

**ECONOMIC DEVELOPMENT COMMITTEE
FEBRUARY 15, 2011
4:50 P.M.**

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

Others present included Larry Zehnder, Jerry Stewart, Karen Rennich, John Bridger, Dan Johnson, Bryan Shultz, Bill Payne, Steve Leach, Gary Hilbert, Chief Parker, Dennis Malone, Richard Beeland, Daisy Madison, Fredia Kitchen, Mayor Littlefield, and Dickie Hutsell.

On motion of Councilwoman Robinson, seconded by Councilwoman Ladd, the minutes of the previous meeting were approved as published and signed in open meeting.

PERFORMANCE OF PILOT'S

Chairman Scott stated that the purpose of this meeting was a presentation from the Chamber of Commerce concerning the PILOT Program that we have in place. She recognized the presence of Steve Hiatt, Jed Marston, and Trevor Hamilton. She turned the meeting over to Mr. Hamilton for summary information.

Mr. Hamilton, Vice President of Economic Development with the Chamber, explained that his role in PILOTS was with funding on behalf of the City and the County and providing information to the applying company to expand or establish a new company. (He provided a spreadsheet, which is made a part of this minute material).

He continued, stating that he worked with the City Mayor and the County Mayor to make commitments to companies; that several improvements had been made to enhance competition. Mr. Steve Hiatt passed out the latest annual report of companies who have PILOT Agreements. Mr. Hamilton explained that in each calendar year, in December, they mail forms to those companies who have PILOTS in regards to jobs and investments; that they ask these companies to report back and provide information concerning their companies, and this information, in turn, is distributed back to the Mayors and IDB's, and the Chamber's role ends.

At this point, Mr. Hamilton stated that he would like to go over the information that had been placed in front of the Council. He noted that the spread sheet had been split into two sections; that these companies have to file annual reports to the Chamber office. One section contained Projects that have begun reporting; the other section was Projects with no reporting requirement. He explained, however, that the Projects with no reporting requirements did

have some commitments. The first page of the spreadsheet supplied the company's name and Pilot Years and their commitments in regards in investments and the actual investment. The next column pertained to Jobs—commitment and actual and the wages—commitment and actual. He noted that each company has a target year to meet these commitments. There was then a column that showed the date when the report was submitted and a column for when the report was due. The last column shows whether the requirements were met, indicated by a "Y" or "N". He noted that there was no actual data for new companies. Those companies who had failed to meet their commitments were highlighted in "red". He noted, however, that most companies are exceeding their commitments. At the bottom of the spreadsheet were "Notes", with a column for explanation. Mr. Hamilton stated that their office would be happy to answer questions about the projects.

Chairman Scott thanked Mr. Hamilton for putting this information together, stating that being able to look at the projects from a collective spreadsheet made it easier to observe more clearly.

Councilwoman Berz also thanked the Chamber for this information, stating that this is what the Council was looking for and that it was a good report; that the only concern she had had to do with wages, asking if top wages were averaged in? Mr. Hamilton responded "yes". She asked him how we would get some idea as to what the average "guy or gal" makes; that when upper wages are averaged in, we don't get a true look. She asked how this could be done? Mr. Hamilton responded that there was no way for this to be determined; that they did not ask for the payroll to be broken down in this fashion. He went on to say that one of the indicators they used was Hamilton County's average wage; that right now they just took the total payroll with the number of workers and right now was not asking for a breakdown.

Councilwoman Berz stated that she was not concerned with personal information; that if we took out the leadership team, she would love some idea of the median income, which would be helpful; that we could give some idea to taxpayers, who pay taxes irrespective of income. She wanted to know what the "real" salaries were or some idea.

Councilman Rico commended the Chamber on what they were doing, stating that he hoped we had a grace period on meeting commitments; that he did not think the workers were concerned about what they were getting paid, as long as they had a job.

Chairman Scott stated that the Federal Government could do this as well and questioned what should be done about companies that don't meet their requirements within a three-year timeframe?

Councilman Rico responded that the economy is so bad, that it is not a fault of theirs; that businesses have suffered, and it is not their fault; that we are lucky that they are still in business.

Chairman Scott wanted to know what Councilman Rico was suggesting. He responded that he was suggesting giving them some time—a grace period. She questioned him as to what that “grace period” should be? He responded that he would be president if he knew the answer to that in this economic environment; that he did not have the answer; that everyone is hurting, and he did not want to make it harder on businesses that were furnishing employment.

Councilwoman Robinson stated that she really appreciated this Report; that it makes it clear what is happening; that we have 40 companies here and a two-page Report with many categories—that there is a small amount of “red” indicated, which means that our PILOTS are functioning well; that given that this Report emerges during our worst recession years, she was encouraged; that the program has proven its worth, and we have a lot to appreciate.

Chairman Scott agreed that there was a lot of success and showed an appreciation for the efforts of the Chamber. She stated that her question was should there be **any** not meeting their commitments—once the agreement is made and the determination is “inked”. She asked if there was any recourse we should consider if a PILOT does not meet their requirements; that if we abate taxes, and the company is not successful, should there be no alternative?

Councilwoman Robinson noted that she was looking at three companies that fell short of their commitment; that these PILOTS were given in a great recession, and we need to take that into consideration; that the rest are performing well.

Councilman Rico stated that he agreed with Councilwoman Robinson; that because of the circumstances in the last few years, some don’t meet certain criteria.

Mr. Hamilton noted that there is a penalty provision.

Attorney McMahan agreed that recently we have had some special penalty language; that the City and County can re-calculate; that the recent PILOT agreements have this language put in—that the older PILOTS had very “loose” language; that we were going forward in a stronger fashion to do what is right—that he thought this was a fair assessment.

Mr. Hamilton agreed that we had added accountability measures and had attempted to collect taxes that would have otherwise been due on companies that have closed down or moved out of the city—that this had only happened one time and that company volunteered to pay taxes; that only one went bankrupt; that he thought we had been good stewards.

Councilwoman Robinson noted that additionally, Chattanooga had undergone a huge construction with hundreds of manufacturing jobs in the 1970’s, and she remembered when any PILOT was welcome; that naturally as the program has matured, that we are wise to make sure that we are running a good tight ship, and she applauded the new provisions, but she was

thankful that these companies are receiving PILOT funds, and she thought we had a great track record and thanks to Chairman Scott, we can step up our oversight.

Chairman Scott stated that the Chamber would do a Report like this every year, and she thanked them very much for a great summary on the benefits that were being brought to Chattanooga; that perhaps as a result of Councilwoman Berz suggesting more information on the idea of median wages, we can put this into perspective.

Councilman Gilbert stated that he would not comment on those not meeting requirements; that a lot of companies were doing a great job, and he asked the Chamber to give this message to these companies from the Council.

Chairman Scott stated that we should recognize CBL Associates, LJT, and Southern Champion Tray.

At this point, Mayor Littlefield asked to speak to the Elder Mountain deannexation that is on the agenda for tonight; that he would like to talk about this at greater length, as it is a complex story; that it relates to urban fire service; that basically he would suggest that the Council do what they wished tonight; that there had been conversations with the County Emergency Services—that there was a cost under contract to allow these areas to be served; that there were a lot of details, and this had been a 26-year conversation, and it was time to bring this to a conclusion—that they knew the City would service them anyway; that taking action on the Elder Mountain deannexation tonight will not resolve the issue; that before a tragedy happens, we need to resolve this issue; that it could go ahead for first reading tonight.

Mr. Johnson explained that this issue was up for deferral, with Mayor Littlefield stating “good”.

The meeting adjourned at 5:20 P.M.