGary saw this as a rebate and also economic impact; that the County also benefits and to restrict to say just the City is short-sighted; that with the emerging “m” word, we need to be good to our neighbors.

Councilwoman Robinson still questioned what our damages were and what good we would be accomplishing; that she wanted to know the bottom line.

Councilwoman Berz did not think the issue was location; that the incentive is to bring businesses here and provide jobs to citizens of the city and county; that we need to be concerned that they meet the terms of the original contract; that they were including executive salaries and not just the average salary; that she could care less of whether it is in the city or county but that they meet the requirements of their contract. Councilman Gilbert agreed with Councilwoman Berz.

Councilman Rico stated that the Collegedale incident was isolated.

Councilman Benson stating that he had thought a lot on this and could see companies getting tired of paying city taxes.

Councilwoman Scott stated that they may not have reached their job numbers, and if they did not reach the number, questioned if the Pilot should be taken away?

Councilwoman Robinson stated that she felt good when these companies come before us and felt they had been properly vetted; that businesses are affected by the economy and if the bottom drops out, we don't need to go after our businesses.

Councilman Rico noted that we had not been burnt, and he thought the PILOTS were a good fit.

Councilwoman Ladd stated that she had heard Steve Hiatt say an annual review is in place, and this was our checks and balances; that she agreed with Councilwoman Robinson and thought investments needed to stay steady, and we need to look at long-term investments; that she saw this as an investment.

Councilwoman Robinson stated that we were not talking about competition with Hamilton County; that we are competing with other States and PILOTS are a huge tool.

Councilman Benson stated that we were leaving out the word "optional"—that we reserve the right to use our judgment, but we don't have to exercise it.

Attorney Freiberg noted that it says City and County reserves the right—that she would have to agree.

Councilman Murphy stated that he was slightly conflicted and urged not to rush in too quickly; that when a business fails, we have our claw back provision—that he would say use our claw back. Councilwoman Robinson asked if we had ever had a collapse, with Councilman Murphy responding "not yet".

Mr. Johnson stated that he was not here when the claw back came into being. Chairman Scott questioned what the claw back provision was if not this?

Attorney Freiberg explained that this is specifically if the company moves.

Councilwoman Berz questioned making this jointly if only one of the entities stood to lose?

Attorney Alfred Smith explained that in 2006 there was a letter issued, and the Chamber put the claw back provision in the commitment letter and in the PILOT Agreement; that moving is not meant as a county versus city issue—that we lose jobs if the company moves to South Carolina or Kentucky; that no one minds moving within the city.

Chairman Scott stated that it just occurred to her that when we see the County doing something, we are seeing our body doing something, and if we do something as the City of Chattanooga, we are seeing it again. She questioned why not allow the County to do the PILOT and “beef” it up and the City not do PILOTS? Councilman Benson pointed out that the County would have to give a bigger rebate.

Attorney Smith stated that the real problem was making Hamilton County and the City non-competitive; that all in the country do this as a City and County; that the County demands the school portion of taxes paid, and there is not much “meat” left; that most of the “meat” is the City.

Councilman Murphy noted that the City can’t give free water as an incentive; however Kim Dalton, with the Water Company, explained that they do have an economic development rider, and they reduced the rate for five years.

Councilwoman Berz stated that she loved the idea of PILOTS to entice businesses here; that the City gets stuck with the big cost of infrastructure and in a good faith effort, the business fulfills their part of the bargain; that irrespective of the economy, taxes pay for infrastructure; that as part of the agreement, taxes are abated. She questioned if there was a way to craft this so that the companies share with the infrastructure—that the heavy duty expenses be shared.

Attorney Smith explained that this was just a risk you take; that he had sympathy with Steve Hiatt because he was always in competition.

Councilman Gilbert asked if small cities like East Ridge and Red Bank give PILOTS? Attorney Smith explained that they did not have much of an industrial base.

Chairman Scott asked if the Council wanted Steve Hiatt's statement concerning the claw back provision put in? Councilwoman Ladd was out of the room at this time—six were for this and two were opposed. Councilwoman Robinson stated that she would prefer to go with it the way it is. Councilman Murphy felt that Mr. Hiatt's language was harmless. Chairman Scott stated that she would like to bring back her last questions on the handout.

At this point, Councilman McGary stated that he did not feel there was adequate time for his Education, Arts and Culture Committee meeting and that he would reschedule this for next week. Adm. Crutchfield was present and stated that she had people who had been waiting since 3:00 p.m., and she would like to have one issue discussed—***CHATTANOOGA'S RENAISSANCE OKTOBEFEST.***

She introduced **Chris Thomas and Paul Smith**, stating that we have partnered with them in regards to our "Oktoberfest" in an effort to raise money for the Education, Arts & Culture Dept. She stated that she would like permission to put this on the calendar for next week but to also allow her to start collecting money from Chattanooga Market. **Councilman Murphy made the motion to okay this. The Council was unanimous** and Attorney Freiberg will put this Agreement on next week's agenda.

The meeting adjourned at 5:00 p.m.

(A small list of those in attendance is attached.)