



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES**

**City Council Assembly Room
John P. Franklin, Sr. City Council Building
Chattanooga, Tennessee**

**for
January 6, 2020
11:00 a.m.**

Present were H.H. (Skip) Ireland, III (Chair), Jimmy F. Rodgers, Jr. (Vice-Chair), Alan Lebovitz (Secretary), Althea Jones (Assistant Secretary), Ray Adkins, and Jelena Butler. Absent was James Miller. It was established that a quorum was present to conduct business, and the meeting was duly advertised.

Also present were: Phillip A. Noblett (City Attorney); Jason Payne (City Engineering); Charita Allen and Jermaine Freeman (ECD); Eleanor Liu (City Finance); Chairman Erskine Oglesby (City Council); Dan Wykoff and Daniel Hogue (Branch Technology); Chris Pascarelli and Chris Brown (American Bicycle Group); Mike Pare (Times Free Press); Russ Miller (Bassberry & Sims); Kristin Pruett (Shiny Penny); Aaron Farrar (WTVC); and John Wilson (The Chattanooga).

MEETING MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Mr. Lebovitz, the minutes of the December 2, 2019 meeting were unanimously approved.

There was no one wishing to address the Board. Mr. Rodgers requested that Ms. Helen Burns Sharp's e-mail dated January 5, 2020, be entered into the record of the minutes regarding Volkswagen Tax Breaks. **(Exhibit 1)**

Mr. Noblett received a letter dated November 26, 2019, from the Department of Economic and Community Development regarding VW informing that VW needed to comply with another interim performance report and that report that they had submitted was not sufficient at that point in time. Mr. Leavy sent a copy of the response back from the State that they received the revised performance reports on December 18, 2019, and their performance report was complete at that time. This will resolve the issue the City would have in connection with this matter. Performance reporting is required by the State annually and has to be to the standards the State requires. VW is in compliance. **(Exhibit 2)**

VOLKSWAGEN FINANCE REPORT

Ms. Eleanor Liu gave the VW Finance Report. There were no payments at all. Four state grants have ended. There were three grants not 100%. The remaining dollar amounts are no longer available due to the grant already ended. New columns should be inserted. The heading should be "Adjustment for Grant Amount Not Expended" and "Grant Expiration Date". Percent spent, encumbered, and contingency for the four grants is at 100%. Overall spent, encumbered, and contingency for all MOUs are at 98.87%.

RESOLUTION

A RESOLUTION AUTHORIZING AND APPROVING ALL DOCUMENTS, INSTRUMENTS, ACTIONS, AND MATTERS NECESSARY OR APPROPRIATE FOR, OR PERTAINING TO, APPROVAL BY THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE OF AMENDMENTS WITH RESPECT TO ITS OUTSTANDING VARIABLE RATE DEMAND REVENUE REFUNDING BONDS (YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN CHATTANOOGA PROJECT) SERIES 2010.

Mr. Russ Miller is bond counsel on this matter. This is an amendment to the bond deal to reduce the interest rate. The bonds were originally tax exempt bonds in 2010. The original amount was \$6.9 million which financed various projects. The bonds were purchased by SunTrust Bank and continue to be held by SunTrust. The bank and YMCA agree to reduce the interest rate on the bonds. They are variable rate bonds and bear a percentage of LIBOR. Currently +185 and SunTrust have agreed to reduce that to +90. They mature 2026. They have been paid down from the original \$6.9 million to \$2.7 million. The YMCA makes \$400,000 annual payments. This is not a refinance but an amendment to the existing deal to reduce the interest rate. It will still be tax exempt.

After further discussion, a motion was made by Mr. Lebovitz, seconded by Ms. Butler, and the resolution was unanimously approved.

RESOLUTION

A RESOLUTION AUTHORIZING AN AWARD OF A SMALL BUSINESS INCENTIVE GRANT TO THE SHINY PENNY CHILD CARE, IN THE AMOUNT OF FOUR THOUSAND THREE HUNDRED EIGHTY-ONE AND 20/100 DOLLARS (\$4,381.20).

Mr. Jermaine Freeman introduced Kristin Pruett with the Shiny Penny Child Care. Shiny Penny has created five full-time jobs along with the reimbursement of expenses that fall under this grant program. Child care centers have all kinds of needs and this will make our third child care center that has been approved under the Growing Small Business Grant Program. The first

was Champion Christian Learning Academy and the second First Step Christian Daycare. Part of the Mayor's Cease for Success Initiative is creating more high quality seats for children ages 0-5 to better prepare them for entering into pre-K and kindergarten classes.

Ms. Pruett stated that Shiny Penny was established in 1998 with a capacity of 7 children at a center in Hixson. Over the past 22 years, they have grown into a small child care center. In 2016, they were licensed for 25 children and now licensed for 75 and care for at least 62 children. Shiny Penny is located right off of Belvoir Avenue and take care of families from Lookout Valley to Whitwell, TN. The nursery holds four babies in one room and is constantly needing changing tables and rocking chairs. Shiny Penny wants to have everyone feel comfortable and create environments that are educational, enjoyable, safe, healthy, and happy. This requires a staff of at least 25 and the goal is to keep that growing. They have nine classrooms and everyone is under the age of five. The goal is to have a second location by 2025.

After further discussion, a motion was made by Mr. Rodgers, seconded by Ms. Jones, and the resolution was unanimously approved.

RESOLUTION

A RESOLUTION AUTHORIZING THE AWARD OF AN INNOVATION DISTRICT GRANT TO THE AMERICAN BICYCLE GROUP, LLC, IN THE AMOUNT OF FOURTEEN THOUSAND DOLLARS (\$14,000.00).

Mr. Freeman stated that the American Bicycle Group, LLC provides equipment to the racers for the Ironman Competition. This grant is for the creation of 14 jobs. This is the second recipient of the Innovation District Grant. These grants require the approval of two internal committees (Innovative Committee and Staff) which review each company to make sure that each company meets the spirit the grant was intended for.

Mr. Chris Pascarelli (VP of American Bicycle Group, LLC) spoke and introduced Chris Brown (Sales). The departments they have are sanding, painting, finishing, bike assembly, administrative which consists of 14 jobs and have since added two. They are growing and bringing much manufacturing to Chattanooga. They deliver a fully-assembled product to the customer's front door. They have created a wedge box for shipping in two weeks to the customer's door. The manufacturing facility is on South Creek Road across from Chat State. Mr. Pascarelli said they have 37 employees and three Veterans.

Mr. Adkins asked Mr. Freeman if there was a maximum amount on the innovation grants. Mr. Freeman stated that the legislation approved by City Council did not specify a maximum amount. As an internal policy decision, we will try not to exceed \$50,000 for a particular award. As a City, we want to show support for small businesses and show support for businesses that are growing, but we also do not want to be investors in small businesses.

After further discussion, a motion was made by Mr. Rodgers, seconded by Mr. Adkins, and the resolution was unanimously approved.

RESOLUTION

A RESOLUTION AUTHORIZING THE AWARD OF AN INNOVATION DISTRICT GRANT TO BRANCH TECHNOLOGY, INC., IN THE AMOUNT OF SIXTEEN THOUSAND DOLLARS (\$16,000.00).

Mr. Freeman stated that Branch Technology does 3D printing of construction components in the Chattanooga area. They were right around eight employees and now are 26 employees. Mr. Daniel Hogue and Mr. Dan Wykoff (CFO) were present from Branch Technology. Mr. Wykoff stated that Branch Technology is a full-stack technology company that specializes in creating next generation exterior walls.

Signature buildings that drive brand identity and drive customer traffic are incredibly beautiful but also are very complex and expensive because they are complex. It is very rare to see this kind of design being able to be produced from a façade standpoint for a large construction budget. Their core purpose is to create a beautifully built world which is custom pre-fabricated wall assemblies or exterior facades for commercial buildings. The process is cellular fabrication (CFAB). The material solidifies in open space when it is done through a robotic process. The façade uses less material and it is three times stronger than traditional methods. The business development center began when they moved from Montgomery, Alabama to Chattanooga because it is a business trend environment. They have 15 robots now and have room to grow. Once the facades are pre-printed, foamed, milled down, and a finish applied, the final product is shipped to the job site. The facades are lighter, faster, stronger, and ten times the design freedom of normal construction. Facades are up to 40 ft. or four stories.

In the next year or two, they want to be able to get in the mid-rise market which would provide up to 20 stories. The long-term plan is to begin skyrise. The market is a \$205 billion global façade market. An example locally are the entire facades for Tennessee Valley Federal Credit Union on Market Street. The strength of the product is stronger than brick or concrete. A project in Miami survived three hurricanes which has been assembled and disassembled in other locations. They have 25 employees and eight Veterans hired. This has gone through the two committees for recommendation. Mr. Lebovitz will recuse his vote on this matter.

After further discussion, a motion was made by Ms. Butler, seconded by Mr. Rodgers, and the resolution was approved by all board members present except Mr. Lebovitz.

There being no further business, the meeting was adjourned at 11:30 a.m.



ALAN LEBOVITZ, *Secretary*

APPROVED:



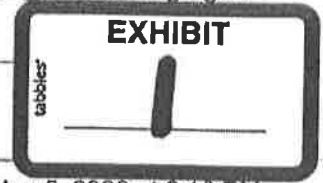
JIMMY F. RODGERS, JR., *Vice-Chair*



Maria Manalla <mmanalla@chattanooga.gov>

Volkswagen Tax Breaks

1 message



Helen Burns Sharp <untiedlaces@gmail.com>

Sun, Jan 5, 2020 at 2:16 PM

To: John Wilson <news@chattanooga.com>, Alan Lebovitz <alan_lebovitz@cblproperties.com>, Althea Jones <arjones@tva.gov>, James Miller <jamiller5208@yahoo.com>, Jelena Butler <jelenabutler@gmail.com>, Jimmy Rodgers <jrogers@summersfirm.com>, Ray Adkins <adkins@epbfi.com>, Skip Ireland <sireland@cosonline.com>, Manalla Maria <mmanalla@chattanooga.gov>

Thank you, State of Tennessee, for sending Volkswagen a letter holding them accountable for reporting on whether the company has met its commitments in the tax break agreement approved in 2014.

Thank you in advance, City of Chattanooga Industrial Development Board, for taking your VW oversight responsibilities seriously when you discuss this letter at your meeting on January 6, 2020.

The 2014 agreement for the Atlas SUV expansion, coupled with the original PILOT agreement in 2008, made Volkswagen the most incentivized company in the history of our state. It is the largest incentive package given to any of the major car brands with production facilities in the U.S.

If the company asks for and is awarded tax breaks for the recently announced expansion for their electric SUV, taxpayers will be on the hook for tax incentives that total over one billion dollars over a 30-year period.

Public officials need to make sure that Volkswagen has met previous commitments before approving additional incentives for the recently announced expansion for the electric SUV.

Also, the wording in the agreement needs to change relative to the stormwater fee. The 2008 agreement curiously exempts Volkswagen from the responsibility of paying a stormwater fee. The language says that any stormwater fees assessed shall be credited against any in-lieu of tax payments. Since their only in-lieu payments are school taxes, the stormwater fee is currently subtracted from the taxes going to schools. In 2018, \$644,000 was deducted from its school tax bill. If this practice continues until 2040, the school system would not receive about \$19 million.

Volkswagen has been a positive addition to our community. Local tax incentives were warranted for Volkswagen in 2008. In addition to public benefit in terms of jobs and investment, it was one of those rare instances where subsidies may have tilted the scales since the automaker may have had two equally compelling choices (most likely, Huntsville). However, we agreed to give them the sun, the moon, and the stars when the sun and the moon might have been enough to ensure their location.

For 30 years, which is an usually long time, the company will not be paying any city or county taxes other than for schools. The PILOT agreement means that VW does not pay any property tax for police, fire, streets (like Lake Resort Drive), workforce development, parks, etc. In 2018 alone, the VW tax abatement resulted in over \$17 million in uncollected property taxes.

In the 2008 agreement, the company was not required to commit to a certain number of jobs, there is no mention of wages, and there is no reporting requirement. The agreement is silent on what happens if the company closes or relocates.

In the 2014 Memorandum of Understanding (MOU) for the Atlas expansion project, the jobs' language is weak ("The company agrees to use its best efforts...."). Imagine applying for a mortgage loan and telling your banker you would "agree to use your best efforts" to make

payments...In 2014, the city and county governments agreed to provide a GRANT of \$52.5 million from local tax dollars for the expansion project.

The MOU did not include strong clawback language to protect existing taxpayers. A clawback, or recapture provision, is a clause in the agreement that says that a company must uphold its end of the bargain or else taxpayers have some money-back protection.

One might have hoped for provisions that addressed permanent v. contract employees and what percentage of jobs are local. Chattanooga and Hamilton County taxpayers provide the massive property tax break yet a high percentage of workers live outside the county.

The City and County need to adopt policies to guide decisions on tax breaks to make sure taxpayers and workers and neighborhoods are protected.

Let's limit new tax breaks to companies that provide significant public benefit and meet the "but-for" test. (But for the incentive, we would not build or expand here.) Our negotiators need to structure "tight" agreements, to be champions for a living wage and to advocate for community benefits that address wages, hiring locally, and investing in surrounding neighborhoods.

**Helen Burns Sharp, Founder
Accountability for Taxpayer Money, Chattanooga**



Phil Noblett <pnoblett@chattanooga.gov>

RE: FW: Volkswagen Performance Reporting T#:02470887

1 message

Leavy, Ian (CS-L) <Ian.Leavy@vw.com>
To: Phil Noblett <pnoblett@chattanooga.gov>

Fri, Dec 20, 2019 at 9:36 AM

Thanks Phil. Have a great holiday!

From: Phil Noblett <pnoblett@chattanooga.gov>
Sent: Thursday, December 19, 2019 2:25 PM
To: Leavy, Ian (CS-L) <Ian.Leavy@vw.com>
Subject: Re: FW: Volkswagen Performance Reporting T#:02470887

Thanks, Ian. I will provide this to the IDB in January and it looks like you have fully resolved all issues on reporting with the State for this year. Please send me a copy of the next performance report which is due next September. I will report that VW has answered all reporting questions that the state needed this year and that the IDB does not have to do anything further. Have a great holiday with your family. I will have three kids coming home for Christmas next week and will take some time off with them.

PAN

On Thu, Dec 19, 2019 at 9:33 AM Leavy, Ian (CS-L) <Ian.Leavy@vw.com> wrote:

Phil,

Good morning! I hope you are going to get some time off for the holidays in the coming weeks!

I wanted to follow up on the letter we received last month from ECD Legal (attached). We had been in discussions with ECD since the filing of our annual Performance Report as they asked for various backup data and clarifications. Thus I am not sure why the letter was sent, as we were continuously providing all the information they requested.

Regardless, we have now answered all their questions and received the confirmation below that they have everything they need for 2019. Based on this, I do not believe the matter needs to be placed on the agenda for the January IDB meeting. If you disagree, or have any questions, please let me know.

Thanks Phil.

Ian

From: ECD Legal <ECD.Legal@tn.gov>
Sent: Wednesday, December 18, 2019 4:43 PM
To: Harden, Wendell (CF-CI) <Scott.Harden@vw.com>; Leavy, Ian (CS-L) <Ian.Leavy@vw.com>; Horvath, Christian (CF-CI) <Christian.Horvath@vw.com>; Miller, Thomas (CF-C) <Thomas.Miller@vw.com>
Cc: Sharon Kolb <Sharon.Kolb@tn.gov>
Subject: RE: Volkswagen Performance Reporting T#:02470887

Good Afternoon:

This will confirm receipt of the revised Performance Reports 1,2,3,4 and 5. Additionally, we have received the correlating revised backup data for all five reports. We also received information that the backup data denotes contract positions as "variable workforce". We would also acknowledge the company's choice to opt out of the 26 week requirement at this time.

Performance Report 6 is due no later than 9/12/20.

Thank you for your time and attention to these reports.



Corrine Oliver | Economic Development Grants Program Manager

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