

ECONOMIC DEVELOPMENT COMMITTEE

MARCH 8, 2011

4:05 P.M.

Councilwoman Scott, Chairman, called the Economic Development Committee to order with Councilmen Gilbert, Robinson, Rico, Benson, Murphy and McGary present. City Attorney Phil Noblett and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Dan Johnson, Chief Flynn, Fire Marshall Whitmire, and Richard Beeland.

On motion of Councilman Murphy, seconded by Councilwoman Robinson, the minutes of the previous meeting were approved.

Chairman Scott noted that we had two items on the Agenda and one was Councilman Murphy's item. Since he was out of the room at this time, she began with additional feedback on PILOTS.

DISCUSSION REGARDING PILOTS

Councilman McGary stated that he would like to offer his thoughts—that we as a Council are brought into conversations at the end of PILOTS—once the agreement is in a “crystallized” form; that Amazon was top secret—that both Mayors knew and the Chamber of Commerce knew but Councilwoman Scott, as Chairman of Economic Development, did not know. He stated that all of this had gotten him to thinking—that we approve a process that we only have at the very end, and he did not think business corporations would look favorably upon this; that the Council was asked to appropriate millions of dollars but were not brought into the conversation until the very end.

He then went on to talk about his request, being mindful of an understanding for confidentiality and sunshine issues—that his request was that at least one person from this Council be brought in the conversations at the very beginning (Council Chairman, Council Vice Chairman, or Chairman of Economic Development Committee); then when this comes before the Council we will have had somebody who has been a part of the conversations from the beginning; that the Mayors and Chamber can be held accountable for confidentiality but yet the Council is not held accountable. He stated that he would like a little more insight from the process in the beginning—that the Mayor is in on this from the beginning.

Councilwoman Robinson stated that she thought we had two completely different entities working hand in glove—that the Chamber of Commerce works for the private side and our Mayors work for the public; that she felt like the way corporations work is different from us; that we had to keep plans under wraps because there were other communities in the running with the same “deals”; also we had to protect land value—that if things got in the wrong hands, there could be a lot of unintended consequences the more they are put out there. She stated

that we really needed to trust the people we put in these positions at the Chamber of Commerce, and she felt they were respected and trusted in the business community; that the Mayors bring these back to us when the time comes and that is the appropriate time for the Council to weigh in and ask questions; that if the Council wanted to speak to the Mayor or the Chamber, they should be able to do that; that she did not know all the bonds of confidentiality, nor did she want to know, because it was outside her pay range; that she thought everything was working well, and she was confident with the process.

Councilman Murphy stated that in looking at PILOT Agreements, what we need to look at from the Chamber and the County is whether there are structural advantages to Chattanooga that would put us in a better position, and he thought there were better ways than property tax abatement; that technical support is important and our EPB Program is the most reliable in North America, and we will have this exclusivity for a number of years. He also mentioned the SIMCenter and a fellow from IBM who spoke and said that Chattanooga has the ability to lead the world and basically we are leading the world. He stated that we are at the front of the pack in low power rates—that we have affordable electricity and fiber optics that are naturals for technical companies. He mentioned our reputation as a “Green Community”, stating that perhaps the best inducements are investing back into investments that will go on and on as long as a company operates; that all of this is tremendously attractive to businesses locating here rather than just getting a break on property taxes; that property taxes are not that significant. He stated that the Council needed to talk to the Chamber about this; that developments have costs to us and at some point there is a better way to do this; that it would be nice to be in the position to offer lower industrial rates for water, but we don’t have this ability. He commended Councilman McGary for this conversation.

Councilman Benson stated that we had been very successful and that he agreed with Councilwoman Robinson—that this is a much bigger issue than just being “our territory”; that this was not a “defensive” situation—that “loose lips, sink ships”; that in the last one or two of these, if we had told 18 elected officials, it would have gotten more difficult to control what is out there, and we could have lost out; that it got down to two cities, and the difference was minor; that he thought it worked well, and we should not try to fix something that is working well.

Councilman Rico stated that he agreed with Councilman Benson—that it is working; that the people at the Chamber are intelligent; that this is a competitive world, and they think ahead, and we had to do this, too; that there is room for new ideas; that it is progressive to think about these things, but if it is not broke—that one of the County Commissioners almost “spilled the beans” on one of the PILOTS.

Councilman Gilbert stated that it might not help or hurt to have a Council person involved but that the Council has as much integrity as the Mayor as far as saying anything; that the Council is “sworn in” like the Mayor and has the integrity not to say anything.

Councilman Rico stated “go to the Chamber and Mayor” and tell them you need to know—that sometimes you are better off not knowing.

Councilman McGary stated that he needed to clarify his comments—that it was not his intention to be adversarial; that the Chamber “brings home the bacon”, and he did not doubt the Mayors, and he did not doubt his fellow councilmen—that they could keep a secret. He then moved to different options, stating that we do have PILOTS, and it is up to us how we do PILOTS; that we have been successful but not on a different level, but the process had been successful; that we recommend multi-million dollar tax abatements in just a week’s time. He questioned if a week was enough time; that we could ask the Mayor anything, assuming we even knew there was a PILOT in the making—that often the Council does not know; that each Councilperson has a vote and each one is responsible—that as long as he had to vote on this, he was held responsible, and he would like one Council person to be “privy” from the very beginning and able to impart information and share; that we could ask this Council person a question and have a “fuller” conversation; that as far as fees and breakdowns, he did not have the impression that all PILOTS have this consistently applied—that he did not know the formula; that we need to be able to ask questions at the beginning, which would make for a fuller and more robust conversation; that his concerns were not adversarial but greater partnership; that this might not be broke, but it could be made better.

Councilman Murphy stated that this was a good discussion—having someone from the Council early on in the process; that it could be the Chairman of the Economic Development Committee or the Chairman of the Council—that this could be a healthy thing and not bad; that Councilman Rico said that he thought the Chamber had smart people who had thought of everything ahead of time—that that is not always true; that the thought that “everyone is doing it” is not a good reason, either; that PILOTS and Property Tax Abatement is silly if we have other advantages that we can use. He stated another point was that property taxes are a tiny, tiny fraction of operating costs—that we are an extremely low tax place—that he grew up in the Great Lakes region—that if we presume that this is what we have to do, we are missing the point. He emphasized that property taxes are a very small cost of operating costs, and we can do other creative things that are longer term. He reiterated that property taxes are not a big expense. He mentioned low cost labor in this area, also—that there were so many things to induce someone to locate here, and we needed to have this conversation with the Chamber—that we needed to slow down a little.

Councilman Gilbert also spoke to “if it ain’t broke, don’t fix it”. He spoke to Councilman Rico, saying that are PILOTS had no “bite” to them, but someone on this Council had recommended more restrictions and had some ideas that changed the process—that this is just a thought that

Councilman McGary had—that the thought should come to the City Council; that he was explaining it like Councilwoman Scott explained the sales tax—that he finally understood what she meant; that Councilwoman Scott could explain this concept to the Council better to everyone.

Chairman Scott asked if the committee would like to entertain a “consensus” vote and determine which direction we will proceed in. Councilman Murphy reminded her that we barely have a quorum today. She asked how many were in favor of this new direction and three raised their hands. Councilman Benson reminded her that it takes five votes. Chairman Scott stated that unless Councilman Benson went along with this, it would fail today. Councilman McGary stated that if it dies today, he will bring it up again next week.

FUNDING OF SPRINKLERS FOR NIGHTCLUBS

Chairman Scott stated that this is an issue that Councilman Murphy wanted to discuss—the Study of the economic impact sprinklers would have on a business. She opened the floor up for discussion.

Councilman McGary stated that he had asked Fire Marshall Whitmire to address the names of everyone who would be involved with the sprinkler issue—that he wanted this to be based more on facts than emotionalism. He asked Fire Marshall Whitmire for the names of all the properties that would be in question.

Fire Marshall Whitmire stated that they went to the Liquor and Beer Permits based on the Nightclub Ordinance—that 31 businesses would be affected and four already had sprinklers and one is closed, which makes 25; that he had copies of these businesses; that a lot of numbers had been tossed around; that anything before the Council is an estimate.

Councilman McGary produced a “Survey Questions”, which is made a part of this minute material. He stated that this was drawn up by himself and a Commercial Real Estate person, and they were asking questions in order to come up with facts and not just deal with emotionalism. The first question was “Are you the building owner/landlord or tenant?” “What would they be willing to pay for?” “Have you received a quote for the installation of sprinklers?” If so “What is the lowest quote and what is the highest quote?” There was also a question concerning insurance costs and the highest and lowest quote and finally “How can this be made less onerous on your business?” He stated that all of the businesses would receive this questionnaire, and the Council could have this in hand in order to ascertain the true economic impact.

Fire Marshall Whitmire stated that he had something else to add to this list—the name of the Sprinkler Company—that they have to be a certified installer. He noted that they made a study of their Supply Building, noting that in case of fire, the amount of equipment lost would be

catastrophic—that to install a 19,000 sq. ft. sprinkler system would cost \$41,000; that the water tap varies—it could be \$31,050, and they could be doing this for \$70,000, which is well under other numbers.

Councilmen Benson asked about the meter charge? Fire Marshall Whitmire stated that it varies according to building size. Councilman Benson stated that he had been told it could be \$1,000 a year.

The question was asked if a survey like this would be a requirement or strictly voluntary? Attorney Noblett stated that copies could be handed out, but it would be up to them if they returned the survey; that to be binding, it would have to be done by Ordinance.

Councilman McGary asked if it could be phrased “This would be very helpful” because right now we don’t have the necessary tools.

Chairman Scott asked what the feeling of the body was about this information?

Councilman Benson stated that it was all right with him if we put in the meter charge, too.

Councilman Murphy stated that there were a number of things in the survey that he would not respond to because it was no one’s business in terms of the lease, etc. He asked if this survey would be anonymous or if the business would have to identify themselves?

Attorney Noblett stated that if it were returned to us, it would become public record.

Councilman McGary stated that his question, if this is Open Records Request, if personal information should be deleted. He questioned how we protected personal information? Attorney Noblett stated that we can protect employees of the City’s personal information and medical information—that there is not a whole lot of protection here, and it would be public information. Councilman McGary pointed out that nothing asked for the name of the business; that if we passed this today, we wanted to know how it would affect the business; that nothing he saw would identify anyone; that it was essentially just to get information; that #’s 3 and 5 asked for information concerning the cost of installation of sprinklers and the cost for insurance premiums if sprinklers were installed; that #6 deals with options. He stated that anything harmful could be stricken.

Councilman Benson noted there was nothing on this survey about hiring an attorney; that whatever we do, must be applied properly to everybody—that some are already hiring attorneys. Attorney Noblett agreed that there could be violation of due process. Fire Marshall Whitmire stated that they would just be passing an Ordinance that the Council passed, which Councilman Benson felt would put them in a judgmental position.

Councilman Murphy asked if the scenario of the Supply Building was the least expensive to install sprinklers? He stated that he knew there were aesthetic questions, speaking of drop ceilings versus plaster or drywall. Chief Whitmire agreed that there would be different costs—that it would vary as to the size of the building.

Councilman Murphy stated that we could ask TAWC to bring an explication of tap fees as part of the expense, which could make it more affordable.

Councilman Gilbert stated that he felt like Councilman Benson concerning rules we make for the definition of a nightclub; that we have a person saying her business is not a nightclub—does the definition fit her or not? He stated that we had to look at this closely.

Chairwoman Scott stated that there were a couple of suggestions. First was the survey done by Councilman McGary; that Attorney Noblett had made suggestions about getting the information requested. She asked if this would be a good and helpful thing for the Council. She asked to see a “show of hands”. Councilman Murphy stated that he did not think we will get an answer; that it would not hurt to ask. Councilman Benson stated that he did not think it would do any harm but would not do any good either. Chairwoman Scott asked if we should ask the City Attorney to look over this draft? Attorney Noblett felt it was okay as long as it is anonymous—that he did add the cost of the meter charge. Councilman Benson felt we might get exaggerated answers. Fire Marshall Whitmire questioned how we would validate this cost—that they could just throw a number out, and he questioned how we would get a true estimate. Councilman McGary stated that it was a good faith effort to make this the best possible—that any information was better than none.

Chairwoman Scott asked who would send this survey out? Councilman McGary responded that he would, personally. She questioned if the survey would give us the economic impact we wanted or if the questionnaire extended further?

Councilman Murphy suggested that we ask the attorney for businesses to share with him the corporate returns for him to review the average income; that quite simply, it might be less expensive than we thought; that it might be true that some of the businesses might have to close; that he would like for Chief Parker to get what other cities have done; that he thought Knoxville had given a year to comply. He questioned if Knoxville had a private water company.

Chairwoman Scott stated that going forward, we have Councilman McGary distributing the survey and coming back to the Economic Development Committee; that he can present results, and we will get some feedback from Councilman Murphy as to his report from Knoxville; that she did not think any of our chiefs would mislead us.

The meeting adjourned at 5:00 P.M.