

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF EAST RIDGE

SPECIAL CALLED MEETING

AGENDA

December 2, 2014

5:00 p.m.

1. Call to Order
2. Prayer & Pledge of Allegiance
3. Roll Call
4. Old Business
 - a. Discussion/Action on a Meeting Schedule for the Industrial Development Board for the Calendar Year 2015
5. New Business
 - a. Discussion of Economic Development Projects
6. Adjourn



City of East Ridge, Tennessee

MEMORANDUM

Department of Finance & Administration

Date: December 2, 2014
To: Industrial Development Board of the City of East Ridge
From: Thad Jablonski, City Treasurer / Registered Agent (IDB)
Subject: Proposed 2015 Meeting Schedule

Recommendation:

Staff (Jablonski) recommends that the Industrial Development Board consider a Resolution adopting the proposed 2015 Meeting Schedule.

Summary:

City staff proposes that the Industrial Development Board of the City of East Ridge (IDB) meet the first Tuesday of the month at 5 p.m., as discussed at the last Special Called meeting, provided that there is sufficient business in order to meet (See Exhibit A).

For greater efficiency and flexibility as the City and IDB begin work economic development projects, the schedule below allows the IDB ample time to meet to consider recommendations to the City Council for economic development programs and projects, allowing up to two opportunities each month to send recommendations to the City Council per the existing schedule without Special-Called Meetings.

Exhibit A:
2015 Industrial Development Board Meeting Schedule-Proposed

- Tuesday, January 6, 2015
- Tuesday, February 3, 2015
- Tuesday, March 3, 2015
- Tuesday, April 7, 2015
- Tuesday, May 5, 2015
- Tuesday, June 2, 2015
- Tuesday, July 7, 2015
- Tuesday, August 4, 2015
- Tuesday, September 1, 2015
- Tuesday, October 6, 2015
- Tuesday, November 3, 2015
- Tuesday, December 1, 2015



City of East Ridge, Tennessee

Department of Finance and Administration

Thad Jablonski, *City Treasurer*

East Ridge Border Region Retail & Tourism District and City Economic Development Program

Purpose:

To “increase tourism and the competitiveness of this state with bordering states,” the *Border Region Retail Tourism Development District Act* “empower[s] local governments to encourage the development of “extraordinary” retail or tourism facilities, including shopping, recreational, and other activities.” *T.C.A. § 7-40-102.*

Summary of the Border Region Act:

The East Ridge City Council submitted and the City received certification from the Tennessee Commissioner of Revenue for a Border Region Retail Tourism District within the city boundary of East Ridge following the passage of the *Border Region Retail Tourism Development District Act* (2011) by the Tennessee General Assembly, referred to as the “Border Region Act”.

The Border Region Act is not an option for most cities in Tennessee and only three (3) Tennessee cities, the City of East Ridge, Bristol, and Kingsport, have taken the opportunity to designate certified border region districts under the law. The period of eligibility for certifying a district was short and has since passed, so that *there will be no more “border region cities”*.

The Border Region Act process is initiated when a qualifying economic development project (a super-development related to retail and/or tourism) must meet the criteria found in the Border Region Act in the *Tennessee Code Annotated* (T.C.A) § 7-40-103.

The City Council must then adopt an ordinance in support of an eligible development and any agreement related to financing for the project.

- The development must qualify as an “extraordinary retail or tourism facility” defined as a “single store, series of stores, or other public tourism

facility or facilities” that fall within the border region district...”

- The development is “...reasonably anticipated to draw at least one million (1,000,000) visitors a year upon completion.”
- “The extraordinary retail or tourism facility shall reasonably be expected to require a capital investment of at least twenty million dollars (\$20,000,000) including land, buildings, site preparation costs” among other qualifying costs under the act.
- The development “is *reasonably anticipated* to remit at least two million dollars (\$2,000,000) in state sales and use tax, annually, when completed which means the development must generate approximately \$25 million per year in sales [emphasis added].

State sales and use taxes, currently 5% for food and 7% for prepared food and other tangibles, do not refer to **local sales tax** revenue.

A City operating under the provisions of the act collects local sales tax and business tax revenue on all eligible sales under State law regardless of the act from retail and other commercial enterprises as specified in the *T.C.A.*

Incremental State Sales Tax Per the Act:

Per the law, for *up to* 30 years from the time the border region was certified (2011), the City of East Ridge or the Industrial Development Board of the City of East Ridge (IDB) may collect a distribution of 75% of the **incremental State sales tax** “collected in the district in excess of base tax revenues” from 2012 for any agreement entered into in the first ten years.

Incremental State sales tax is equal to the difference of the State sales tax collected within the Border Region District for a given year and the Base Year. The incremental State sales tax is calculated by subtracting Border Region State sales tax for the year by the Base Year (Year X - Base Year = incremental State sales tax).

State sales tax distribution: The City may receive a distribution of 75% of the calculated incremental State sales tax each year after both a qualifying event triggers the Act and a qualifying economic development project begins.

According to the Border Region Act:

- The City has ten (10) years from the time that the Border Region was certified in 2011 to form agreements for qualifying economic development projects under the law in order to use the 75% of the incremental state sales tax, or State sales tax distribution, as an incentive for any project in the district.
- To be eligible to collect reimbursement of funds based on state sales tax distribution generated in the Border Region District, the city or IDB must finance, construct, leases, equip, renovate, assist, provide location and development incentives, or acquire a retail or tourism facility or a project in the district.
- To use these funds, there must be incremental state sales tax revenue from the district available based on the amount generated over time and after other projects and commitments are paid.

Bass Pro /Jordan Crossing Project Summary:

The Bass Pro Shop/Jordan Crossing Project has acted as the “extraordinary retail or tourism facility” for the purpose of triggering the Border Region Act and the tax benefits that the Act provide.

The City agreed to pay the developer an incentive based on three (3) types of assistance:

1. Cash – the City agreed to a \$4 million incentive to be paid to the developer at different stages of the process
2. Fire Station #2 Relocation – The developer agreed to \$4 million instead of the original request for \$5 million if the City relocated the Fire Station #2
3. State Sales Tax Distribution to Reimburse Construction – the City agreed to provide the developer with the State Sales tax distribution on the first \$10 million in Gross Sales to be used for construction of the project as specified in the agreement and under Border Region Act.

City of East Ridge PILOT Authority:

Payment in Lieu of Taxes (PILOT) authority refers to the power to permit a certain amount of property taxes, real and personalty, to be waived or otherwise assessed at a lesser amount for a specified period of time. According to State law, a PILOT period may not exceed 20 years without the approval of the state commissioner of economic and community development and the state comptroller, *T.C.A. § 7-53-305(b)*.

The Industrial Development Board of the City of East Ridge may abate property taxes for **city- and county-levied property taxes** collected on the property where a development is located inside the East Ridge City limits, once the City Council delegates the power to negotiate a PILOT Agreement for a particular project or adopts a PILOT Program providing the guidelines for any PILOT program.

Any request for a PILOT prior to the development and adoption of a PILOT Program would be made upon the recommendation of staff on a case by case basis based on an economic impact study of the commercial development, which the IDB would ultimately consider and determine whether any such PILOIT project would be adopted.

PILOT and Border Region Project Tax Incentives:

At this time, the City is developing a draft PILOT program to present to the City Council, which would guide the IDB and City Council if a business or developer requests the incentive.

Staff is also working to develop an outline for discussion for consideration by the City Council that would act as a rationale and policy basis for requests for Border Region Funds for an Economic Development Project as defined in the Border Region Act.

The objective in establishing a policy and program for economic development incentives is to provide policymakers with a structured mechanism that may be communicated to potential private sector partners, which would serve to clearly specify the conditions for when a PILOT agreement or Border Region Project request is made in the future as opposed to a case by case basis approach based on the best economic advantage to the City.

A policy or program guidelines provide the benefit to the City as well as private

sector partners to make decisions based on the economics of a project, while providing private sectors decision makers with information about the City's available economic incentives with a sense of predictability and certainty, vital to any program's success.

Under any proposed program, special circumstances may always be considered and proposed, case-by-case basis situations acting as the exception rather than the rule.