



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES**

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

**for
February 3, 2020
11:05 a.m.**

Present were Jimmy F. Rodgers, Jr. (Vice-Chair), Alan Lebovitz (Secretary), Althea Jones (Assistant Secretary), Ray Adkins, and Jelena Butler. Absent was James Miller and H.H. (Skip) Ireland, III (Chair). 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); Mark Gooch (Apple Spice); Mike Pare (Times Free Press); John Anthony Smith, Chris Rouch, Lyndy Clementson, and Michael Williams (The Conversant Group).

MEETING MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Ms. Jones, the minutes of the January 6, 2020, meeting were unanimously approved.

There was no one present wishing to address the Board.

VOLKSWAGEN FINANCE REPORT

Ms. Eleanor Liu gave the VW Finance Report. This report was simple. There was only one payment of \$15,079,753.00 to VW. This is in the second MOU portion of the report. VW itself incurred costs. VW submits the request to the City Engineer Office and verifies everything. It is then submitted to the State requesting for reimbursement on their behalf. Once the payment is received, it is sent back to VW. Overall percent spent, encumbered, and contingencies are at 98.87%. We are in budget.

Mr. Rodgers asked about the Letter of Intent. Ms. Liu stated it was from last year. At that point in time, they were supposed to direct another MOU. Since then, that may not come to fruition. Ms. Liu has not received anything in writing to remove that from the report. This local piece may not come through. The City and County each have appropriated \$2.5 million. Mr. Noblett stated there was a request of a letter that went out when VW was starting up the phase for electric vehicles. At that point in time, there was commitment from the State and local entities of \$2.5 million each. That is the reason it is in the budget.

RESOLUTION

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR AND CITY FINANCE OFFICER TO EXECUTE A MANAGEMENT REPRESENTATION LETTER FOR THE AUDITOR, HENDERSON HUTCHERSON & McCULLOUGH, PLLC, FOR FISCAL YEAR ENDING JUNE 30, 2019.

Ms. Liu stated that the letter is prepared every year. The letter has to be sent to the external auditor for accuracy. Generally, the audit work is finished in November. This is a little late. We did everything we were supposed to. Ms. Madison has signed the letter. Today, Mr. Rodgers will sign the letter. Mr. Noblett stated that this is for the VW project and not for everything that the IDB does. This is in connection with the handling of all the money. There was an external audit for this group. It has been done correctly.

After further discussion, a motion was made by Mr. Lebovitz to approve this resolution, seconded by Mr. Adkins, and the resolution was unanimously approved.

RESOLUTION

A RESOLUTION AUTHORIZING AN AWARD OF A SMALL BUSINESS INCENTIVE GRANT TO THE CONVERSANT GROUP, LLC, IN THE AMOUNT OF TEN THOUSAND DOLLARS (\$10,000.00). (SBI-20)

Mr. Jermaine Freeman spoke on this resolution. The Conversant Group, LLC is the first group for the Small Business Incentive Grant Program. This group is a cyber security and IT security tech firm located on the City's southside on Cowart Street. There are a few members of the team present. The President and Founder is Mr. John Anthony Smith who will speak. The award is for the creation of six full-time jobs in the amount of \$10,000.00.

Mr. John Anthony Smith spoke on behalf of The Conversant Group, LLC. He is the Chief Listening Officer and Founder of Conversant Group. They are an IT infrastructure and security consultancy. They work mostly with law firms in the State of Tennessee and manufacturing companies, financial services companies, and logical companies. The group mainly focuses on maintaining the availability, integrity, and confidentiality assistance. This is a big deal in our country today and our world. There is also a gross shortage of talent. It facilitates a great deal of work.

The Conversant Group, LLC was founded in 2009. Every person deserves to find their purpose, and they believe that purpose is found in work. It is seen that their vision is to create purposeful and inspiring work by solving complex problems. They are really dedicated to solving very, very complicated problems. Experience and knowledge are crucial to their success and that is what they sell. Without it, they cannot protect their client's data.

Chattanooga is their home because this is where Mr. Smith is from. Mr. Smith is from Marion County. They do not work here very much but mostly in big cities. Most of their client base is in San Francisco, Los Angeles, Chicago, Washington, DC, and the Cleveland/Columbus/Cincinnati, Ohio areas. Half of their staff is based here. Most of the work is not in the borders of the City.

They have had revenue growth every year since the founding in 2009. Since 2015, they have also had staffing growth. In 2015, there were 11 staff members. As of 1/29/2020, they have 46 employees. Sixty-seven percent of those make more than \$80,000.00 a year. These are jobs we want in Chattanooga. They are creating high paying jobs. Of those lower than the \$80,000 mark, there is no person in the company making less than \$38,000 a year. That is consistent across everyone, with a couple of contractor exceptions.

They also expect to increase their employment to 100 people by 2023 that will probably far exceed this number. There is a multi-million person shortage of talent in cyber security. As such, companies cannot find folks to do this work. Therefore, they are trying their best to find other means to get the work done and skillfully. Because of that, Conversant continues to grow. There are cyber incidents every day. They keep the bad guys out. They understand risks since they work with law firms. They have a product called "incident response". When a company has an outage or cyber security incident, they are the company's first call. These things can last days, weeks, months to get an organization operating. If the company does not have a partner to help navigate that incident, they are likely going to fail.

Conversant Group is very open environment, highly diverse, very kindness focused, experienced and knowledgeable. They operate more like a big city business. The Chinese, Russians, they don't stop, they don't sleep, and are attacking us all the time. They are constantly fighting to keep them out. Mr. Smith spoke about what improvements could be made for the City to help the businesses grow.

Since 2019, they have grown 33%, and in 2018-2019, they grew 71% revenue. Every time revenue bounces upward, employment bounces upward. They have relocated two staff members recently from other cities. One from Oklahoma and one from Knoxville. As far as demographics, their staff is 30% female, 70% male. They do have a proclivity for hiring Veterans. They have a lot of people who are former service members. They are 50% engineering.

Conversant had a meeting with the Mayor and that is how they found out about the program. Regarding ethnicity, they have three African Americans, two Native Americans, and 41 non-hispanics. They have several job postings and are always hiring and never stop hiring. Mr. Rodgers stated that TVA just announced they are letting go about 120 IT people. Conversant would like to be more diverse. Caucasian males dominate the business. There are very few females and African Americans. They have six military Veterans on staff, but may be more. Training takes a long time, however, they have had an internship with a Covenant College gentleman who was hired who was very bright and caught on really quickly. He is their first success. Most of the staff they have sought out and hired have been seasoned and doing 15-25 years or more. The experience is in cyber security and infrastructure.

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

RESOLUTION

A RESOLUTION AUTHORIZING AN AWARD OF A SMALL BUSINESS INCENTIVE GRANT TO G HOLDINGS, INC. D/B/A APPLE SPICE OF CHATTANOOGA, IN THE AMOUNT OF SIX THOUSAND THREE HUNDRED THREE AND 32/100 DOLLARS (\$6,303.32). (SBI-21)

Mr. Jermaine Freeman invited Mr. Mark Gooch who is the owner of a local franchise of Apple Spice. Apple Spice is a food delivery and catering company located in East Brainerd at Lee Hwy. and Hwy. 153. This grant is for the hiring of five full-time employees, plus reimbursement of eligible expenses for equipment. Mr. Gooch brought some samples for the Board.

Mr. Gooch was born and raised in Chattanooga who started off as an accountant and went into Human Resources. He then joined an investment group in New Jersey doing business intelligence work. Apple Spice has been open for a year and a half.

Mr. Gooch stated the business has gone from a menu standpoint, fresh, healthy, from a marketing standpoint of businesses, churches, schools, larger groups, larger events. Their largest order to date was 600 meals at once. They try to partner with businesses trying to get in a rotation. They do a lot in the healthcare space. Everything is delivery-oriented and focus on boxed lunches which is 60% of revenue. They do a number of hot catering like baked potato bars, taco bars, pot roast dinner, buffet style to set up in a business.

Lee Hwy. was chosen for delivery purposes. They deliver to Hixson, Cleveland, Dalton, Calhoun for carpet manufacturers down there, anything within an hour radius.

They are currently at 11 employees. They are hoping to double their revenue. They opened in June of 2018. They are still in start-up mode. This is a competitive business.

Apple Spice has one Veteran working for them. Their location is near Miller Motte. They have one African American, one from Malaysia, and seven female employees. They have done multiple internships in the area which included Miller Motte and Virginia College. They were hired full-time and worked out great. They train on-the-job.

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

REPORT ON M.L. KING TAX INCREMENT FINANCING PROJECT

Ms. Charita Allen gave a presentation on this report. This is ECD's first Tax Increment Financing Report for the M.L. King Blvd. Extension and Fulton Street Upgrade Projects which will then be given annually.

In 1911, the Landscape Plan was to connect all of the major roads towards the Riverfront.

In 1985, the Tennessee Riverpark Master Plan was to connect M.L. King towards the River.

This is a project that was presented to the Land Development Office. The developer had site control of the project and presented the project to LDO for permitting. Someone in CDOT was reviewing the plan and said there has always been a plan or a desire to connect M.L. King to the Riverfront. That was the birth of this TIF strategy. It was borne out of a developer willing to work with the City who had site control over the land. The City did not own it. There was a tool in place which would allow the financing to purchase the land and build the road. This Board, along with the City and County, were willing to go through the nine month approval process to make this happen.

There was a presentation of the road construction status as of last Friday, January 31, 2020. Previously, there was no direct connection to it. What is seen now is the grading, curb cuts, electrical and utilities have been put in, and signaling has been ordered. We anticipate that the road will be delivered in August 2020.

January 2020 Finance Report.

- 1) Developer submits invoices, receipts, and draw requests to construction loan provider with copy to the City on all draws (certificates for payment);
- 2) **Pinnacle Bank:**
 - Reviews and maintains hard copies of all invoices, receipts, and notarized draws
 - Documents available for City staff inspection
 - Monitors project development

3) **Economic Development Staff:**

- Communicates with Pinnacle Bank regarding documents
- Monitors project with Public Works and CDOT staff
- Communicates with developer regarding schedules and deadlines

4) **Treasury and Finance Team:**

- Confirms developer request for payment
- Collects increment from County and then issues payment to Pinnacle Bank on behalf of the IDB
- Remits City increment to Pinnacle Bank

To date, \$2,611,337.00 has been paid by Pinnacle Bank.

There was a list of local contractors for residential and road projects which will be updated.

See the TIF report attached as **Exhibit 1**.

The DBE has been the toughest part of the process because they have had only a few DBEs in the City in some of the trades they were looking for. Because this was a road project, originally they were looking for DBEs in that sort of horizontal construction, underground construction piece. One contractor was at capacity and did not have the manpower to be able to take on the job. He has been reaching out and working with other DBEs on the actual residential built piece as well. There was a request for framers.

Moving forward there will be an annual report.

There being no further business, the meeting was adjourned at 11:45 a.m.



ALAN LEBOVITZ, *Secretary*

APPROVED:

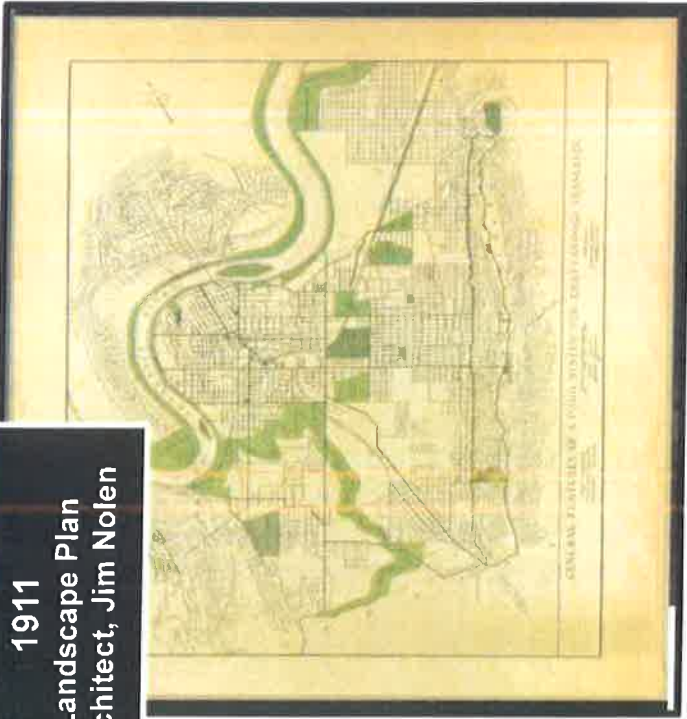


H.H. (SKIP) IRELAND, III, *Chair*

Tax Increment Financing Report

M.L. King Blvd Extension and Fulton Street Upgrade Projects

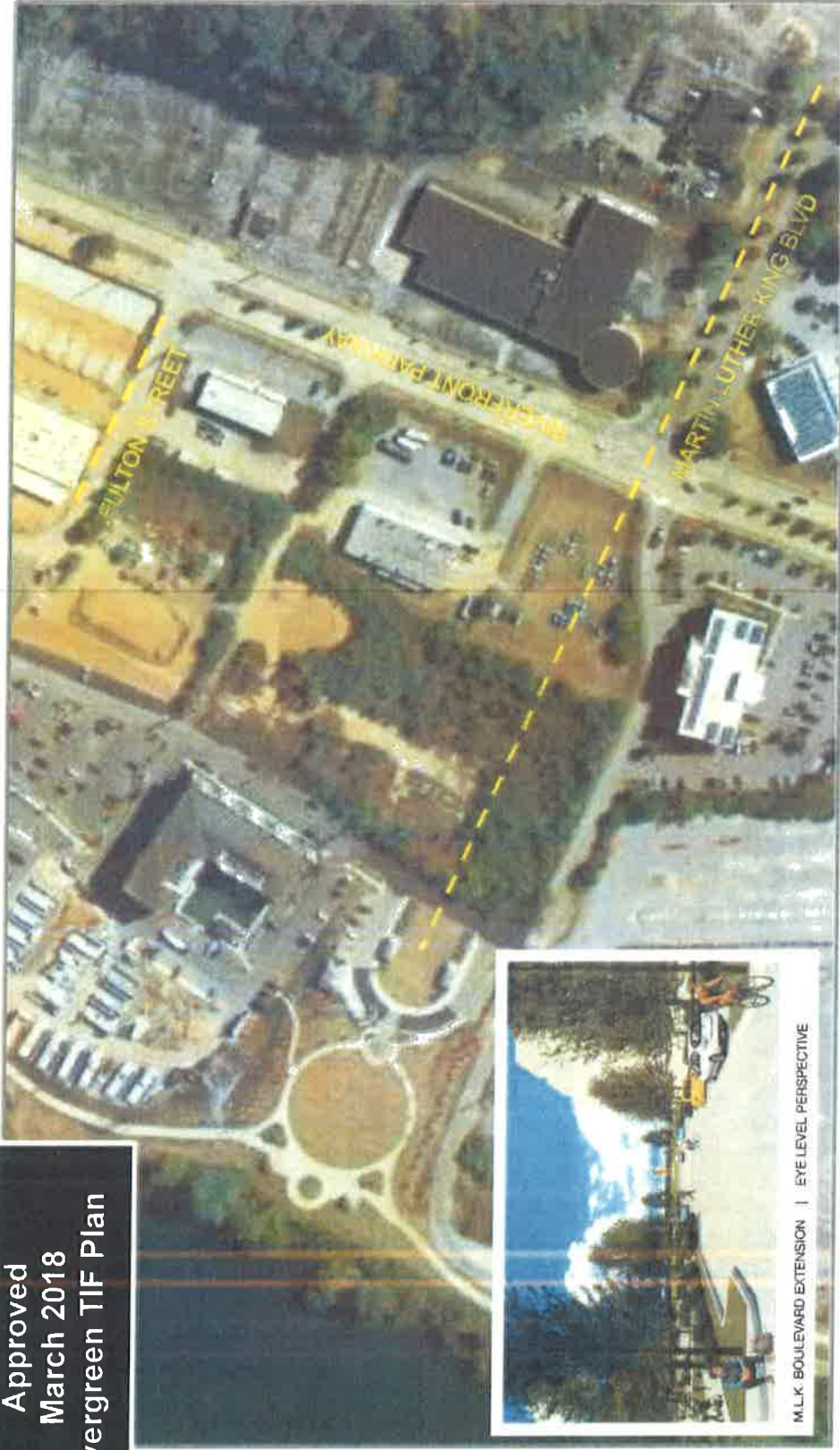
1911
Landscape Plan
Architect, Jim Nolen



1985
Tennessee Riverpark
Master Plan

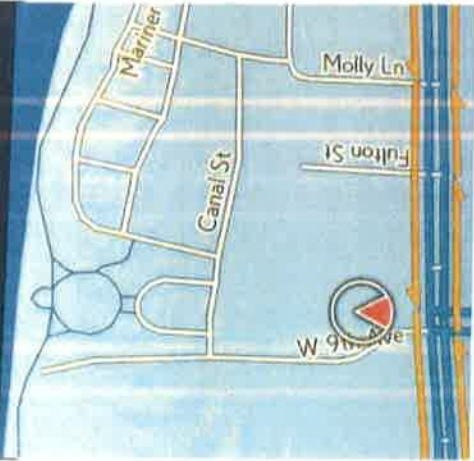


Approved
March 2018
Evergreen TIF Plan



January 2020
Road Construction Status

August 2020
Road Delivery



M.L.K. BOULEVARD EXTENSION | EYE LEVEL PERSPECTIVE

January 2020 Finance Report

Developer:

Submits invoices, receipts, and draw requests to construction loan provider with copy to City on all draws (certificates for payment)

Pinnacle Bank:

- Reviews and maintains hard copies of all invoices, receipts, and notarized draws
- Documents available for City staff inspection
- Monitors project development

Economic Development Staff:

- Communicates with Pinnacle Bank regarding documents
- Monitors project with Public Works and CDOT staff
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Treasury and Finance Team:

- Confirms developer request for payment
- Collects increment from County and then issues payment to Pinnacle Bank on behalf of the IDB
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APPLICATION AND CERTIFICATE FOR PAYMENT

CONTRACTOR'S APPLICATION FOR PAYMENT

Page 2

CONTINUATION SHEET

ARCHITECT'S CERTIFICATE FOR PAYMENT

NO.	DESCRIPTION	AMOUNT	DATE	REMARKS	DATE	REMARKS
1	...	11,238	12/01	...	12/01	...
2	...	11,238	12/01	...	12/01	...
3	...	20,476	12/01	...	12/01	...
4	...	11,238	12/01	...	12/01	...
5	...	11,238	12/01	...	12/01	...
6	...	11,238	12/01	...	12/01	...
7	...	11,238	12/01	...	12/01	...
8	...	11,238	12/01	...	12/01	...
9	...	11,238	12/01	...	12/01	...
10	...	11,238	12/01	...	12/01	...
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27	...	11,238	12/01	...	12/01	...
28	...	11,238	12/01	...	12/01	...
29	...	11,238	12/01	...	12/01	...
30	...	11,238	12/01	...	12/01	...

Local contractors for residential and road projects



- March Adams - Engineering
- H & K Architects
- HGH Builders - Home builder
- Dynamic Construction
- Chattanooga Exteriors - Siding
- Ingle Masonry - Masonry
- Thyssen Krupp - Elevators
- HD Supply - Misc Materials
- Chattanooga Fire Protection - Fire Protection
- Foam-Crete Inc of Chattanooga - Gypcrete
- Hubbuch Glass Co Inc - Storefront
- Groves Electrical - Site Electric
- B&B Steel Erection Co, INC - Crane Rental
- Enviroguard Pest Solutions - Termite Treatment
- Ram Tool Construction Supply - Misc Materials
- Ready Mix USA, LLC - Concrete Materials
- Labor Finders - Labor outsource company
- Double D piping, LLC - Fire Cabinets and Extinguishers
- Chattanooga Blue Print - Reproducible drawings
- Terracon - Testing Services
- United Rentals Inc - Rental Equipment
- Molot Construction LLC - Stucco (Cleveland TN)
- James Wright Construction - Grading Contractor
- Brown Brothers - Grading Contractor
- Beaty Steel - Steel
- Caldwell Paving
- Phaltless Paving
- US Lawns
- Quality Fence
- B&B Plumbing
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