

# INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF EAST RIDGE

## AGENDA

January 6, 2015

5:00 p.m.

1. Call to Order
2. Prayer & Pledge of Allegiance
3. Roll Call
4. Consent Agenda
  - a. Approval of Minutes – Called Meeting 10/02/14
  - b. Approval of Minutes – Called Meeting 12/02/14
5. New Business
  - a. Discussion & Action on Economic Development Incentives
6. Adjourn

**CALLED MEETING OF THE EAST RIDGE**

**INDUSTRIAL DEVELOPMENT BOARD**

**October 22, 2014 – 5:00 p.m.**

The Industrial Development Board of the City of East Ridge, Tennessee met pursuant to notice on October 22, 2014 at the East Ridge City Hall for the purpose of discussion and/or vote on the consent agenda and the revised by laws of the Industrial Development Board. Chairman Braly called the meeting to order.

Mr. Pendley gave the invocation. All joined in the Pledge of Allegiance to the Flag.

**Present were:** Chairman Braly, Curtis Baker, Barton Burns, James Citty, Estes Cocke, Mac Pendley and Vice Chairman Still. City Staff in attendance were City Treasurer Thad Jablonski, Deputy City Recorder Diane Qualls and Administrative Assistant Amanda Miller.

**Approval of Consent Agenda:**

Vice Chairman Still made the motion, second Mr. Baker to approve the minutes as written. Chairman Braly asked for roll call. The vote was unanimous; motion carried.

**New Business:**

**Discussion/Approval of By Laws** – Mr. Jablonski presented an overview of the changes to the bylaws. He explained that the changes were few and most were for housekeeping purposes only such as changing the wording from commission to council. The two major changes made were: moving the annual meeting from 4:00 to 5:00 pm in the month of October and that a meeting could be called with twenty four (24) hours notice by either the Chairman or another member of the board with proper notification to the public. Mr. Jablonski also suggested that the board might want to look at setting a meeting calendar for 2015 and that if there was no business to be conducted the meetings could be cancelled with proper notification to the public. It was suggested that the Board consider this idea and that a schedule could be approved at the next meeting so it could be published before the beginning of the New Year. Mr. Baker made the motion, second Mr. Citty to approve the Bylaws as written. Chairman Braly asked for roll call. The vote was unanimous; motion carried.

Meeting adjourned.

**CALLED MEETING OF THE EAST RIDGE  
INDUSTRIAL DEVELOPMENT BOARD  
December 2, 2014 - 6:30 p.m.**

The East Ridge Industrial Development Board met pursuant to notice on December 2, 2014, 6:30 p.m. at East Ridge City Hall for a called meeting to set a meeting schedule for 2015 and to discuss economic development projects.

Chairperson Braly called the meeting to order. Boardmember Pendley gave the invocation. All joined in the Pledge of Allegiance to the Flag.

**Present were:** Chairperson Braly, Vice Chairperson Still, Secretary Pendley, Boardmember Baker, Boardmember Burns

**Absent:** Boardmember Citty and Boardmember Cocke

**Old Business:**

**Meeting schedule** – City Treasurer Jablonski recommended that the IDB approve a schedule for calendar year 2015. He recommended the board meet the first Tuesday of every month at 5:00 pm and the meeting could be cancelled if there was no business to consider. Mr. Burns made a motion, seconded by Mr. Pendley, to approve the schedule. The vote was unanimous. Motion approved.

**New Business:**

**Discussion of Economic Development Projects.** – Mr. Jablonski stated he has a draft of a pilot program he wants to present to the board on January 6<sup>th</sup> and then present to Council. He stated the program includes information on how much money is invested in the project, to the number of people employed. This would put standards in place for giving incentives to new businesses. He is also working on a summary of the border region legislation and the Bass Pro project.

Mr. Jablonski stated we are reviewing requests for qualifications for web vendors. The committee has met and will meet again to come up with recommendations to the Council. He believes a new website would enhance development.

Mr. Jablonski stated we have received \$1.5 million in grants and council has authorized matching amounts. One of the grants is to improve the streetscape and possibly put in grass on the edge of Ringgold Road, plus add traffic islands with shrubs in the middle of the road.

Ms. Braly asked about the status of the new fire hall. Mr. Jablonski stated there was a meeting about this today but he does not know the details.

Mr. Baker stated he has heard that a Bi-Lo will go in on the Brown property next to where the City is looking at property for a fire station and asked if that could affect the City buying the property. Mr. Jablonski has heard that but does not know how it will affect the property for the

fire station. He also stated the City is looking at all alternatives and we are not locked in to any piece of property. He stated we have to be out of Fire Station 2 by the end of March.

Mr. Pendley asked if the incremental sales tax only included new businesses in the border region or if it included existing businesses. Mr. Jablonski stated any business counts as long as they were operating in the base year. He also explained how the incremental sales tax works and stated we need to determine the base year in order to calculate the tax. We have not received any money from the border region, but should no later than September 2015.

The next meeting will be January 6, 2015 at 5:00 p.m.

The meeting was adjourned.

## RESOLUTION NO. 1-15

### **A RESOLUTION OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF EAST RIDGE, TENNESSEE, RECOMMENDING ECONOMIC DEVELOPMENT INCENTIVE GUIDELINES FOR PAYMENTS IN LIEU OF AD VALOREM TAXES TO THE EAST RIDGE CITY COUNCIL**

**WHEREAS**, the Industrial Development Board of the City of East Ridge desires to recommend for consideration and approval of the East Ridge City Council guidelines for economic incentives in order to create an environment that is valued by existing companies that are expanding and to attract new prospective employers to the City; and

**WHEREAS**, the Industrial Development Board of the City of East Ridge would like the City of East Ridge to be able to offer an incentive program to make our city a more viable candidate in competing with similar cities for economic growth; and

**WHEREAS**, the Industrial Development Board of the City of East Ridge desires to recommend for consideration and approval the delegation to The Industrial Development Board of the City of East Ridge, Tennessee (the "IDB") authority to negotiate and make recommendations from the IDB's lessees payments in lieu of ad valorem tax agreements in accordance with T.C.A. Section 7-53-305(b) with final approval vested in East Ridge City Council.

**BE IT RESOLVED** by Industrial Development Board of the City of East Ridge, Tennessee as follows:

**RESOLVED**, that the IDB recommends for consideration and approval the delegation to The Industrial Development Board of the City of East Ridge, Tennessee of authority to negotiate and make recommendations from the IDB's lessees payments in lieu of ad valorem tax agreements in accordance with T.C.A. Section 7-53-305(b) by recommendation with final approval vested in the East Ridge City Council.

**BE IT FURTHER RESOLVED:** the Industrial Development Board of the City of East Ridge recommends for consideration and approval the Economic Incentive Guidelines to be used by the IDB in its consideration of the negotiation and recommendation of payment in lieu of tax incentives attached hereto as **Exhibit A**, with the understanding that these are guidelines and not binding rules or requirements.

Adopted this 6<sup>th</sup> day of January, 2015.

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Ruth Braley, Chair

ATTEST:

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Diane Qualls, Deputy City Recorder

## Exhibit A

### Economic Incentive Guidelines City of East Ridge, Tennessee

The Industrial Development Board of the City of East Ridge (the “Board”) has recommended the guidelines set forth herein based on a Company’s investment, projected employment, and other factors as the Board and East Ridge City Council may determine. These are guidelines and not binding rules or requirements. The Board can and should feel free to alter the Level assigned to any Project, or to increase or decrease the benefits within that level, in its sole and absolute discretion, based upon whatever subjective factors that it determines to be applicable, including, without limitation, whether the applicant is providing employment in an industry that the City determines should be a priority or should not be a priority for the community, whether the project is in a growing or declining industry, whether the industry is environmentally sustainable or deleterious, whether the project is likely to enhance the image of the community, attract additional business, is a site in a location that the community desires be redeveloped, is a brown field, or is otherwise particularly well suited or poorly suited for the prospective project, among a range of other factors that the Board may recommend or the City Council may consider. These guidelines are designed to attract new business to the City. In the case of an existing industry or business expansion, the number of jobs and capital expenditure requirement created is at the discretion of the East Ridge City Council.

Investment Report: The Company shall on or before June 30 of each year, beginning June 30 of the year following the commitment to the project, certify to the Board the amount of investment it has made in the real property and equipment comprising part of the project during the preceding 12 months (the “Annual Investment”).

Guidelines: Subject to the foregoing, the guidelines for granting tax abatements and payment in lieu of tax agreements are as follows:

**Level 1** - Companies investing at least \$500,000 and hiring at least 25 full time equivalent (FTE) employees:

**Real Property:**

	Percentage of the property tax that would otherwise have been
payable:	
Year 1*	0%
Year 2	50%
Year 3	50%
Year 4	80%
Year 5	100% (Abatement ends)

**Personal Property:**

	Percentage of the property tax that would otherwise have been
payable:	
Year 1*	0%
Year 2	50%
Year 3	100% (Abatement ends)

**Level 2** - Companies investing at least \$2,000,000 and hiring at least 50 full time equivalent (FTE) employees:

**Real Property:**

payable:	Percentage of the property tax that would otherwise have been
Year 1*	0%
Year 2	0%
Year 3	50%
Year 4	60%
Year 5	70%
Year 6	80%
Year 7	80%
Year 8	100% (Abatement ends)

**Personal Property:**

payable:	Percentage of the property tax that would otherwise have been
Year 1*	0%
Year 2	0%
Year 3	70%
Year 4	100% (Abatement ends)

**Level 3** - Companies investing at least \$5,000,000 and hiring at least 100 full time equivalent (FTE) employees:

**Real Property:**

payable:	Percentage of the property tax that would otherwise have been
Year 1*	0%
Year 2	0%
Year 3	40%
Year 4	50%
Year 5	60%
Year 6	70%
Year 7	80%
Year 8	90%
Year 9	100% (Abatement ends)

**Personal Property:**

payable:	Percentage of the property tax that would otherwise have been
Year 1*	0%
Year 2	0%
Year 3	0%
Year 4	0%
Year 5	100% (Abatement ends)

\* The Company may elect to make an in lieu of tax payment equal to the CIP ad valorem tax prior to placement of the applicable component of the Project in service, and make Year 1 the first year in which the full ad valorem tax would have been applicable thereto.

The City may request that the Company meet certain performance standards related to the amount of the capital investment and job creation in connection with the Project in order to continue the tax abatement (for example, the Company shall make at least 85% of the capital investment and create at least 85% of the indicated jobs in order to receive the requisite abatement, or else there will be a proportionate reduction in the incentive). These performance criteria shall be considered on a case by case basis.

In the event that a leasehold estate with respect to any part of the Project (or any interest therein) which is owned by the Board and leased to the Company is ever subject to ad valorem taxation, the amount of any such ad valorem taxes shall be a credit against any in-lieu-of-tax payments due from said Company.

All in-lieu-of-tax payments for any year shall be due and payable to the City on or before the last day of February of the next succeeding year.

PILOT Program DRAFT - Examples of Incentive Based on Level of Investment in Property and Workforce

**Level 1 - Companies investing at least \$500,000 and hiring at least 25 full time equivalent (FTE) employees**

Assumptions: Company invests \$450,000 in real and \$50,000 in personal property

**Real Property:**

Year No.	Tax Rate	Est. Value	Assmt. Ratio	Est. Assessed Value	Taxes Due	Incentive (%)	Taxes Due with Incentive (Est.)
1	0.0142	450,000	0.4	180,000	2,556	0%	\$0.00
2	0.0142	450,000	0.4	180,000	2,556	50%	\$1,278.00
3	0.0142	450,000	0.4	180,000	2,556	50%	\$1,278.00
4	0.0142	450,000	0.4	180,000	2,556	80%	\$2,044.80
5	0.0142	450,000	0.4	180,000	2,556	100%	\$2,556.00 (Abatement Ends)
<b>Total Taxes Due for Period with Incentive</b>							<b>\$7,156.80</b>
<b>Total Taxes Due for Period without Incentive</b>							<b>\$12,780.00</b>
<b>Variance (Total Incentive)</b>							<b>-\$5,623.20</b>

**Personal Property:**

Year No.	Tax Rate	Est. Value	Assmt. Ratio	Est. Assessed Value	Taxes Due	Incentive (%)	Taxes Due with Incentive (Est.)
1	0.0142	50,000	0.3	15,000	213	0%	\$0.00
2	0.0142	50,000	0.3	15,000	213	50%	\$106.50
3	0.0142	50,000	0.3	15,000	213	100%	\$213.00 (Abatement Ends)
<b>Total Taxes Due for Period with Incentive</b>							<b>\$319.50</b>
<b>Total Taxes Due for Period without Incentive</b>							<b>\$639.00</b>
<b>Variance (Total Incentive)</b>							<b>-\$319.50</b>

**Level 2 - Companies investing at least \$2,000,000 and hiring at least 50 full time equivalent (FTE) employees**

Assumptions: Company invests \$1,800,000 in real and \$200,000 in personal property

**Real Property:**

Year No.	Tax Rate	Est. Value	Assmt. Ratio	Est. Assessed Value	Taxes Due	Incentive (%)	Taxes Due with Incentive (Est.)
1	0.0142	1,800,000	0.4	720,000	10,224	0%	\$0.00
2	0.0142	1,800,000	0.4	720,000	10,224	0%	\$0.00
3	0.0142	1,800,000	0.4	720,000	10,224	50%	\$5,112.00
4	0.0142	1,800,000	0.4	720,000	10,224	60%	\$6,134.40
5	0.0142	1,800,000	0.4	720,000	10,224	70%	\$7,156.80
6	0.0142	1,800,000	0.4	720,000	10,224	80%	\$8,179.20
7	0.0142	1,800,000	0.4	720,000	10,224	90%	\$9,201.60
8	0.0142	1,800,000	0.4	720,000	10,224	100%	\$10,224.00 (Abatement Ends)
<b>Total Taxes Due for Period with Incentive</b>							<b>\$46,008.00</b>
<b>Total Taxes Due for Period without Incentive</b>							<b>\$81,792.00</b>
<b>Variance (Total Incentive)</b>							<b>-\$35,784.00</b>

**Personal Property:**

Year No.	Tax Rate	Est. Value	Assmt. Ratio	Est. Assessed Value	Taxes Due	Incentive (%)	Taxes Due with Incentive (Est.)
1	0.0142	200,000	0.3	60,000	852	0%	\$0.00
2	0.0142	200,000	0.3	60,000	852	0%	\$0.00
3	0.0142	200,000	0.3	60,000	852	70%	\$596.40
4	0.0142	200,000	0.3	60,000	852	100%	\$852.00 (Abatement Ends)
<b>Total Taxes Due for Period with Incentive</b>							<b>\$1,448.40</b>
<b>Total Taxes Due for Period without Incentive</b>							<b>\$3,408.00</b>
<b>Variance (Total Incentive)</b>							<b>-\$1,959.60</b>

**Level 3 - Companies investing at least \$5,000,000 and hiring at least 100 full time equivalent (FTE) employees**

Assumptions: Company invests \$4,500,000 in real and \$500,000 in personal property

**Real Property:**

Year No.	Tax Rate	Est. Value	Assmt. Ratio	Est. Assessed Value	Taxes Due	Incentive (%)	Taxes Due with Incentive (Est.)
1	0.0142	4,500,000	0.4	1,800,000	25,560	0%	\$0.00
2	0.0142	4,500,000	0.4	1,800,000	25,560	0%	\$0.00
3	0.0142	4,500,000	0.4	1,800,000	25,560	40%	\$10,224.00
4	0.0142	4,500,000	0.4	1,800,000	25,560	50%	\$12,780.00
5	0.0142	4,500,000	0.4	1,800,000	25,560	60%	\$15,336.00
6	0.0142	4,500,000	0.4	1,800,000	25,560	70%	\$17,892.00
7	0.0142	4,500,000	0.4	1,800,000	25,560	80%	\$20,448.00
8	0.0142	4,500,000	0.4	1,800,000	25,560	90%	\$23,004.00
9	0.0142	4,500,000	0.4	1,800,000	25,560	100%	\$25,560.00 (Abatement Ends)
<b>Total Taxes Due for Period with Incentive</b>							<b>\$125,244.00</b>
<b>Total Taxes Due for Period without Incentive</b>							<b>\$230,040.00</b>
<b>Variance (Total Incentive)</b>							<b>-\$104,796.00</b>

**Personal Property:**

Year No.	Tax Rate	Est. Value	Assmt. Ratio	Est. Assessed Value	Taxes Due	Incentive (%)	Taxes Due with Incentive (Est.)
1	0.0142	500,000	0.3	150,000	2,130	0%	\$0.00
2	0.0142	500,000	0.3	150,000	2,130	0%	\$0.00
3	0.0142	500,000	0.3	150,000	2,130	0%	\$0.00
4	0.0142	500,000	0.3	150,000	2,130	0%	\$0.00
5	0.0142	500,000	0.3	150,000	2,130	100%	\$2,130.00 (Abatement Ends)
<b>Total Taxes Due for Period with Incentive</b>							<b>\$2,130.00</b>
<b>Total Taxes Due for Period without Incentive</b>							<b>\$10,650.00</b>
<b>Variance (Total Incentive)</b>							<b>-\$8,520.00</b>