



City Council Building
Chattanooga, Tennessee
COUNCIL MEETING MINUTES
January 24, 2017
6:00 PM

CALL TO ORDER

Council Chairman Moses Freeman called the meeting to order with Vice Chair Jerry Mitchell and Council members Chris Anderson, Carol Berz, Russell Gilbert, Larry Grohn, Yusuf Hakeem, Chip Henderson and Ken Smith all present. City Attorney Wade Hinton and Council Clerk Nicole Gwyn, CMC, were also present.

PLEDGE OF ALLEGIANCE

Councilman Henderson led the Assembly in the Pledge of Allegiance and read Matthew 5:9 of the Bible before giving the invocation.

APPROVAL OF LAST MINUTES

On motion of Councilman Anderson and seconded by Councilman Gilbert, the minutes of the last meeting (January 17, 2017) were approved as published.

SPECIAL PRESENTATION

“Inclusion By Design” Development Program
By Warren Logan - Urban League of Greater Chattanooga

Chairman Freeman introduced Mr. Logan, who also recognized the Urban League’s board chair, Diana Bullock. Mr. Logan made a brief presentation on the Urban League’s “Inclusion By Design” initiative, which is a 3-year pilot program that helps develop and equip people of color and women for executive and senior management positions at corporations that embrace inclusion. He discussed the program’s value proposition to companies, their market-based approach, the annual tuition and the entities providing training for the participants. Chairman Freeman and Councilman Hakeem commended Mr. Logan for his work at the Urban League and thanked Ms. Bullock for her service. Mr. Logan then responded to questions about the program and the City of Chattanooga’s participation.

ORDINANCES – FINAL READING: (NONE)

ORDINANCES – FIRST READING:

2016-184
Claudio Co.
Planning Version
District 3

AGENDA ITEM VI(a):

AN ORDINANCE TO AMEND CHATTANOOGA CITY CODE, PART II, CHAPTER 38, ZONING ORDINANCE, SO AS TO REZONE PROPERTY LOCATED AT 4823 WINDING LANE, MORE PARTICULARLY DESCRIBED HEREIN, FROM R-1 RESIDENTIAL ZONE TO R-3 RESIDENTIAL ZONE.

Councilman Smith moved to defer until February 28, 2017, seconded by Councilman Henderson. Councilman Smith noted that the developer had made the request to defer because they were still communicating with those impacted by the rezoning. The motion carried.

**ACTION: DEFERRED UNTIL
FEBRUARY 28, 2017**

ORDINANCE #13152

AN ORDINANCE TO AMEND CHATTANOOGA CITY CODE, PART II, CHAPTER 38, BY AMENDING ARTICLE V, DIVISION 1, R-1 RESIDENTIAL ZONE, SECTION 38-44(3), RELATIVE TO SIDE BUILDING SETBACKS.

Chairman Freeman convened a public hearing and opened the floor to persons wishing to address the Council on this item. At the request of Councilwoman Berz, he recognized the following speakers:

- **Gary Ball (Tower Construction)** – He expressed his support of reducing the setbacks.
- **Terry Green (Homebuilders Association)** – On behalf of the Homebuilders Association, he encouraged the Council to support reducing the setbacks.

Upon no further public comments, **Councilwoman Berz moved** to approve, seconded by Councilman Gilbert. The motion carried.

ACTION: PASSED ON FIRST READING

RESOLUTIONS:

On motion of Councilman Hakeem and seconded by Councilwoman Berz,

RESOLUTION #28903

A RESOLUTION TO AWARD A CONTRACT, IN SUBSTANTIALLY THE FORM ATTACHED, TO ENCO UTILITY SERVICES TO PERFORM QUALITY CONTROL MEASURES ON WATER USAGE DATA, TO ENSURE ACCURATE SEWER BILLING, AND TO PROVIDE ONLINE BILL PAY FILES WHEREIN DATA WILL BE DELIVERED IN A FORMAT UPLOADABLE TO THE CITY'S UTILITY BILLING SYSTEM, FOR AN ANNUAL COST ESTIMATED AT \$120,000.00.

Councilman Henderson asked Daisy Madison, Chief Finance Officer, to discuss why ENCO was needed to provide sewer billing. Councilman Smith requested that the I.T. Department get involved with the billing so that this does not become an annual, ongoing expense. Chairman Freeman discussed the history of sewer billing. Ms. Madison discussed the challenges with the current sewer billing. Councilman Smith expounded on not wanting this to become an annual, ongoing expense. Councilman Hakeem called the *question*. Chairman Freeman ended the discussion and called for the vote. The motion carried.

ACTION: ADOPTED

On motion of Councilman Henderson and seconded by Councilman Grohn,

RESOLUTION #28904

A RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE A LEASE AGREEMENT, IN SUBSTANTIALLY THE FORM ATTACHED, WITH CHATTANOOGA LOOKOUT VALLEY CHURCH OF THE NAZARENE FOR THE OPERATION OF A COMMUNITY GARDEN ON THE SEVEN (7) ADJACENT PARCELS IDENTIFIED AS 219, 221, 225, 227, 231, 235, AND 237 ASTER AVENUE.

ACTION: ADOPTED

On motion of Councilman Anderson and seconded by Councilwoman Berz,

RESOLUTION #28905

A RESOLUTION AUTHORIZING THE APPOINTMENT OF JON PURSLEY AS A SPECIAL POLICE OFFICER (UNARMED) FOR THE LAND DEVELOPMENT OFFICE, TO DO SPECIAL DUTY AS PRESCRIBED HEREIN, SUBJECT TO CERTAIN CONDITIONS.

ACTION: ADOPTED

On motion of Councilman Smith and seconded by Councilwoman Berz,

RESOLUTION #28906

A RESOLUTION TO CONFIRM THE MAYOR'S APPOINTMENT OF DONNA RODDY TO THE AIRPORT AUTHORITY BOARD.

ACTION: ADOPTED

On motion of Councilman Henderson and seconded by Councilman Grohn,

RESOLUTION #28907

A RESOLUTION AUTHORIZING THE ADMINISTRATOR FOR THE DEPARTMENT OF PUBLIC WORKS TO ENTER INTO AN AGREEMENT WITH HDR ENGINEERING, INC. FOR PROFESSIONAL SERVICES RELATIVE TO CONTRACT NO. W-16-017-101, MBWWTP SOLIDS PROCESS OPTIMIZATION IMPLEMENTATION – PHASE 2 THICKNER UPGRADES, A NON-CONSENT DECREE PROJECT, FOR AN AMOUNT NOT TO EXCEED \$608,847.00.

ACTION: ADOPTED

On motion of Councilman Hakeem and seconded by Councilman Anderson,

RESOLUTION #28908

A RESOLUTION AUTHORIZING THE ADMINISTRATOR FOR THE DEPARTMENT OF PUBLIC WORKS TO ENTER INTO AN AGREEMENT WITH HEFFERLIN+KRONENBERG ARCHITECTS, PLLC FOR PROFESSIONAL ARCHITECTURAL SERVICES RELATIVE TO CONTRACT NO. Y-15-008-101, THE AVONDALE YOUTH AND FAMILY DEVELOPMENT CENTER, FOR AN AMOUNT NOT TO EXCEED \$340,500.00.

ACTION: ADOPTED

On motion of Councilman Anderson and seconded by Councilman Smith,

RESOLUTION #28909

A RESOLUTION AUTHORIZING THE ACCEPTANCE OF A DONATION FROM DEFOOR BROTHERS DEVELOPMENT, LLC, FOR THE VALUE OF WORK TO PERFORM CERTAIN ROAD IMPROVEMENTS ON PINE STREET FROM MARTIN LUTHER KING BOULEVARD TO 7TH STREET, PROJECT NO. T-17-001, FOR THE APPROXIMATE AMOUNT OF \$688,324.00, SUBJECT TO THE CITY AND B. P. CONSTRUCTION COMPANY EXECUTING AN AGREEMENT FOR SAID IMPROVEMENTS AND THAT THE CITY OF CHATTANOOGA DEPARTMENT OF TRANSPORTATION BEING AUTHORIZED TO ENTER INTO AN AGREEMENT, IN SUBSTANTIALLY THE FORM ATTACHED, WITH B. P. CONSTRUCTION COMPANY FOR THE IMPROVEMENTS TO PINE STREET AT NO COST TO THE CITY.

ACTION: ADOPTED

DEPARTMENTAL REPORTS:

Purchases

Bonnie Woodward, Purchasing Director, briefed the Council on the following proposed purchases:

PO536564 - Mayor's Office Estimated \$40,000 Annually

Blanket Contract Renewal for Bottled Water &
Filtration System Coolers with Accessories -
City Wide Mayor's Office

Lowest/Best Bidder: DS Services of America, Inc.
d/b/a Crystal Springs Water Company
2300 Windy Ridge Parkway, Ste. 500N
Atlanta, GA 30339

PO519823 - Public Works Estimated \$54,000 Annually

Blanket Contract Renewal for Front End Loader
Service - Public Works Department

Lowest/Best Bidder: Republic Services of Chattanooga
1018 East 38th Street
Chattanooga, TN 37407

PO531454 - Public Works Estimated \$75,000 Annually

Blanket Contract Renewal for Programmable
Logic Controller Services –
Waste Resources Division

Lowest/Best Bidder: Adman Electric Co Inc.
P.O. Box 3069
Chattanooga, TN 37404

Councilman Anderson moved to approve, seconded by Councilman Smith. The motion carried.

ACTION: APPROVED

OTHER BUSINESS: (NONE)

COMMITTEE REPORTS:

Audit & I.T. Committee
Councilman Grohn
(No report)

Budget and Finance Committee
Councilwoman Berz

- The Council met as a Committee-of-the-Whole to discuss its 2017 Plan of Work. The third draft is available and been reviewed. It will be finalized by Friday, January 27.

Economic and Community Development Committee
Councilman Anderson

- The committee met today in open meeting to hear about the Crowncastle Fiber Optics PILOT.

HR Committee (Human Resources)
Vice Chair Mitchell
(No report)

Planning & Zoning
Councilman Hakeem

- The Council heard a presentation today in open meeting [regarding side building setbacks]. The presentation was made by John Bridger of Regional Planning.

Public Safety Committee
Councilman Henderson
(No report)

Public Works and Transportation Committee
Councilman Smith

- The committee will meet next week (January 31) following the 3:00 p.m. Agenda Session.

Youth and Family Development Committee
Councilman Gilbert
(No report)

**RECOGNITION OF PERSONS WISHING TO ADDRESS COUNCIL
(Non-Agenda Items)**

Attorney Hinton read the rules of procedure for persons wishing to address the Council on non-agenda items. After which, Chairman Freeman recognized the following persons:

- **Gary Ball (Tower Construction)** – He noted that he was a representative of the Ridgedale Community Association. He voiced concerns about the safety around his office and in the Ridgedale community, which he said is the recipient of “crossover violence.” He informed the Council that the people are weary of bringing development to the area due to safety concerns.
 - Chairman Freeman expressed thanks to Mr. Ball for being a soldier for the cause of peace in his community. He also made comments about the police’s efforts in this community and the impact of citizens, Chattanooga 2.0 and other initiatives in the community.
 - Councilman Hakeem thanked Mr. Ball and indicated that he would speak one-on-one with Mr. Ball about his concerns.
- **Helen Burns Sharp (ATM)** – On behalf of the public interest advocacy group, Accountability for Taxpayer Money (ATM), she presented the Council with a letter cover and policy brief on governance, in which ATM defines problems and make specific recommendations. She gave briefly commented on some of the reforms outlined in the policy brief. [*Letter & Policy Brief attached.*]

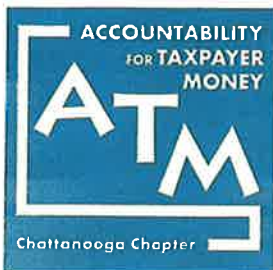
ADJOURNMENT

On motion of Councilman Anderson, Chairman Freeman adjourned the meeting of the Chattanooga City Council until Tuesday, January 31, 2017, at 6:00 p.m.

CHAIRMAN

CLERK OF COUNCIL

ATTACHMENT:
ATM Cover Letter & Policy Brief



HELEN BURNS SHARP
PUBLIC POLICY ♦ URBAN PLANNING

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Office: 423-305-1406

January 25, 2017

Dear Candidate for Mayor or City Council:

Thank you for your willingness to throw your hat in the ring and serve our City.

I am the founder of the non-partisan public interest advocacy group, Accountability for Taxpayer Money (ATM). Our organization "majors" in tax breaks, most recently the Payment-in-Lieu-of-Tax (PILOT) program. Because of our interactions with city government, we have also formed opinions on government transparency.

We understand the importance of jobs. We believe that PILOTs have a place in our economic development toolbox. However, we believe that changes must be made. Chattanooga has been much too lax in evaluating which companies get tax breaks, in monitoring if the companies are meeting their commitments, and in "clawing back" the incentives if companies break their promises.

We believe tax breaks raise equity/fairness issues. We are concerned about the social justice implications of allowing more than \$15 million each year to go uncollected and not actively pursuing enforcement of companies that have not met their commitments. Many neighborhoods in Chattanooga have not benefitted from the City's "Renaissance." Our current tax break policies contribute to the inequity.

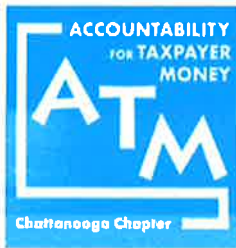
ATM is part of a new coalition of faith-based and community organizations that are bridging racial, religious, and political differences to send a message to our elected officials that Chattanooga is at a fork in the road and that the status quo is not acceptable. The coalition's key issues are Governance, Crime & Safety, Education, Health, Housing, and Youth & Family Development.

Attached is ATM's policy brief on "Governance." We define the problems and make specific recommendations. We want to work with our officials in creating a climate where citizens and government officials realize we are all on the same team.

Please contact me if you have any questions. ATM would be happy to meet with you. We will likely prepare a "report card" on candidates and release that information to our members and to the media. We hope incumbents and challengers will study our policy brief and endorse our recommendations.

Respectfully,

Helen Burns Sharp



POLICY BRIEF--GOVERNANCE

Helen Burns Sharp for ATM, January 2017

Problems with Current System

- PILOT tax breaks to large companies reduce city revenue for needed services.
- \$15 million in taxes were not collected in 2015 due to PILOTs.
- City gets almost 60% of its general fund revenue from property taxes.
- Companies with PILOTs include Amazon, Blue Cross, CBL, Choo Choo, Chattem, Coca Cola, Unum, VW, Southern Champion Tray and Wrigley.
- No standard rules have been adopted on how governments decide which companies get “jobs” tax breaks, leaving awards open to political influence.
- Perception that many PILOT companies would be here anyway, paying taxes
- PILOT Agreements last too long (typically 10-30 years).
- 18 PILOT Agreements were approved since last city election (2013).
- Weak enforcement if companies do not meet their PILOT commitments
- ***
- Challenging for citizens to get information about public records or meetings
- Challenging for citizens to present ideas or give feedback to City Council
- Uncommon for officials to disclose bias or possible conflicts of interest when voting on tax breaks or zoning
- Deck seems stacked towards development interests in PILOTs & zoning.
- Structural power disparity between “strong” Mayor & “weaker” City Council
- Non-elected boards (IDB, HEB, CDRC) make policy decisions involving millions of dollars with little information or accountability.

Economic Benefits of Equitable Reform

- PILOT reform would lead to more productive PILOTs and fewer failures.
- PILOT reform would mean more money for important city services.
- Changes to form of government could give City Council more power.
- Structural change would improve the oversight of non-elected boards, such as IDB, HEB, and CDRC.
- Giving citizens a seat at the table would improve public trust and help level the playing field between development interests and the public interest.

Key Challenges to Reform

- Misperception that tax breaks are always necessary to get companies to locate or expand locally. IRS records show that state and local taxes make up only 1.2 percent of a typical company's cost of doing business. Successful companies make decisions based on business metrics such as transportation and labor. Tax breaks are frequently the icing on the cake.
- Crony Capitalism—Many individuals & law firms associated with existing PILOTs would appear on a local "who's who" list of Chattanooga movers & shakers and campaign contributors. They are historically ingrained in the PILOT process.
- Unawareness on the part of elected officials of a public perception of the climate at City Hall regarding accessing information or giving input.
- Lack of exposure to City Councilors on how structural changes could shift the balance of power between the executive (Mayor) and legislative branch (City Council).
- Old habits are difficult to change.

Strategies for Reform

1. Adopt rules for PILOT tax breaks based on the Policies and Procedures recommended by Accountability for Taxpayer Money (ATM).
2. Acknowledge that residents in many neighborhoods in Chattanooga have not benefitted from the City's "Renaissance" and that our current tax break policies contribute to the inequity.
3. Aggressively pursue ("claw back") money due taxpayers when PILOT businesses have not met their commitments. (Example: \$13 million due from Alstom; Walnut Commons fiasco).
4. Earmark the city portion of the money that is clawed back for a new fund dedicated to meeting high priority needs in urban neighborhoods. Include a representative from the People's Coalition in discussion for how money is allocated.
5. Require PILOT beneficiaries to pay a significant fee at closing. (Knoxville collects 5% of projected tax savings with a cap of \$300,000.)
6. Define roles in economic development program (Chamber of Commerce, Enterprise Center, Convention & Visitors Bureau, City Hall.) Make clear who is doing what, where money comes from and what it goes for.
7. Appoint neighborhood voices to the Planning Commission as vacancies occur. (Almost all members of the PC have development ties.)

8. Convene a small focus group to brainstorm improvements for accessing city public records and improving city website. (Include citizens who have been frustrated with the records process or the website.)
9. Hire outside counsel to rewrite PILOT in lieu of tax and lease agreements to make the documents better protect the public interest and to be more understandable. Include ATM in the discussion.
10. Provide regular training for elected and appointed officials and staff from MTAS, CTAS or TCOG on the meaning (and the spirit) of the state's Sunshine Law.
11. Add more content to city resolutions and minutes to give citizens better knowledge of what is going on and why.
12. Evaluate opportunities for public comment. Add a Council public hearing requirement for adoption of City budget and approval of tax breaks (PILOTs and TIFs).
13. Establish a policy whereby the Council or Commission Chair asks, at the beginning of any meeting where there will be a vote on zoning or tax breaks, if any Councilor or Commissioner wishes to declare bias or the possible appearance of a conflict of interest.
14. Lobby that the Mayor's proposed budget fund a full-time policy research position for the City Council, with a small set-aside for professional services.
15. Convene a small city focus group to explore if a different form of government would better serve Chattanooga. Invite representative of International City/County Management Association (ICMA) to speak about City Manager form of government. Include ATM in the discussion.

(continues)

ATM Recommended PILOT Policies and Procedures

1. **Public Benefit.** Develop a detailed application form. Charge fee to hire independent professional to analyze costs & benefits to the public for each request.
2. **"But For."** Ask companies—new or existing—to sign an affidavit stating the requested tax break is a determining factor for them to locate or expand here. "But for the PILOT, we would not do it."
3. **No "Retro."** Disallow PILOTs for companies with projects underway or completed. (No "but/for.")
4. **Job Quantity.** Count only permanent, full time jobs and do not include managerial jobs in average wage computations. Stipulate that the obligation to maintain the jobs will last at least the length of the subsidy. **Job Quality.** Require PILOT beneficiaries to pay livable wages and provide health insurance and other benefits.
5. **Real Property.** Focus on real property (land & buildings) rather than personal property. Abatements on personal property (equipment) have less capacity for long-term public benefit since equipment is movable.
6. **Job Sectors.** Do not subsidize jobs in office, retail, and hospitality.
7. **Anti-Poaching.** Explore establishing a code of conduct for "jobs" PILOTs to address relocation and bidding wars between neighboring jurisdictions. Address the use of subsidies to lure companies from one another.
8. **Housing PILOTs.** Change definition of low & moderate income from 80% to 60% of Area Median Income (AMI). The current standard allows developers to charge about \$900 a month for their "affordable" units. What is the public benefit warranting this type of tax break? Establish a moratorium on new housing PILOTs until this change is made. Limit housing PILOTs to 10 years, with no phase-in period. Increase fee at closing as described below.
9. **Citizen Input.** Allow for more public involvement. Hold public hearing(s).
10. **Agreements.** Ask an independent third-party attorney with expertise in municipal law to rewrite PILOT and lease agreements to better protect public interest. Include meaningful **clawback** language to address what happens if companies do not meet their commitments. Take enforcement seriously.
11. **Transparency.** Require companies to submit annual reports on actual outcomes (jobs, wages, investment). Post reports on local government web sites. Require PILOT agreements to be recorded in Register's Office. Require disclosure of amount of tax break per year and for the entire term.
12. **Schools.** Require all companies to pay school taxes in full.
13. **Fee at Closing.** Require all PILOT recipients to pay a fee at closing of 5% of projected tax savings, with a maximum of \$300,000 (like Knoxville).
14. **Community Benefit Agreements.** Explore the use of CBAs to ensure that major development projects benefit local residents and neighborhoods.