

ECONOMIC DEVELOPMENT COMMITTEE
DECEMBER 7, 2010
3:00 P.M.

Councilwoman Scott, Chairman, called the meeting of the Economic Development Committee to order with Councilpersons Ladd, Berz, Gilbert, Rico, and Benson present. Councilpersons Robinson and Murphy joined the meeting later. City Attorney Michael McMahan; Management Analyst Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Vickie Haley, Daisy Madison, Dan Johnson, David Johnson, John Bridger, Gary Hilbert, Randy Ray, Fredia Kitchen, Greg Haynes, Dennis Malone, Lee Norris, Dickie Hutsell, Paul Page, and Peggy Townsend. Steve Leach and John Van Winkle joined the meeting later.

Chairman Scott stated that there was one agenda item and that Scott Cooper would give an overview of the PILOT for next Tuesday. It was noted that this is on the agenda for this week, with Chairman Scott indicating that she had been left out of that conversation. She questioned if moving it forward was an executive and not a legislative decision? She also questioned if this was an Executive Committee or a Legislative Committee?

Mr. Scott Cooper stated that he was with Economic Development with the Chamber of Commerce; that this involved payment in lieu of taxes for Chattanooga Seating Systems, LLC; that it is tier one for Volkswagen and will be making seats for new Volkswagens; that it was a minority-owned business and was a joint venture; that Steve Carr was present and also Mark Smith, who is the legal authority; that questions could be asked of them about the project. He went on to say that this is for a term of three years; that they will be hiring 105 people over the three years; that it is a \$4.7 million dollar project; and the average wage is \$30,250.

Councilwoman Berz asked if this was the average wage and if it included executive salaries? She stated that was one of her questions to Chairman Scott. She stated that she was all for this PILOT but needed justification for the taxpayers. She asked for a Cost Benefit Analysis. She questioned if salaries, in lieu of taxes, would be made up in other purchasing power; that we had no guarantee that workers would live in Hamilton County. She wanted to know what the "real" average income is, noting that the Labor Department does not require the exclusion of executive salaries. She reiterated that she wanted justification for her decision.

Attorney Smith responded that it is an average salary and does include the executive salaries. He presented a Cost Benefit Analysis, which is made a part of this minute material, noting that this was over the four-year life of the PILOT, which was a good starting point.

Councilwoman Berz noted that she had just received this information and wanted to know the impact of the tax loss? Attorney Smith responded that \$150,000 would not be collected over

the four-year life of the project; that they would pay equal to the County school portion. Councilwoman Berz wanted to know if there were other kinds of taxes attributable to these people being here? Attorney Smith responded that he thought the form he had provided would cover this; that it would create 91 additional jobs with direct and indirect income. He noted that this was just one economist's view at the State level, but he thought it would give a snapshot. Councilwoman Berz confirmed that this was for the whole area and not just the City of Chattanooga.

Mr. Carr of Chattanooga Seating Systems, LLC, spoke next. He stated that he was a resident of Hamilton County and had been since 1986; however, he was new to this company and position. He noted that there would be 105 jobs and by next Fall, they anticipated 125 jobs; that 22 jobs would be Salary positions and 103 hourly; that this is the median income and 87 of the 125 positions will be on-the-floor labor; that the average income is \$26,400.

Councilwoman Berz confirmed that the majority of people will be making \$26,400.

Councilwoman Ladd pointed out that Mr. Cooper stated that we were looking at three years and others had alluded to four years. Mr. Cooper stated that that was his mistake—that it was four years.

Councilman Benson stated that he felt more comfortable with this being at Enterprise South; that this was land that had never brought any taxes to us and now taxes will just be delayed for four years; that he thought it was a good deal; that we would never get taxes on this land without a PILOT.

Attorney McMahan disagreed, somewhat, stating that this is the Supplier Park part of Volkswagen.

Councilman Benson expressed that he was pleased we were doing this.

Councilwoman Robinson wanted to know where this company began. She asked about specs for seats and how they were manufactured. She wanted to know if this was part of Volkswagen?

Mr. Carr responded that it was a joint venture between two companies; that Magna is the largest company of this type in the world and have projects for well over two years in Germany.

Councilwoman Robinson stated that finally Chattanooga was in the middle of world economy. Mr. Carr mentioned products from Germany and Mexico. Councilwoman Robinson stated that she hoped everything we had put in place was working for them. Mr. Carr responded that they were able to come right into their parking lot; that it was very convenient and everything was exciting.

Councilman Gilbert expressed his appreciation for the way they had worked with the community. Mr. Carr responded that it was his pleasure.

Chairman Scott asked about the Cost Benefit Analysis and asked Attorney McMahan to do some clarification as to the other revenue streams that the City will get. She wanted to know how the sales tax gets back to us as raw supplies are not taxable, questioning what happens when a car goes to another location—that it does not help our bottom line.

Attorney McMahan responded that this company is committed to the long-haul and after four years will be paying regular taxes; that there are taxes on the equipment they are putting at their facility and that property is subject to being assessed.

Chairman Scott asked if they would be a permanent landowner in Chattanooga? Mr. Carr responded that they would be a permanent resident. She asked if they were just operating a company on a piece of land? Mr. Carr responded that they lease from Volkswagen and would make it a real priority to buy from local vendors.

Councilwoman Ladd stated that she thought Mr. Cooper had said that this was a minority-owned business. Mr. Carr responded that it is owned by an American Indian—Mr. Barr.

Councilman Murphy stated that he thought a lot of people did not think about this being done on fairly undeveloped land; that he presumed it would go forward at this location—that some of these projects might happen and many could go somewhere else; that we were not giving up much of anything. He noted that PILOTS get demagogued, and we need to do a better job of educating the people as to the fact we are not giving very much up when the land had never been developed.

Mr. Cooper stated that they would try to hire from this region.

Chairman Scott thanked everyone for coming and asked if the Council wanted to vote on this tonight and if there was anyone who was not ready to vote; there being none, she stated that it would be moved to tonight's agenda.

On motion of Councilman Murphy, seconded by Councilman Benson, the minutes of the previous meeting were approved as published.