

ECONOMIC DEVELOPMENT COMMITTEE

December 1, 2009

4:30 P.M.

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

Others present included Dan Johnson, Jerry Stewart, Gary Hilbert, Larry Zehnder, Richard Beeland, Chief Parker, Daisy Madison, Steve Leach, Lee Norris, Bill Payne, Dennis Malone and Cathie Fulgham.

On motion of Councilwoman Robinson, seconded by Councilwoman Berz, the minutes of the previous meeting were approved as published.

Chairman Scott called on Steve Hiatt.

Mr. Hiatt stated that this was a SIAG PILOT, which was a new company in Chattanooga; that it was a German company and Randy Williams was the comptroller. He recognized the presence of Attorney Alfred Smith. He stated that this comes with the Mayors' approval with the Chamber matrix. He went on to say that this is a global company, and they are purchasing Aerysin Co., which is in the Alstom complex; that they manufacture wind towers and also make steel building frames. One-half of their employees are in Germany; their sales are \$250 million with customers such as Mitsubishi, Siemens, etc.; they are investing \$3 million in new equipment and this will generate 120 new jobs at average salaries of \$45,000 annually. These are blue collar jobs. This is a seven-year PILOT, and they will pay the school taxes.

Councilwoman Berz wanted to know when these people would be hired and was told by next year. Mr. Hiatt noted that it had to be within a three-year period.

Councilwoman Robinson expressed that this was a great thing. Councilwoman Scott wanted to know which City attorney reviewed this, with Attorney McMahan responding that he did—that the Assessor would keep track of the investments and that this was a standard PILOT Agreement.

Councilman Benson asked if their only paying the school tax for seven years would be setting a precedent? Attorney McMahan responded “no”; that this was the way it was always done—that some are incremental.

Councilman McGary asked if the jobs would be highly specialized or entry level and was told they would be primarily welders; that they were working with Chattanooga State and other local agencies. Councilman McGary wanted to know the name of the program and Adm. Leach stated that it was a one-year certificate in welding.

Councilwoman Berz asked the thinking behind zero taxes as opposed to phased in taxes? Mr. Hiatt explained that the reasoning behind phased-in taxes was the least depreciation of equipment; that we make sure they pay the school taxes. She stated that PILOTs were a great idea and incentive but asked if a Cost Analysis had been done as to the amount of taxes we are losing. She questioned if the companies were established to make money, why not phase in the taxes; that the City was losing revenue.

Councilman Benson stated that he was a big supporter of PILOTs but now we are hitting the people with a Clean Water Fee and running people out of town. He stated that zero taxes for seven years was a stark transition; that the company might decide to leave after seven years; that CBL had asked him why they could not get a PILOT. He stated he told them they did not qualify, but they needed tax relief; that there are a lot of problems with no taxes in seven years—that they could pull out.

Alfred Smith explained that this is all personal property and it depreciates down; that it is not a huge amount of money for taxes in seven years; that the policy of the City and County is only on new machinery and equipment.

Councilwoman Berz noted that the purpose of PILOTs is new industry here for more jobs, and we are giving an incentive; that now we are growing and maybe we need to study a new form of PILOT; that we are getting challenged by citizens that have been here a long time.

Councilman Murphy wanted to know when we changed the steps? Mr. Hiatt responded that a former member of the Council had suggested collecting the school tax. Councilman Murphy stated that this money goes into the County's general fund—that there is no separate "pot" for the schools and this is about 30% for the County.

Councilwoman Scott agreed that we needed to take another look at the process; that we had landed Volkswagen.

Councilman Murphy stated that if we go to Metro government, we would have taxing authority county-wide; that it was time to think about Metro government.

Councilwoman Robinson interjected a word of caution; that we were competing with other cities and gotten on a short list, and we don't want to destabilize this; that we know change is coming, and we need to "grow" smart; that it is time to talk about Metro.

Councilman Benson agreed that we can't "price" ourselves out; however the way we are doing it now is not fair to the City; that we bring industry into the City and do the support services; that to make them pay the school tax is an injustice, and it is time to stop; that we need to make sure our PILOTs are fair.

Councilman McGary wanted to know if the matrix that was used originated with the Chamber or the Council? Mr. Hiatt responded that it was very simple; that they assigned a point value, and it was weighed heavier towards higher wage jobs. Councilman McGary asked if it were the Mayor who signed off on this and never the Council? Mr. Hiatt stated that they were asked to collect the school tax. Councilman McGary asked what would happen if the Council wanted a change and was told that the Chamber would take this to heart.

Councilman Gilbert stated that this company hires blue collar workers at \$45,000 a year and money will turn around if they hire locally. Mr. Williams stated that they worked 12-hour shifts with 10% overtime.

Mr. Hiatt stated that 2-3 months ago the Chamber presented their policy to both Mayors; that they would like to have input, also, from the Council and the Commission.

Councilman Murphy stated that we wanted to keep this flexible.

Councilwoman Berz pointed out that the Council makes the decisions and wanted to know how the Chamber is drafting Policy and Procedures; that the Council is the legislative body, and we are not seeing them. Mr. Hiatt again stated that they were shared with both Mayors. Councilwoman Berz questioned if it should not be the Council's Policy and Procedures? Councilman Murphy agreed that they needed to bring the Council their recommendations. Councilwoman Berz added that we were not asking about how decisions are made but are talking about Policy and Procedure and should not the Council be promulgated of this.

Chairman Scott stated that she would request this information from the Mayor's Office and would disseminate it. Mr. Hiatt stated that he had hoped the Council and Commission would review this and pass it as policy. Mr. Johnson wanted to know if the County Commission had approved it. Councilman McGary questioned why this was given to the Mayor rather than the Council? Mr. Hiatt responded that it goes to the Mayors to take the lead. Councilwoman Berz still maintained that the Legislative body makes the decisions, and makes their own policy and questioned why the Council had not seen this; that it should have come to the Council as a matter of rule. Chairman Scott assured that the Council would get it and suggested going forward with the PILOT. Mr. Smith asked if he needed to present when this comes before the Council, and was told "yes".

The meeting adjourned at 5:10 P.M.

