

ECONOMIC DEVELOPMENT COMMITTEE

June 30, 2009

4:45 P.M.

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

Others present included Dan Johnson, Vickie Haley, Richard Beeland and Larry Zehnder. Mayor Littlefield joined the meeting later.

VISION HOSPITALITY/DOUBLETREE PILOT

Chairman Scott called the meeting to order and called on Steve Hiatt of the Chamber. Mr. Hiatt thanked everyone, stating that Vision Hospitality and Doubletree Hotel were coming to the Council for a PILOT. He stated that Mitch Patel was the CEO, and he had with him Attorney Brian Eftink. He described the complete removal of the Clarion, with Mr. Patel making this into a first class hotel, noting that many of the Council were there last week for the State of the City Address—that this was a wonderful addition to the City. He stated that he would essentially tell the Council about the PILOT Agreement and Mitch Patel, who is a humble man and the best salesperson. He noted that Mr. Patel had received the World-Wide Doubletree Award, which is a Global Award; that when thinking about Mitch Patel and his philosophy, it is all about his employees, which is so refreshing. He stated that Mr. Patel gives credit to his employees—that he is a very humble and good man. This is a \$15 million new investment with \$5 million in personal property. It has created 51 new jobs and 60 part-time jobs that average \$30,000 for fulltime and \$18,000 for part-time. He explained that they ran this through their matrix, and it allowed for a 5-year tax abatement, where they would be paying the school tax for five years and that he would appreciate this being on the agenda next week. He presented a handout, which shows some of the attributes of the hotel and is made a part of this minute material.

Councilman Benson stated that he, too, could brag on Mr. Patel—that his daddy came over with \$15.00 in his pocket, and he could speak well of Mr. Patel because he owned the nucleus of the development in East Brainerd, asking Mr. Patel how many hotels he had. Mr. Patel responded “several”. Councilman Benson continued, stating that Mr. Patel and a few others went together and gave quite a bit of money to improving the Interstate ramp—that he is very corporate conscious and this is an unusual situation in that it comes after the development.

Mr. Hiatt noted that the development was still underway.

Councilman Benson stated that this was one of the most worthy cases that had come across this table, and the establishment was a flagship here in Chattanooga.

Mr. Patel thanked Steve Hiatt and Councilman Benson, noting that all had a copy of the handout. He wished everyone a good afternoon from Vision Hospitality and thanked everyone for allowing him to approach the Council for a PILOT. He stated that he purchased the Clarion in 2006, and it was blighted and dilapidated and revenues were decreasing; that he felt it would have gone into foreclosure; that he had spent \$20 million dollars, and the total would be \$27 million dollars, and he was really proud of the hotel. He stated that when he took it over, there were 30 employees with low morale; now there are over 100 proud employees, and he had won the downtown award and currently was #1 out of 208 facilities in guest satisfaction; that before, the hotel was a health hazard and now it was safe with a green initiative; that before the hotel generated little and now it was generating over \$1 million dollars with a \$6 million dollar economic impact, and the numbers will grow as the economy improves—that this far exceeds the abatement that will be granted. He mentioned their conference center and brand new restaurant, again noting that the Mayor held his State of the City Address here. He went on to say that he had been around for 30 years and had a strong vested interest in the community. He said that he had six other hotels in Chattanooga and had never asked for assistance before; that this was an existing dilapidated facility where a tremendous investment was made. He asked for the PILOT and feedback.

Councilman Rico thanked Mr. Patel and stated that he agreed that this was the time to go ahead and approve this; that the convention center was unbelievable, and he appreciated what Mr. Patel had done for the city.

Councilman Murphy stated that he had toured the facility, and it was wonderful and a great investment with a full-service hotel. He went on to say that a PILOT, by his understanding, was an inducement vehicle and questioned if it made public policy sense after the project is completed; that if we do this, he thought the Council could expect to see a great deal more traffic such as this. He stated that his remarks were not to diminish the investment that had been made on this wonderful project, but it was a difficult decision to cogitate on.

Councilwoman Berz stated that she loved what had happened and asked what the requisites were for a PILOT?

Mr. Hiatt stated that he was not sure what she meant.

Councilwoman Berz stated that she was following up on Councilman Murphy's remarks; that this was a general policy question as to whether we could go ahead and do this after the fact and if we would be opening this up for a lot of good people with lots of good projects; would we be setting a precedent. She stated that she was asking this out of ignorance.

Attorney Brian Eftink responded that the State does not open the window to everything; that there are certain steps before the Industrial Development Board can take title and hotels are one category—that manufacturing is the most common; that we can enter into an Interim Agreement so that the Board can take title; that they decided to bring this to the Council after the holidays.

Councilwoman Berz asked if this was a political move? Attorney Eftink responded that it was more of a timing move; that as he understood it, it had been hard to get on the schedule.

Councilman Benson addressed inducement, stating that the purpose of a PILOT is to find something that will increase revenue and promote the economy; that he believed they applied before the hotel was finished, and this has something to do with quality. He stated that he was not worried about others coming—that if others could make him believe like this, it would be okay.

Councilwoman Berz stated that she wanted to know what the law says.

Mr. Hiatt responded that there was no legal prohibition; that there were conversations before the project was finished, and they came with lease in hand to the Industrial Development Board and local governments—that there is no official policy; that the Chamber of Commerce has certain policy that they followed regularly with PILOT Agreements, which is a matrix; term, and them paying the school tax. He reiterated that there is no official policy to initiate the process—that this was three months before breaking ground.

Councilwoman Berz stated that she was “trying to get her arms around this”; that the purpose of a PILOT was to induce folks and her only concern would be that we might be setting a precedent for others who do good things to come back, and if we say “no” to them, is there a liability? She stated that if it says induce, she was not sure we would want to help them do this—that inducement is the key word, and she asked what this looked like?

Councilman McGary stated that Mr. Patel had built numerous hotels; that if this was built from scratch, there might be different figures; that he ended up coming in to re-hab, and it cost him more.

Mr. Patel stated that they could not have built this from scratch; that they had allocated \$7 million dollars and ran into mold and asbestos problems and ended up spending \$20 million dollars for the renovation—that this was a lot more than they expected.

Councilman McGary stated that in a sense, they should be getting the inducement on the front end—that he thought of inducement as helping a company; that by re-habbing an old building they save the City the cost of tearing it down—that we could ask those that might come after the same questions.

Councilwoman Robinson stated that this was really important in the downtown footprint; that we were fortunate to see a hotel that was really a full-service hotel and also a conference center—that this was first class and for business conferences, it was very nice to have this facility; that local investors are front line, and this is a little different, and she thought there was a bit of discretion.

Councilman Murphy asked when the PILOT was applied for?

Attorney Eftink stated that they got into this mold problem, and they approached the Chamber about this; that it was late summer of last year, and they went to the Industrial Development Board, he thought, in August.

Councilman Murphy asked about the Certificate of Occupancy and what needed to be finished.

Mr. Patel responded that it was 75% to 80% complete.

Councilman Murphy stated that his mother taught English and that inducement is a forward looking thing—that in this case it is not an inducement to build but a reward; that it is not 100% complete and questioned if this was an inducement or a reward? He stated that part of doing a PILOT is up to this legislative body to approve or not approve—that we still have discretion and judgement.

Councilman McGary stated that he did not want to wrestle about English—that it could be an inducement to build or an inducement to increase revenue and better the economy.

Councilman Benson stated that he was ready to make a motion to put this on tonight's agenda. This was seconded by Councilman Rico.

Chairman Scott asked what the benefit was by moving this forward?

Councilman Murphy responded public comment.

Councilwoman Berz stated that she would love to see the language of the PILOT between now and the meeting.

Chairman Scott asked how many were in favor of moving this to tonight's agenda and five said "yes".

The meeting adjourned at 5:10 p.m.