

**ECONOMIC DEVELOPMENT COMMITTEE
DECEMBER 4, 2012
4:30 P.M.**

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

Others present included Larry Zehnder, Johnny Feagans, Dan Johnson, Chief Kennedy, Chief Flint, Danny Thornton, Stan Sewell, Boyd Patterson, John Bridger, Fire Marshall Whitmire and Chief Dodd.

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

RIVERCITY DEVELOPMENT PROPOSALS

Ms. Kim White addressed the Council, explaining that they had a PILOT Program for ten years, and it expired, and they needed to get something on the books; that there were two compelling proposals that had been passed by the County in order to get affordable housing back in the city. The first proposal is the former Womens' Health Center on McCallie Ave., where 48 students could be housed and property value increased. The second is on Lindsay St. (Old Frances Willard House) and will have 90 beds. Two PILOT programs are needed. The total investment is \$3.8 million dollars and the rent range from \$475 to \$625.

Councilwoman Robinson expressed support, stating that this is an essential tool for RiverCity and the Chamber of Commerce.

Councilwoman Ladd spoke to the unusual feature of requests for PILOTS on housing, expressing UTC's need for student housing and aid to the City in economic development.

Councilwoman Berz also felt that the project was a good one but had a concern with using taxpayers' dollars, wanting to know if UTC was participating since it was their need? She wanted to know what the cost would be in loss of taxes, noting that this was totally different from other PILOTS that involved jobs. She wanted to know if they would do this if they did not get the tax break?

Ms. White agreed that we need housing all over the city—that these two fit the business model. She explained that the City would not be losing anything and would be getting the same taxes they are getting today; that she hoped the tax base would be increased, reiterating that she would love to promote this all over the city. Ms. White responded that it would be very, very difficult to make it work without the tax break.

Councilwoman Scott expressed her concern, expressing a need to consider the length of time and knowledge of tax basis for all PILOTS. Ms. White responded that after 12 years, they would go to full taxes. Councilwoman Scott responded that she had heard the numbers but thought they should be able to bring to the Council the tax savings to the City on all PILOTS. She expressed a question on the proposed PILOTS going forwards, with Ms. White saying that RPA would be bringing this report. Ms. Scott expressed that it was tough to nail down proposed low income housing—that there had to be some definition that they were working from, and the Council needed this number.

Councilman McGary questioned if UTC was a partner or if this was private development altogether? He confirmed a need for affordable housing, noting that downtown was an area of concern. He spoke of Black Creek being up against a time clock in the matter of their TIF, noting we still had no documentation on how to go forward with TIF's; that the Council voted in favor and then placed a moratorium on all TIF's, which was backwards in nature. He indicated that he felt this was how we were moving in this case—same scenario—they were up against a clock with no guiding document. He wanted to know how close we were to closing the gap in coming up with something that would be acceptable to RiverCity and Chattanooga as a whole?

Councilman Benson stated that he would take responsibility for the time clock; that Ms. O'Neal had said there was no suitable time for a committee meeting, and this had been delayed and delayed. Ms. White responded that it was three weeks or this project was dead and that is why they had pushed these two compelling projects before we had some resolution going forward.

Councilman Murphy agreed that the student population is already having serious problems and UTC is planning to grow and student housing in private hands will be taxable. He mentioned the great number of unused buildings that we already have, stating that we need to foster re-development of existing structures.

Councilwoman Berz noted that Daisy Madison had had a number of discussions about PILOTS and wanted to know her feelings about this. Ms. Madison responded that we had seen the impact of attracting people and businesses to the City with PILOTS, but we need to make sure we can financially support the incentives—that it is a balancing act; that so far the PILOTS had been necessary, but they need to be re-evaluated in view of the current economy; that there are a lot of deserving projects, but it is really about the impact it has on our revenue structure; our tax base is not growing to support at this level. She added, however, that these two in question are reasonable.

Councilman McGary wanted to know if the Council is authorizing the Health, Educational and Housing Facility Board—if they had the option to deny or if it were just a “rubber stamp”? Attorney McMahan responded that it was more of a “rubber stamp”—that it has to be through them for the PILOT to work. Councilman McGary wanted to know what they do? Attorney McMahan responded that they hold the title to the property for 12 years.

Councilwoman Scott wanted to know if these PILOTS were in the “pipeline” before the overall agreement ran out? The answer was “no”.

Councilman Gilbert wanted to know if this was categorized as low to moderate housing? Ms. White again noted the rent would be from \$475 to \$625. It was noted that \$600 is the average rent at UTC now and could go as high as \$850. He wanted to know if these were just for UTC students or for any college student? Mr. Roddy, the developer, stated that UTC was their market, but they could not exclude others.

Councilwoman Robinson spoke to **Resolution (h)** pending a Chamber of Commerce Study, questioning if this would destroy the confidentiality that the Chamber requires? Mr. Johnson responded that the Chamber was in the process of issuing a RFP to do a study on PILOTS and jobs; that they were trying to get a fix on what the market is; that until we get the Study back, we will take each one as an individual situation; that the ones we are talking about today are of a different nature; that John Bridger is working on both the PILOTS and TIFS. Ms. Robinson indicated a desire to hear from Ron Harr of the Chamber concerning this. Mr. Harr stated that they were happy to be the City’s partner in this endeavor and also their sales agent; that they were close to letting an RFP out—that confidentiality is the key; that what this was saying to them was to “slow down” and to study this to make sure Chattanooga is in the proper market.

Councilman McGary questioned the individual assessment. Mr. Wood of the Chamber mentioned the matrix and vetting through both Mayors’ offices—that his hope was that we could continue with PILOTS with more defined guidelines. Councilman McGary asked Mr. Johnson about the two tracks—the Chamber and Mr. Bridger concerning affordable housing. Mr. Johnson responded that the Study will include the housing component, also—that downtown has different kinds of projects. It was noted that Mr. Bridger will also be concerned with TIFS.

Councilwoman Scott had several suggestions about the process—that TIFS as related to the business side come through the Economic Development committee; that if the projects are related to housing, she felt they should come through Councilwoman Robinson’s Housing Committee. She also liked Ms. Madison’s approach of looking at ultimate goals, and part of this is the downtown area and housing versus commercial. She stated she did not have a good feel about this. She also wanted experience from other cities concerning the ratio between housing and commercial. She was also concerned about the imbalance of PILOTS, noting less tax revenue to provide services—that we probably need a cap of some sort. She had no good feel about right mix of housing and also rental property—that the Council needed to be educated to make informed decisions. She had other questions concerning the percentage of PILOTS. One last thing was details of downtown boundaries on deeds and she asked that the Council be provided with GIS maps.

Chairman Benson agreed that housing issues could go to Councilwoman Robinson's committee.

Councilman Murphy referenced a New York Times' article regarding economic development and everyone being on the same playing field. He noted that this was a great article—that businesses tend to locate because of an excellent place and not tax cuts, and Chattanooga has a lot to offer.

The meeting ended with Councilwoman Berz asking Ms. Madison for a Cost Benefits Analysis in regards to infrastructure.

The meeting was adjourned at 5:30 P.M.

(There is a recording of this meeting for a more full report).