



**INDUSTRIAL DEVELOPMENT BOARD
MONTHLY MEETING MINUTES**

John P. Franklin Sr. City Council Building

Assembly Room

Chattanooga, Tennessee

for

Monday, February 3, 2025

11:00 AM

Present were Kerry Hayes (Chair), Althea Jones (Vice-Chair), Gordon Parker (Secretary), Jim Floyd (Assistant Secretary), Ray Adkins, Jimmy F. Rodgers, Jr., Melody Shekari, and Marcus Cade-Johnson. Absent was Nadia Kain.

Also Present were: Attorney for the Board, Phillip A. Noblett; Steve Reiter (CWS-US); Chris Sands (Office of Community Health); Adam Myers (Chamber of Commerce); Tasia Malahasis (Co-Lab); Gail Hart (Real Property); Eleanor Liu, Weston Porter, and Javaid Majid (Finance); Janice Gooden (CALEB); Mike Pare (Times-Free Press); Jay Moneyhun (Bass Berry Sims); Jermaine Freeman (Chief of Staff); Charita Allen (Workforce Development); and Brock Oliver (Henderson, Hutcherson & McCullough).



Chairman Hayes called the meeting to order, confirmed the meeting was duly advertised, and established that a quorum was present to conduct business.



MONTHLY MEETING OF JANUARY 6, 2025 – MINUTES APPROVAL

On motion of Mr. Adkins, seconded by Ms. Jones, the minutes of the January 6, 2025, monthly meeting were unanimously approved as written.



PUBLIC COMMENTS

Ms. Janice Gooden is representing CALEB and ATM because Ms. Burns-Sharp is not able to be here today in person. CALEB and ATM have partnered over the last few years to review policies especially around TIFs and PILOTs. Ms. Gooden understands that there is going to be a presentation today. The City Council has received the presentation. They have been reviewing and asking some good questions. CALEB and ATM have also offered suggestions. CALEB looks forward to the IDB discussion once the Council has decided on the first version of the policies. This was the sequence that was followed with the TIF policies last time. The Council passed the resolution amending the policies then the IDB reviewed and suggested some changes. We look forward to the presentation today and will continue to be in each.



**PUBLIC HEARING RELATED TO PROPOSED
BOND FINANCING FOR LINDENWOOD EDUCATION SYSTEM**

Chairman Hayes said that the IDB is being utilized today for a public hearing related to a proposed bond financing with Lindenwood Education System. Mr. Jay Moneyhun was present serving as local bond counsel. This is a bond financing for Lindenwood Education System. The bonds are not being issued by the IDB but by an out-of-state issuer because it involves projects in a number of jurisdictions. This particular request for hearing is just to comply with federal tax law. The Board is not issuing or being responsible for repaying the bonds. It is just to provide a forum for public comment in case members of the public in this location have any concerns or comments about the project. The proceeds of the bonds would be used to allow Lindenwood to purchase Miller Motte College here in Chattanooga.

Lindenwood is a 501(c)(3) institute based out of Missouri that has educational facilities all around the country. This will be one of their locations and plan to continue to operate it as an educational facility in line with their 501(c)(3) charitable and educational purpose. Mr. Jimmy Rodgers wanted to know why this board for a public forum as opposed to City Council or County Commission? Mr. Mamantov and Mr. Noblett spoke and thought that because this board had a meeting coming up, this would be a great forum and also an IDB could issue tax exempt bonds for a project like this. They felt this was the most appropriate forum. We could have done it before City Council but felt this would be an appropriate forum for public comments.

Attorney Noblett said that it is also important as well that Lindenwood operates 18 accredited campuses and those campuses are providing training in-person and on-line training for skilled trades, business, education, and technology fields. Which is another reason for the IDB to be involved in our new enforcement for companies coming into town here that might need those skilled trade people. It does not involve any bonds to be issued by this body. They are issuing bonds themselves.

There was no action required by this board, a TEFRA notice was published by Mr. Moneyhun, and no one from the public was present with any comments.

PRESENTATION OF IDB AUDIT REPORT
BY HENDERSON, HUTCHERSON & MCCULLOUGH

Mr. Brock Oliver with Henderson Hutcherson & McCullough gave a presentation of the audit for FY2024. Mr. Oliver spoke about the financial highlights. As the third party auditors CPA firm are here to audit the financial statements and make sure that an independent examination is done and that the financial statements are clear for material misstatement in accordance with standards. We are here to provide reasonable assurance materially correct and not looking at every single transaction that does not meet a particular threshold. The way we do that there are a number of risk factors that we use to calculate to determine where we are going to spend most of their time. With the objective of providing an opinion on the financial statements. (See presentation attached to these minutes).

After further discussion, the opinion this year is unmodified which is the highest level of assurance that we can provide. There were no material weaknesses or deficiencies in the current year or prior year. There were no issues with internal controls over the entity. There was no change in policies during the fiscal year. There were no changes to estimates. There were no issues with working with accounting personnel, everyone did a great job in getting everything they needed. They were not aware of any other consultations. There were no corrected misstatements and no adjustments made.

Cash was higher from year to year, liabilities were higher mainly related to accruals and payments, lease assets were up \$50 million this year which is our increase in net position percentage because of the Volkswagen expansion project. There were no changes to financials.

The liabilities were higher because of cash and accruals and payment has not occurred year end. The increase is e2i2 program and sanitary sewer.

On motion of Mr. Parker, seconded by Mr. Floyd,

**A RESOLUTION RATIFYING ACTION TAKEN BY THE
INDUSTRIAL DEVELOPMENT BOARD CHAIR AND CITY
FINANCE OFFICER TO EXECUTE A MANAGEMENT
REPRESENTATION LETTER FOR THE AUDITOR,
HENDERSON, HUTCHERSON & MCCULLOUGH, PLLC
FOR FISCAL YEAR ENDING JUNE 30, 2024.**

The motion carried.

ADOPTED

On motion of Ms. Jones, seconded by Mr. Johnson,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD TO DONATE FIFTY THOUSAND DOLLARS (\$50,000.00) FROM FUNDS, APPROPRIATED FROM THE CITY OF CHATTANOOGA FOR THE PURPOSE OF ADVANCING WORKFORCE DEVELOPMENT IN THE TECHNOLOGY SECTOR, TO SUPPORT THE ENTERPRISE CENTER'S DIGITAL EQUITY EFFORTS IN PARTNERSHIP WITH THE STATE OF TENNESSEE.

Ms. Charita Allen gave a presentation. This is an item which is brought forth under the Workforce Development category. It is funded through the Technology Workforce Fund. We provided an overview of that in our previous meeting. This is a fund that is restrictive for technology, IT, and workforce development initiatives. (See backup material attached from the agenda). This aligns with the One Chattanooga Economic Development Plan funded through both the City, the County, and the Chamber's Chattanooga Climbs Strategic Plan. This will partner with the City of Chattanooga's City on a Hill development grant Department of Community Health Program by an entry level training program. Funding will cover the cost of the certificate training. Current balance for this fund is \$285,000. If approved, this item would have a \$50,000 impact.

We have representatives from both the training provider, the two City departments that would help with identifying the students, and The Enterprise Center which will provide the laptops and other individual devices.

Chris Sands serves as the Executive Director of Community Safety. Steve Reiter is the CEO of CWS-US. It is easier to build strong children than to repair broken men. We have to look at this through a social justice lense, education standpoint, mental health standpoint, fatherless homes, and poverty. In Tennessee, we have a large amount of poverty taking place among young people. In 2023, Chattanooga's child poverty was 17.6%. In Hamilton County it was 20.6%. (See backup material attached from the agenda). Child poverty has been linked to adverse health issues, mentally, physically, emotionally, and financially. The behaviors are the cause of that. Helping the population between the ages of 16-21. The targeted schools are Brainerd, Howard, and Tyner. These are traditionally disadvantaged schools and under-represented communities where poverty usually is reached. We want to make sure that we can help young people know that there are people who are here not only rooting for them but are in their corner to see a great impact and want to see them gainfully employed so they can change the trajectory of what is taking place. A list of the partners is contained in the attached presentation handout.

Mr. Reiter said that we are looking at a marketplace that has an incredible demand. While we have all of these jobs available, many of them are unfilled. The last four and a half years in working at UTC, we had been training people along with other states as well to fill some of these jobs but five years ago, the subject of cyber IT was a remote conversation and today it is a dining room conversation. Schools are generating about \$30,000 graduates with two and four year degrees to fill. There are over a half million open jobs in just cyber alone. When you look at the total positions, we have here is about four million overall jobs you have in the marketplace. Given

the fact that these are great paying jobs, high demand, when Mr. Reiter started in this program about four and a half years ago, we were looking at the average job for a cyber person with five years' experience was \$99,200. Today, this is \$128,000 as of the end of year last year, that number is sitting at \$134,000. Supply and demand are driving us. In our region alone, one of the issues that comes up every single meeting for the last four years, I can't find talent. How do we fill that gap? One of those things is that without the need to have a two or four year degree, they are able to do what they say stated earlier today in terms of certificate based programs. Programs that specifically teach the skills, the knowledge, and the capabilities that both the companies and state local agencies, and federal agencies are also looking for. Half of those jobs today do not require a college degree.

The basic program information and what the students will have to use in the workplace when they finish that program is attached. It is an eight segment workshop, 16 week program, two weeks per subject. We are not just teaching technology, but the ability to use that technology in the workplace. That workplace may be an office, construction site, or a factory. Technology is everywhere. The first two weeks they will learn about word processing but not just word processing but how to write a resume, introduction, speak to a background. They will be bringing someone from the American Job Center to talk about how to secure a job. It is a full period of that. After further discussion, the details of learning were discussed.

The cost of impact focus is looking at 30 students to be registered starting this coming Saturday. They will give stipends, talk about the internet, and stats. Contribution is laptops and the City is providing the space at the Library.

Mr. Reiter spoke about statistics about what has been done previously. This is almost 2,000 students. We had an incredible rate of retention. Under-represented population was at 73.2% with almost 30% female which is an incredibly high number. We have 50 experienced instructors and job opportunities within the industry alone. This program was done virtually. We will be doing our job here using classroom instruction. The key here is sustainability. Not only to start a program but to be able to have jobs on the backend that the students can go to and be proud of what they do. Having a good income is a great equalizer in our society.

Mr. Adkins asked if they would give funding from the County, State, or federal funding? Mr. Sands said that they are reaching out to the County and are in the process of working in a partnership. What is the major reason these people are not accepting these jobs? Mr. Sands said they have to make sure they have the training. They don't know how to do it. If we teach them, they can do it. They have seen proof in places like Indiana and Boston, the fact that when you train people and tell them what they are capable of doing and allowing them to touch their computers, develop them on their own, they develop a sense of confidence when we are planted with technology or with the process. They see it working in other places so they are capable of going out and getting a job. These students will have the ability, assistance, and mentorship to be able to go out and secure a job.

After further discussion, the program will start this Saturday with a cohort of 30 young people secured. Who is CWS-US? It is a 501(c)(3) non-profit that has people in multiple states. They are not the placement agency but work in partnership with other organizations like the Southeast Workforce Development, American Job Center to help people find jobs. Do you receive

any placement fees in return for students to graduate? No, sir. The stipend will be paid for the following cohort the following week. The following Saturday.

What is Raspberry Pi? It comes out of England. It is a full grown computer. You can hook up to any monitor or TV screen and give you full internet access. We want them to touch different computers and have the ability to in fact plug in boards. What is Ubuntu Philosophy? This is an accelerator for Bluetooth. They will provide transportation for them. They have different mentors.

This is a 16 week program and the first one they are operating. If we were to make this donation, are you willing to come back and give feedback on how it is going? Yes. What age are the 30 students? (inaudible) It will be on Saturdays only.

The motion carried.

ADOPTED

On motion of Mr. Rodgers, seconded by Ms. Shekari,

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD TO DONATE FIFTY THOUSAND DOLLARS (\$50,000.00) FROM FUNDS, APPROPRIATED FROM THE CITY OF CHATTANOOGA FOR THE PURPOSE OF ADVANCING WORKFORCE DEVELOPMENT IN THE TECHNOLOGY SECTOR, TO SUPPORT CO.LAB'S SKILLS ACCELERATOR IN PARTNERSHIP WITH GENER8TOR'S PLATFORM FOR UPSKILLING.

Ms. Allen said that this item follows the same format as the previous one. What we are starting to see in Chattanooga is local organizations partnering with national platforms and providers that have proven systems and operations and bringing those to Chattanooga. This item is for upscaling and IT workforce again. It is using a cohort technology through the national platform called Gener8tor. (See information attached for this item). Co-Lab is in partnership with Gener8tor to expand the skills accelerator program. This virtual rescaling initiative provides flex learning, personalized coaching, national certifications, and job placement support. It equips unemployed and under-employed individuals with skills to secure jobs. Funding will support expanding services including targeted outreach, technical certifications, mentoring, and job placement. This will be funded from the restricted funds of the Tech Workforce Account, which currently has a balance of \$285,000 and will be \$235,000. This would have the \$50,000 impact.

Ms. Tasia Malahasis with Co-Lab spoke. The company has been around for 15 years in supporting workforce development in Chattanooga. They are a 501(c)(3) corporation. They organize themselves in two different brackets. They have a star team and a scale team. (See information attached for this item). They focus on accelerator growth. They run a 12 week accelerator focused on an industry's strength in Chattanooga. A list of innovators is attached.

In partnering, they run a sustainable mobility accelerator and skills accelerator. Gener8tor has built the platform. They are focused on tech talent predominantly. They are focused on under-employed and unemployed. In order to be accepted into the program you have to be in that category. Certifications in two different categories. IT help desk and Project Management certifications. They go through a 10 week program in those two categories. They get lifetime support and job help. They have a number of connections and partnerships with the City and work with Economic Development across the state. They run two programs a month and start each program every 30 days. The goal is to get 30 participants in each program every month. The goal is to get this in the community. This is additional support to get constituents into the program. Gener8tor has done this in other states and cities across the U.S. Gener8tor is a private company and runs accelerators internationally.

The motion carried.

ADOPTED

OTHER BUSINESS

PRESENTATION - DRAFT PILOT POLICIES

Ms. Allen said that we have the first draft version of the PILOT Policies with the delegation of authority to the IDB. They took the first version and previous presentation and presented it to this Board. It was taken to City Council and asked them to remove the delegation. They want to keep that. The IDB still has a role in PILOT Policies.

Ms. Allen walked through the draft policies. We understand that some of you have not had the opportunity to read these. The IDB counsel has not read them either. We have not had time to digest these but will walk through the various sections and what they mean. Ms. Allen thanked Ms. Gooden for her comments. This draft was sent to ATM but did not hear back from Ms. Sharp and was concerned when she did not see her today.

In the first section, this is the purpose. A municipality can authorize or ask an industrial development board to help the municipality do the reports of business as part of industry. There are things the IDB is able to do that the City is not able to do. It facilitates some of those activities through the IDB. As a result in order for there to be a PILOT program by the City or Hamilton County, there has to be an industrial development board in this particular incentive. The City of Chattanooga has the City Industrial Development Board to facilitate it. Hamilton County has a Hamilton County Industrial Development Board if they want to facilitate PILOTs solely with their property taxes. The IDB has a role. That is the first step. It is the purpose. That is also why the heading is the Industrial Development Board for the City of Chattanooga because in order to facilitate a PILOT it has to come through this board.

Section 1 outlines the purpose, there are a lot of definitions, and outlines the roles very clearly. Section 2 is where we talk about tangible projects. This is where we talk about what projects are owned and look at industrial facilities, distribution facilities, office buildings, service facilities, high level spells out what is eligible and what is not. In addition to that there are some

parameters around what is eligible and those are targeted industries through the State of Tennessee, the Department of Economic and Community Development, we went over those high level sectors and industries before. Underneath that we have targeted City of Chattanooga and Hamilton County regional sectors. Those were the sectors that were identified by the Chattanooga Chamber of Commerce in partnership with the City and County. We look at high level there are PILOTs that fall within state industries eligible and the next level is industries and sectors that are very unique and specific to the greater Chattanooga region.

Attorney Noblett said we do not have an Exhibit B. We did not attach Exhibit B because we covered that in our previous presentation but can find that again. It is just two slides that go over the targeted industries. It will be affixed to this document when it gets approved.

Section 2 is an overview of the PILOT structure. This talks about the role of the IDB where in order for a project to be approved, the title to the property whether real or tangible has to come under the IDB. The IDB looks on leases. Historically, what has happened and will continue to happen is the City Council will approve their PILOT, Hamilton County will have a vote where they approve it, and once those are approved it comes to the IDB for the company to enter into a lease and the lease is for the real and tangible property that is party to the PILOT agreement. That comes under the ownership of the IDB. There is a lease, payment in lieu of taxes that happen, there are economic development fees that happen, all in Section 2 talks about all the different definitions so that when a company is applying for a PILOT or even interested in a PILOT and we have these posted on our website, they are able to read through and understand. Some companies do not want their property under the IDB and say they are not interested. There are others that understand that as long as they are participating in the PILOT that is just the process that has to happen. It covers financing, ground leases when we start talking about PILOTs that are on government property, personal property, Section 6 is where we get into the but-for.

PILOTs are typically used when we are competing with other jurisdictions for projects and we ask for a but-for. We are looking forward to if it is not for this PILOT, this project will not either expand here or it would not relocate here. Because of the way our PILOTs are structured, keeping in mind we are competing with entities that their incentive is 100% of taxes. They are abating 100% of the taxes. We come out right around 30%. By the time we get through all of our fees and structure, we are about 30%. When it comes to looking at the requirement of the inducement the but-for that is where we might have a local company that is a second stage company that is successful in the marketplace, they have at least 10-55 employees, and an exportable product of service which means they can sell the products and services and bring new monies into the economy. We want to keep them here but because they are that second stage company, they are good at what they do, other people want to pull them away. That is where this particular incentive is very helpful for us in keeping local companies here.

This Section 2 we are talking about the but-for, why do you need this, expansion of existing facilities, and sort of the lease of or the turn of the lease of the project. Section 3 is where we start to get into the criteria for determining the term of the PILOT. The first one was are you eligible, are you in the industry, is there a but-for, you pass that. Now let's talk about the term of the PILOT. This is where we start looking into the general factors that they can serve. Jobs needed and capital investment. Typically, to be eligible for a PILOT there are minimum thresholds that

you have to meet. Those are spelled out in this document. They cannot change, and they do have a representative Adam Myers from the Chattanooga Chamber, those are not changed significantly from our existing policy policies. In keeping in mind, we currently do not have official PILOT policies that have been voted on. We have been doing PILOTs here in Hamilton County and the City of Chattanooga, we have had standards and practices we have been utilizing but we have not had official vote on PILOT policies. What we are trying to do now is move towards having actual policies in place to remove any confusion around, what a PILOT is, who is eligible for it, what is the term and duration, what are the fees that are associated with it so it is very clear for companies that are interested in coming into Chattanooga or staying and expanding. Also clear for residents and for elected officials moving forward with the policy PILOT standards are.

We are getting into some of that where we start looking at jobs, wages, capital investment, minimum thresholds for meeting those, and there is a chart. This section references special considerations. Minimum jobs, wages, capital investment and then special considerations. That is going to be moving forward with Exhibit A which is also going to be called a matrix. These are the special considerations. It is a point system depending on where you fall with your jobs, wages and capital investment you are awarded points. You have to be at a certain level of points in order to be eligible. Once we determine you are eligible, there are special factors and that is the chart. If you meet those special factors, you get additional points, and those get you in an extended term. Those factors are into the length of your PILOT. If you are meeting energy efficiency standards, sustainability standards, LED certified or you are compliant with a similar LED certified program, there is a maximum of 1.5 points for that. Keeping in mind, if you are eligible for this on the front end, you will be monitored for the duration of the PILOT. If at any point you fall out of compliance, there is a penalty for falling out of compliance.

CALEB was instrumental in coming in and saying there are some things that companies should have to meet. We all agreed. The key is how do we quantify those and how do we make sure those are measurable and how do we make sure we can monitor those so that in the instance where they are not compliant, there is an ability for us to clawback.

Additional special factors again, this is a first draft. We do not want anybody to get married to the points or locations or designated areas for development. This is our first draft using input from ATM, CALEB, we had six council members who were very instrumental in making changes, the Chamber, the County at the table and today we will hear from this board to look at some things and what the Board would like to see. Additional points, if you are looking at specially designated economic development zone, the maximum number of points that you can receive for this would be three points. Keep in mind, that if you are interested in a federally designated zone, enterprise zone, that is one point. If you are in a brownfield site, an active site for cleanup, you are going to get two points or extra point. You are coming in to the remediate the site. If you are in a targeted sector where we would like to see development, for example Southside, the stadium, or TIF district that is going to drive up the additional increment. Three points for being located in one of those targeted areas. Those still need to be flushed out and this was sort of internal staff and City and Chamber looking at where are those designated areas we want to see targeted development.

We need benefits commitments with one point for this. If you are entering into a CBA you are going to get one point for this. As part of your agreement, community benefits are already bated into your agreement, you will get a point for that as well.

Local community cooperation is one we were looking at County wanting to provide additional points to extend the term for the proposed company. If they were partnering with an identified school. If they were putting in a tech lab at a particular middle school or high school, you would get an extra point for that.

Unique employee benefits and apprenticeship programs like childcare are critical, on-site health clinics, we do have companies that offer off-site childcare, we do have companies that have on-site nurses, not that they have full fledge clinics but they offer healthcare on-site. That would be something that would follow under unique employee benefits and apprenticeship programs. Keeping in mind some of these special considerations were items from CALEB and others and we still need to flush out how you are defining unique benefits and apprenticeship programs is pretty easy so we can score that.

Exceptional corporate stewardship – if a company is not compliant with the basics of being a good steward, they are not going to be eligible for a PILOT and is not something that we would bring before the Board. But if we have a company that is a certified corporation, they will get a point for that. This goes back to how we are defining exceptional corporate stewardship. After further discussion, we are still working out some of the scoring metrics because we have to figure out how to get the information from a company and value the effort.

We will work to get this posted so it is available for the general public for review. We had some parameters on the application around when an application comes in, how long it takes for the application to go through the process, some of the questions around it, is it straightforward so we can see the application. Historically, the Chamber has provided an application to the company. The Chamber facilitates that process on behalf of both the City and the County. They are funded to do this piece. What we did was take the existing application and based on some of the parameters that have been identified in the various sections of the policies, we then flushed those out within the application.

The application is a draft. At some point we have to finalize the policies and align the application to the policies, align the reporting to the policies, and align monitoring. That is why all of this is in fair amount of draft form. This is an updated application. We are asking questions on environmental conditions.

This Board cannot issue a PILOT for something outside of the corporate limits of the City only because the PILOT is related to City of Chattanooga property taxes and it may be related to Hamilton County property taxes should Hamilton County decide to participate. As a result, the IDB has to go through either the City or the County in order for a PILOT. The IDB would not on its own be able to issue the PILOT. It is real estate located within the corporate limits of the City of Chattanooga.

Mr. Rodgers thought that should be question number one. There are questions about funding and financing. All the information is in the application. Questions about layoffs in the application. They want more information regarding special factors because of the monitoring. Post closing monitoring and non-compliance payments were discussed and the understanding of the role of the IDB. Monitoring not just on jobs, wages, and capital investment but on the special circumstances to be able to extend the length of your PILOT.

Fees and funding were discussed. Attorney Noblett said that it is 15% of the amount that would be otherwise payable. The PILOT amount does not entirely come to this board. It is a 15% amount. The rest goes to the City. If there are any amendments or changes that are needed to post award, the applicant has to pay for attorneys' fees or any expenses associated with coming back to amend those documents. After further discussion, the public hearing definition for a PILOT is different from a public hearing definition for a TIF. The hearing will be at the City Council. Under this proposal, no more PILOT public hearings would come before the IDB. They would be advertised on the City Council agenda. All the documents must be available the week before the public hearing. Historically, that has not happened. It has happened through being on an agenda but it has not been attached to an agenda if it happens in an Economic Development Committee. Moving forward, if it is at the Committee meeting, the link has to be made.

Mr. Rodgers asked with this proposal would the IDB have any role in the approval or denial of a PILOT? Only in its ability to either approve or deny the agreement accepting it under the authority of the IDB. Attorney Noblett said that they will still need to take title of the property which you get a QuitClaim Deed from the property owner and there is a lease to the property owner from the IDB during the term of the PILOT. If it is up to a 15 year term max, then they would have a leasehold interest in it for 15 years and the IDB would have the title to the property during that term. At the conclusion of the PILOT, there would be a deed back to them and makes it a lot simpler for the folks in the Assessor's Office to determine how much the taxes should be. The timeline was discussed.

Ms. Shekari had a question that whether or not this gets passed, it means that this board is going to have to be more cognizant of what is going on at City Council, the time states to be involved, it will change the way we operate and would be something that we need to think about so we are keeping up when something is going before City Council and making sure we communicate and establish how best we do evaluations. Scheduling was discussed and Ms. Shekari is happy to work on an agenda.

Mr. Rodgers asked a question about Novonix. Is there any intent to apply these policies when they are adopted to Novonix or do you view Novonix too far down the road. Novonix asked for a 30 day deferral. In the meantime, we incorporated some of those questions into our application. The term side would be the Chamber question.

Ms. Allen will get with Ms. Shekari on scheduling. Ms. Allen will get with the Chamber and look at it as part of the process that the Chamber is currently creating a diagram to map out the process. We will figure out where we should put the IDB in that process as we are looking to go through approvals so the IDB gets to review before we get through.

End of PILOT policies presentation.

FYI – Report on Debt Obligation – Tax Increment Revenue Note A, Series 2024 (Stadium Development Project) - \$16 million. Mr. Porter said that these reports were included which were submitted to the Comptroller’s Office by bond counsel, Bass Berry & Sims. This is just included for the record to be shown that it was provided to the Board. Just informational purposes.

FYI – Report on Debt Obligation – Tax Increment Revenue Note B, Series 2024 (Stadium Development Project) - \$10 million.

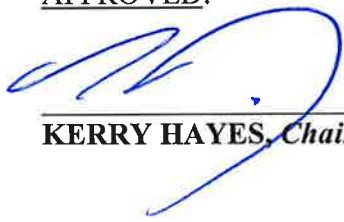
Mr. Marcus Cade-Johnson was recognized and thanked as a new member of the IDB.



There being no further business, a motion was made by Mr. Parker, seconded by Ms. Jones, and the meeting adjourned at 12:25 PM.



GORDON PARKER, Secretary

APPROVED:


KERRY HAYES, Chair



CERTIFIED PUBLIC ACCOUNTANTS

January 23, 2025

To the Board of
The Industrial Development Board of the City of Chattanooga

We have prepared the financial statements of the Industrial Development Board of City of Chattanooga, Tennessee (the Board) for the year ended June 30, 2024, and have prepared our report, enclosed herein, dated January 23, 2025.

We are required by Statement of Auditing Standards (SAS) No. 114, "The Auditor's Communication With Those Charged With Governance," to communicate certain matters related to the conduct of our audit to those charged with governance. In keeping with the spirit of this standard, we have provided the attached items to communicate such matters.

This information is intended solely for the information and use of those charged with governance of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Brock Oliver', written over a horizontal line.

Brock Oliver, CPA
For the Firm

The Industrial Development Board of the City of Chattanooga
The Auditor's Communication with Those Charged with Governance
Executive Summary

- ***Auditor's opinion*** – Unmodified “Clean” report
- ***Our Responsibility Under U.S. Generally Accepted Auditing Standards*** – Our responsibility is to conduct the audit in accordance with generally accepted auditing standards and to plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.
- ***Planned Scope and Timing of Audit*** – The objective of our audit and overview of procedures are stated in our engagement letter. We performed the audit according to the planned scope.
- ***Significant accounting policies*** – See Note 1 to the financial statements.
- ***Accounting Estimates*** – We evaluated the estimates made by management and concluded that those estimates were reasonable based on evidence and circumstances. There were no significant estimates.
- ***Management and accounting staff*** – Very cooperative and professional. We had no disagreements with management regarding financial accounting or reporting matters. We proposed no adjusting journal entries.
- ***Consultations with other accountants*** – We are not aware of any consultations with other accountants.
- ***Uncorrected misstatements*** – There were no uncorrected misstatements.
- ***Deficiencies in internal control or compliance*** – None reported.
- ***Fraud and Illegal Acts*** – During the conduct of our audit, we did not become aware of any fraudulent or illegal acts.
- ***Difficulties encountered in the audit, errors or irregularities noted*** – None.
- ***Representation letter*** – The representations requested from management are stated in the management representation letter dated January 23, 2025.
- ***Significant matters discussed with management*** – None.

Brock Oliver, CPA
Henderson Hutcherson & McCullough, PLLC
1200 Market Street – Freight Depot
Chattanooga, TN 37402
(423) 756-7771

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

FINANCIAL REPORT

JUNE 30, 2024 AND 2023



CERTIFIED PUBLIC ACCOUNTANTS

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

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**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

Roster of Board Members

Ray Adkins Appointed by City Council	Member 3rd Term Jun 15, 2021 to Jun 15, 2027	District 1
Althea Jones Appointed by City Council	Vice-Chair 1st Term Jul 14, 2024 to Jun 13, 2030	District 2
James Floyd Appointed by City Council	Assistant Secretary 1st Term May 4, 2021 to Jun 13, 2024	District 3
Gordon Parker Appointed by City Council	Secretary 2 nd Term May 17, 2022 to May 17, 2028	District 4
Jimmy F. Rodgers Appointed by City Council	Member 2 nd Term Oct 07, 2020 to Oct 07, 2026	District 5
Nadia Kain Appointed by City Council	Member 1 st Term Jun 07, 2023 to Jun 06, 2029	District 6
Melody Shekari Appointed by City Council	Member 1 st Term Oct 25, 2023 to Oct 24, 2029	District 8
Kerry Hayes Appointed by City Council	Chair 1 st Term Apr 20, 2021 to Apr 20, 2027	District 9

The Board meets on 1st Monday of the month at 11:00 a.m. in the City Council Assembly Room, 1000
Lindsay Street, Chattanooga, TN 37402.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Industrial Development Board of the City of Chattanooga
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Industrial Development Board of the City of Chattanooga, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Industrial Development Board of the City of Chattanooga, and the changes in its financial position and its cash flows as of and for the years ended June 30, 2024 and 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Industrial Development Board of the City of Chattanooga and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the entity's basic financial statements. The accompanying combining program schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining program schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining program schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Roster of Board Members but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2025 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Chattanooga, Tennessee
January 23, 2025

Henderson Hutcherson
& McCullough, PLLC

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Industrial Development Board of the City of Chattanooga (IDB) was established in 1967 for the purpose of undertaking financing and development of projects to promote industry, trade, commerce, tourism, recreation, and housing construction in Chattanooga, Tennessee (the City or Chattanooga).

Pursuant to a Memorandum of Understanding (MOU) on July 15, 2008, as amended, by and among Volkswagen Group of America, Inc., the State of Tennessee, Hamilton County (County), the City of Chattanooga, the Chattanooga Area Chamber of Commerce, and the Industrial Development Board, the IDB was awarded \$210.8 million in grants from the State of Tennessee as incentives to build a billion-dollar automotive plant; an additional \$46 million in local government funding was also pledged. On June 30, 2014, a second MOU was entered into whereby the state awarded an additional \$165.8 million in incentives. An additional \$52.5 million was pledged by the City and County to be shared equally. On June 6, 2017, an amendment increased the State incentive to \$168.9 million. These additional capital contributions support a Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) expansion to include a production line for a new sports utility vehicle and a national research and development center. On June 27, 2022 IDB accepted a third MOU in which the State provided \$50 million incentive grant to VW through IDB for electric vehicle production. Another \$5 million of local government funding was pledged equally by the City and County.

In fiscal year 2014, IDB entered into the first Tax Incremental Financing (TIF) agreement with Black Creek, LLC after the City Council approved the economic impact plan on resolution 27143 dated June 9, 2012. The TIF agreement refunds taxes to support infrastructure and commercial real estate development. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation and less allowable city and county expenses. In 2018, IDB entered into another TIF agreement with Evergreen Real Estate. The City Council approved the economic impact plan on resolution 29336 on February 20, 2018. In 2020, IDB entered into a third TIF agreement for the East Chattanooga Rising Development Area following the City Council approving the economic impact plan on resolution 30147 on December 3, 2019. Nippon Paint, as one of the world's biggest paint and coating makers, is to build a 270,000-square-foot manufacturing complex on site. On July 12, 2022, the City Council approved the economic impact plan on resolution 31182 and as a result, IDB entered into a TIF agreement with Access Road, LLC to build the North River Commerce Center Industrial Park. It proposes to build significant Class A industrial space along North Access Road in Hixson adjacent to the Corsa facility, which is the former DuPont site. On August 1, 2022, after the City Council approved the economic impact plan on resolution 31235, the IDB entered into a TIF agreement with the newly formed public non-profit corporation Sports Authority of the County of Hamilton and the City of Chattanooga (Sports Authority) to build a multi-use Stadium in the South Broad District Area. It is to promote and accelerate the economic redevelopment of the area. On March 25, 2024, the City Council approved an economic impact plan on resolution 31672, the IDB entered into a TIF agreement with Urban Story Ventures, LLC to support a multi-use development called The Bend. This 120-acre adaptive reuse project is estimated to cost \$2.3 billion.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

In fiscal year 2015, directed by the City Mayor, the City of Chattanooga's Department of Economic Development began a program called Economic Development Incentive Program (EDIP) to assist, support and incentivize local businesses and workforce to develop and grow. Since 2016, through City appropriation and the Economic Development Fee collected from qualifying businesses which are Payment In Lieu of Property Tax (PILOT), EDIP has been expanded into the following programs:

- Growing Small Business Incentive Plan which provides incentives for small businesses with 100 or fewer employees in the city to create more jobs.
- Technology Workforce Development brings city residents, technology companies and our workforce training partners together to train and reskill residents to embrace the future of Chattanooga.
- Small Business Construction Mitigation Grant awards qualified businesses that are impacted by construction projects in the city.
- Renewing Chattanooga helps combat blight, vacant, and abandoned properties in underserved communities throughout the city that fall into despair.
- Business Development fund dollars are used to encourage private investment and existing businesses retention. Eligible expenses range from site surveys and property appraisals to marketing initiatives and matching grant opportunities
- Innovation grant funds are used to award businesses with innovative products, systems or technologies while creating ten or more Chattanooga-based full-time jobs.

On February 7, 2022, IDB executed a MOU with the City for the design and construction of wet weather equalization stations, estimated to cost \$125 million. As part of the environmental and economic infrastructure improvement (e2i2) program, this program's goal is to reduce or eliminate chronic sanitary sewer overflows in the regional sanitary sewer collection system and to prevent moratoriums on sanitary sewer connections under the city's consent decree.

As members of the Industrial Development Board of the City of Chattanooga, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Volkswagen Group of America, Inc.'s Project Site ("Project Site"), Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Project ("Expansion Site" and "Expansion Project"), Tax Increment Financing ("TIF"), e2i2 Program, and Economic Development Incentive Programs ("EDIP") for the City of Chattanooga for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider the information presented herein in conjunction with additional information provided in the notes to the basic financial statements, which can be found beginning on page 15 of this report.

Financial Highlights

- Net position at the end of the most recent fiscal year is \$492.4 million. \$489.1 million of that amount is invested in the development of the Project Site and Expansion Site of VWGoA automotive plant.
- For the year, the net position increased \$50.7 million, primarily due to \$50 million grant revenue received from the State of Tennessee.
- E2i2 program incurred \$4.5 million cost during the year and the reimbursement was received in full from the City.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the financial statement of the Project and Expansion Site of VWGoA along with certain other economic development programs managed for the City of Chattanooga and Hamilton County. Operations are accounted for in a single proprietary fund. The basic financial statements consist of financial statements and related notes to the financial statements.

The *Statement of Net Position* presents financial information on the Project and Expansion Site's and other economic development programs' assets and liabilities with the difference reported as net position. Net position is primarily invested in leased assets and represents the amount of grants dollars expended to build and equip the Project and Expansion Site. Costs incurred by VWGoA are not included.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported on an accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, financial transactions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

The financial statements can be found beginning on page 11 of this report; notes to the financial statements can be found beginning on page 15 of this report.

Financial Analysis

Assets exceeded liabilities by \$492.4 million at the close of the most recent fiscal year; of this amount, \$489.1 million reflects investment in leased assets (e.g., land, buildings and infrastructure). An additional \$28,971 is restricted for construction, another \$3.2 million is restricted for Economic Development Incentive Programs, and \$112,358 is restricted for TIF plans.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis (Continued)

	Net Position		
	June 30, 2024	June 30, 2023	June 30, 2022
Current and other assets	\$ 3,643,070	\$ 2,476,934	\$ 2,634,830
Noncurrent asset	468,331	457,046	441,908
Leased assets	<u>489,085,719</u>	<u>439,074,809</u>	<u>439,063,898</u>
Total assets	<u>493,197,120</u>	<u>442,008,789</u>	<u>442,140,636</u>
Current liabilities	<u>753,435</u>	<u>313,557</u>	<u>904,162</u>
Net position			
Investment in leased assets	489,085,719	439,074,809	439,063,898
Restricted for construction	28,971	28,971	28,971
Restricted for EDIP	3,216,637	2,813,073	2,329,635
Restricted for TIF	<u>112,358</u>	<u>(221,621)</u>	<u>(186,030)</u>
Total net position	<u>\$ 492,443,685</u>	<u>\$ 441,695,232</u>	<u>\$ 441,236,474</u>

Total assets increased \$51.2 million. Cash on hand increased \$837,440, mostly due to the Economic Development fees collected from the businesses and the e2i2 reimbursement revenue received from the City. There is no long-term debt associated with the Project and Expansion Site. The \$313,557 interest payable recorded for fiscal year 2022 and 2023 on \$4 million East Chattanooga Rising TIF loan from the City was removed, considering the loan is a conduit debt and recorded in the City's Annual Comprehensive Financial Report, the related outstanding interest due is to be only recorded in the City's financial statements.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Net Position

	Year ended June 30, 2024	Year ended June 30, 2023	Year ended June 30, 2022
Revenues			
City of Chattanooga	\$ 864,620	\$ 543,624	\$ 986,766
Hamilton County payment	483,896	451,082	412,834
E2i2	4,473,966	-	-
TVA	-	67,507	86,834
TIF application revenue	-	8,000	1,500
TIF admin fees	25,216	80,936	-
Econ. Dev. Incentive Revenue	432,279	472,179	281,400
Allowance for bad debt	11,285	15,017	12,949
Miscellaneous revenue	-	29,997	10
Total revenues	<u>6,291,262</u>	<u>1,668,342</u>	<u>1,782,293</u>
Expenses			
TIF expenses	1,353,310	1,081,066	1,545,213
Grant expenditures	4,473,966	139,428	173,668
Grant award	40,000	-	21,700
Total expenses	<u>5,867,276</u>	<u>1,720,494</u>	<u>1,740,581</u>
Operating income (loss)	<u>423,986</u>	<u>447,848</u>	<u>41,712</u>
Capital grants and contributions:			
City of Chattanooga	5,455	5,455	9,856
Hamilton County	5,455	5,455	13,458
Capital contributions	50,000,000	-	-
Transfer in	-	33,754	43,417
Transfer out	-	(33,754)	(43,417)
Total capital contributions	<u>50,010,910</u>	<u>10,910</u>	<u>23,314</u>
Change in net position	<u>50,434,896</u>	<u>458,758</u>	<u>65,026</u>
Net Position:			
Beginning, as previously reported	441,695,232	441,236,474	441,171,448
Prior period adjustment	313,557	-	-
Beginning, as restated	<u>442,008,789</u>	<u>441,236,474</u>	<u>441,171,448</u>
Ending	<u>\$ 492,443,684</u>	<u>\$ 441,695,232</u>	<u>\$ 441,236,474</u>

The change in net position compared to last fiscal year increased \$50.7 million. The e2i2 program started to increase project activity and as the result \$4.5 million of reimbursement was received during the year. In the last fiscal year, the City made the decision to give the TIF administration fee that was allotted to the City previously to IDB, thus more than one year's fees were recognized as TIF revenue in 2023. Due to that, the administrative fee in fiscal year 2024 of \$25,216 showed a decrease of \$55,720, since it only represents the administrative fee for the current year.

Analysis of Budget Variations

The budget for the Project and Expansion Site is on a cumulative basis. The difference reflects the amount of grant revenue remaining within the grant period.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Budgetary Highlights

	Estimated Revenues	Actual Revenues
Revenue source:		
State of Tennessee 6.1	\$ 92,919,998	\$ 92,919,998
State of Tennessee 6.2	72,705,000	72,705,000
State of Tennessee 9.10	1,965,905	1,965,905
State of Tennessee 3.1	168,877,867	168,877,867
State of Tennessee 2.1	50,000,000	50,000,000
Local 6.2 1st MOU	40,000,000	39,946,743
Local 6.2 2nd MOU	52,500,000	52,048,430
Letter of Intent	5,000,000	-
Private donations	90,525	90,525
	<u>\$ 484,059,295</u>	<u>\$ 478,554,468</u>

Leased Assets

The Project and Expansion Site and Project's investment in leased assets is \$489.1 million. The investment in leased assets includes land and leased assets for the building and equipment. There is no depreciation recorded as this entire investment is leased to VWGoA under a 30-year Payment-in-Lieu-of-Tax Agreement provision in the MOU. The lease expires July 2038.

Leased Assets

	2024	2023	2022
Land	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Depreciable leased assets	<u>479,085,718</u>	<u>429,074,809</u>	<u>429,063,898</u>
Total leased assets	<u>\$ 489,085,718</u>	<u>\$ 439,074,809</u>	<u>\$ 439,063,898</u>

State Grants Status

The Project Site and Expansion Site and Project state grants are budgeted on a cumulative grant basis. Ending dates for the grants are as follows:

State grant 6.1	Expired June 30, 2015	\$ 92,919,998
State grant 6.2	Expired June 30, 2015	\$ 72,705,000
State grant 9.10	Expired April 30, 2017	\$ 1,965,905
State grant 3.1	Expired March 6, 2020	\$ 168,877,867
State grant 2.1	Expires January 10, 2024	\$ 50,000,000

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Requests for Information

This financial report is designed to provide a general overview of the Industrial Development Board of the City of Chattanooga activities related to the Project and Expansion Site of VWGoA, and certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Questions concerning any of the information provided in this report should be addressed to the City of Chattanooga Finance Department who is acting as the fiscal agent of the IDB.

City of Chattanooga Finance Department
101 East 11th Street; Suite 101
Chattanooga, Tennessee 37402
(423) 643-7363
www.chattanooga.gov

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

	ASSETS		
	2024	2023	
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,309,581	\$ 2,472,141	
Receivables:			
City of Chattanooga	-	4,793	
TVA	<u>333,489</u>	<u>-</u>	
Total current assets	<u>3,643,070</u>	<u>2,476,934</u>	
NONCURRENT ASSETS			
Leased assets, land	10,000,000	10,000,000	
Leased assets, depreciable	479,085,719	429,074,809	
Account receivable - Southeast Tennessee Development District	288,196	212,963	
Note receivable - Southeast Tennessee Development District, net of allowance for bad debt	<u>180,135</u>	<u>244,083</u>	
Total noncurrent assets	<u>489,554,050</u>	<u>439,531,855</u>	
TOTAL ASSETS	<u>\$ 493,197,120</u>	<u>\$ 442,008,789</u>	

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

LIABILITIES AND NET POSITION		
	2024	2023
CURRENT LIABILITIES		
Due to City of Chattanooga	\$ 743,435	\$ -
Accrued liabilities - EDIP	10,000	-
Accrued interest	<u>-</u>	<u>313,557</u>
Total current liabilities	<u>753,435</u>	<u>313,557</u>
NET POSITION		
Investment in leased assets	489,085,719	439,074,809
Restricted for construction	28,971	28,971
Restricted for TIF	112,358	-
Restricted for economic development incentive programs	3,216,637	2,813,073
Unrestricted	<u>-</u>	<u>(221,621)</u>
Total net position	<u>492,443,685</u>	<u>441,695,232</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 493,197,120</u>	<u>\$ 442,008,789</u>

¹ The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
REVENUES		
City of Chattanooga	\$ 864,620	\$ 543,624
Hamilton County	483,896	451,082
e2i2 program revenue	4,473,966	-
TIF application revenue	-	8,000
TIF admin fees	25,216	80,936
TVA	-	67,507
Economic development incentive program grant revenue	432,279	472,179
Allowance for bad debt	11,285	15,017
Miscellaneous revenue	-	29,997
	<u>6,291,262</u>	<u>1,668,342</u>
Total revenues		
EXPENSES		
Tax increment financing expenses	1,353,310	1,081,066
e2i2 program expense	4,473,966	-
Due diligence studies	-	139,428
Economic development incentive program grant awards	40,000	-
	<u>5,867,276</u>	<u>1,220,494</u>
Total expenses		
	<u>423,986</u>	<u>447,848</u>
OPERATING INCOME		
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital contributions	50,000,000	-
City of Chattanooga local matching funds	5,455	5,455
Hamilton County local matching funds	5,455	5,455
Transfers in	-	33,754
Transfers out	-	(33,754)
	<u>50,010,910</u>	<u>10,910</u>
Total capital contributions and transfers		
	<u>50,434,896</u>	<u>458,758</u>
CHANGE IN NET POSITION		
NET POSITION		
Beginning, as previously reported	441,695,232	441,236,474
Prior period adjustment	313,557	-
	<u>442,008,789</u>	<u>441,236,474</u>
Beginning, as restated		
	<u>492,443,685</u>	<u>441,695,232</u>
Ending		

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from local governments	\$ 5,962,566	\$ 2,211,395
Payments of grant awards and TIF expenses	<u>(5,125,126)</u>	<u>(1,811,099)</u>
Net cash from operating activities	<u>837,440</u>	<u>400,296</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash receipts (disbursements) from capital contributions	50,010,910	10,910
Payments for leased assets	<u>(50,010,910)</u>	<u>(10,910)</u>
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	837,440	400,296
Cash and cash equivalents - beginning	<u>2,472,141</u>	<u>2,071,845</u>
Cash and cash equivalents - ending	<u>\$ 3,309,581</u>	<u>\$ 2,472,141</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 423,986	\$ 447,848
Adjustments not affecting cash:		
(Increase) decrease in receivable - City of Chattanooga	(328,696)	(4,793)
(Increase) decrease in receivable - Hamilton County	-	140,746
(Increase) decrease in receivable - TVA	-	281,493
(Increase) decrease in receivable - Other	-	140,746
Increase (decrease) in due to City of Chattanooga	-	(553,335)
Increase (decrease) in receivable - cash with STNDD	(75,233)	(100,628)
Increase (decrease) in note receivable	63,948	85,490
Increase (decrease) in accrued liabilities - Due Diligence Studies	-	(9,650)
Increase (decrease) in accrued liabilities - TIF Interest	-	124,527
Increase (decrease) in accrued liabilities - e2i2	743,435	-
Increase (decrease) in accrued liabilities - EDIP	<u>10,000</u>	<u>(152,148)</u>
Total adjustments	<u>413,454</u>	<u>(47,552)</u>
Net cash from operating activities	<u>\$ 837,440</u>	<u>\$ 400,296</u>

The accompanying notes are an integral part of the financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Industrial Development Board of the City of Chattanooga (the Board) is a public corporation formed pursuant to the provisions of the Tennessee Industrial Development Corporation Act. The Board performs public functions on behalf of the City of Chattanooga (the City), and its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism, recreation, and housing construction. The Board participates in these activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial entities. The accompanying financial statements include the activities of Volkswagen Group of America, Inc.'s (VWGoA) Project Site (Project Site), Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Project ("Expansion Site" and "Expansion Project"), and Volkswagen Group of America Chattanooga Operations, LLC Partnership Agreement ("Partnership Agreement"), as well as management of the City of Chattanooga's Tax Increment Financing (TIF) program and certain economic development incentives.

The financial statements of the Project Site have been prepared in accordance with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies are described below.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. The measurement focus is upon the determination of financial position, changes in net position, and changes in cash flows. The accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets and liabilities (whether current or noncurrent) associated with the Board's activities are included in the statement of net position.

These financial statements distinguish operating revenues from nonoperating items. Operating revenues include city appropriation for economic development incentive programs.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash held by the City of Chattanooga as the Board’s agent, amounts due from banks, interest-bearing deposits at various financial institutions, certificates of deposits and short-term investments with an original maturity of three months or less. As of June 30, 2024 and 2023, all cash is held by the City as the Board’s agent and is designated for uses authorized by capital contracts and the Board approving disbursements. The City’s policies limit deposits to those instruments allowed by applicable state laws. The deposits must be covered by state depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City’s agent in the City’s name, or by the State Reserve Banks acting as third-party agents.

Accounts Receivable

Accounts and notes receivable are reported net of an allowance for doubtful accounts. The allowance is based on the Board's estimate of the amount of receivables that will actually be collected. Once receivables are determined to be uncollectible, they are written off through a charge against revenues. As of June 30, 2024 and 2023, the board established an allowance for doubtful accounts of \$31,789 and \$43,074, respectively.

Leased Assets

Leased assets (including infrastructure) are recorded at historical cost. Contributed leased assets are recorded at their estimated fair market value on the date contributed. Leased assets include public domain infrastructure assets consisting of buildings, roads, streets and sidewalks, sewers, lighting systems, and drainage systems. The Project Site and Expansion Site define leased assets as assets with an estimated useful life of three years or greater.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Any costs incurred for repairs and maintenance are expensed as incurred. Because the Board holds these assets in a lease for the Project Site and Expansion Site, no depreciation expense was recorded for the years ended June 30, 2024 and 2023.

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Leased assets, land	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Leased assets, depreciable	<u>429,074,809</u>	<u>50,010,910</u>	<u>-</u>	<u>479,085,719</u>
Total leased assets	<u>\$ 439,074,809</u>	<u>\$ 50,010,910</u>	<u>\$ -</u>	<u>\$ 489,085,719</u>

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Board's financial statements utilize a net position presentation. Net position is categorized as investment in leased assets, restricted and unrestricted. As of June 30, 2024 and 2023, the Board has no debt related to the leased assets.

Investment in Leased Assets – is intended to reflect the portion of net position which is associated with non-liquid leased assets less outstanding leased asset related debt.

Restricted Net Position – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. The Board's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

Program Revenues

The Board is a recipient of grant revenues for the Project Site and the Expansion Site and recognizes these revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the Project Site before the eligibility requirements are met are reported as deferred revenues. Some grants and contributions consist of resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the Board.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Services

The Board operates under an administrative services agreement with the City, which provides legal, financial management, accounting, and clerical support at no cost.

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS

Project Site

During the fiscal year ending May 31, 2009, VWGoA announced its decision to build a \$1 billion automotive production facility in Chattanooga, Tennessee. The announcement was the culmination of years of extensive economic development efforts by the City. The VWGoA facility is expected to contribute to the economic expansion of the City and the surrounding region for years to come. The Project Site is under development to support the operations of the VWGoA automotive production facility.

In connection with the development of the VW Project Site, the Board, the City, Hamilton County, Tennessee (the County), the State of Tennessee (including various state agencies), and the Greater Chattanooga Area Chamber of Commerce (the Chamber) executed a Memorandum of Understanding (MOU). The provisions of the MOU include:

- Term of 30 years, to expire July 2038
- Identification of land parcels for the Project Site and Expansion Site
- State and local tax incentives
- Making the Project Site available and suitable for use by VWGoA
- Training and administrative assistance
- Commitments of the City, the County, and the State of Tennessee
- Development of a Welcome Center

During the year ended May 31, 2009, the Board was awarded state grants for the Project Site, as follows:

1. Volkswagen Grant 6.1 totaling approximately \$79.6 million was awarded by the Tennessee Department of Finance and Administration for the development of the Project Site. In subsequent grant amendments, this amount was increased to \$96.0 million.
2. Volkswagen Grant 6.2 totaling approximately \$70.0 million was awarded by the Tennessee Department of Finance and Administration to provide additional infrastructure at the Project Site. The City and the County also committed to provide \$20.0 million each over four years for infrastructure.
3. Volkswagen Grant 9.10 totaling approximately \$1.8 million was awarded by the Tennessee Department of Economic and Community Development for the design and installation of sign for VWGoA facility and workforce recruitment campaign.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Project Site (Continued)

With funding from a Tennessee General Assembly appropriation, Volkswagen Grant 6.1 was initially awarded in July 2008. The State of Tennessee decided in June 2009 to utilize bond proceeds rather than an appropriation to fund the Project Site. As a result, Volkswagen Grant 6.1 was amended. The amendment caused the Board to obtain additional documentation from contractors developing the Project Site in order to comply with the amended grant. The Volkswagen Grant 9.1 was amended by the State of Tennessee, the Department of Economic and Community Development, and the Industrial Development Board of the City of Chattanooga for an additional \$1,766,200 to be awarded by the Tennessee Department of Finance and Administration. This amendment was made effective as of December 31, 2013.

The City and the County have worked diligently to develop the Project Site, and have provided funding, when needed, to prevent any interruptions in the development of the Project Site, and to ensure the Project Site is available and suitable for the VWGoA facility. Pursuant to the MOU, the City and County transferred land with a fair market value of \$10,000,000 to the Project Site during the 2010 fiscal year.

State grants 6.1 and 6.2 related to the Project Site ended effective June 30, 2015 and state grant 9.10 related to the Project Site ended effective April 30, 2017.

Expansion Site

On June 30, 2014, a second MOU was entered into whereby the state awarded an additional \$165.8 million in incentives subject to annual appropriation by the legislature in fiscal year 2016. An additional \$52.5 million was pledged by the City and County to be shared equally; of which \$20 million was appropriated in fiscal year 2015 and \$6.25 million was appropriated in fiscal year 2016 by the City. The County appropriated the full amount in fiscal year 2015. These additional capital contributions support a VWGoA expansion to include a production line for a new sports utility vehicle and a national research and development center. On June 6, 2017, an amendment was awarded which increased the State incentive to \$168.9 million.

Expansion Project

As VWGoA began to expand its production capacities to include the electric vehicle in the Chattanooga plant, a third MOU was entered into on June 7, 2022 whereby the state awarded \$50 million to cover project-related costs to VWGoA through the Board. It requires VWGoA to make a total capital investment of approximately \$800 million and hire 1,000 additional employees. A Letter of Intent (LOI) signed between VWGoA, Hamilton County, City, and the Board on January 11, 2019 stipulates City and County each provide \$2.5 million to the Board for the construction of certain capital projects for the benefit of VWGoA's electric vehicle project at the site. The state grant ended effective on January 10, 2024.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Tax Increment Financing (TIF)

The Board is the administrative agent of the City of Chattanooga’s TIF program. TIF’s are arrangements in which taxes are refunded to help develop or redevelop areas within the City. These agreements are authorized by T.C.A. section 13-20-205. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation, less allowable municipal expenses.

The first TIF administered by the Board is the Black Creek Mountain. Tax year 2011 serves as the base year for the tax increments. The TIF agreement is effective for twenty years.

On February 20, 2018, the Board approved the Development and Financing Agreement with Evergreen Real Estate regarding the M.L. King Extension Project to the Riverfront.

On December 3, 2019, the Board took on a third TIF with the City of Chattanooga as the developer to complete the required significant public road and infrastructure upgrade in the Chattanooga East area. This project will enable Nippon Paint Automotive American to open its plant on site. While undertaking the site development construction, the City of Chattanooga agreed to loan \$4 million to IDB to finance certain tax increment eligible cost relating to the construction. This loan is considered a conduit debt and is only disclosed along with the interest payment on the City of Chattanooga’s Annual Comprehensive Financial Report.

TIF Loan Interest Due to the City

Tax Year	Fiscal Year	TIF Revenue Collected	Interest Due	Unpaid Interest	Outstanding Balance
					\$ 4,000,000
2020	2021	\$ 14,768	\$ -	\$ -	3,985,232
2021	2022	18,637	207,667	189,030	3,966,595
2022	2023	17,417	141,944	124,527	3,949,178
2023	2024	18,393	142,333	123,941	3,930,785
		<u>\$ 69,215</u>	<u>\$ 491,944</u>	<u>\$ 437,498</u>	

On July 12, 2022, the Board entered into a TIF agreement with Access Road, LLC to build the North River Commerce Center Industrial Park. It proposes to build significant Class A industrial space along North Access Road in Hixson adjacent to the Corsa facility which is the former DuPont site.

On August 1, 2022, the Board entered into another TIF agreement with Sports Authority to build a new Stadium in the South Broad District Area. It will promote and accelerate the economic redevelopment of the area.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Tax Increment Financing (TIF) (Continued)

On March 25, 2024, the IDB approved a \$115 million TIF agreement for The Bend project – a redevelopment initiative aimed at transforming western downtown Chattanooga with infrastructure improvements and affordable housing over the next decade. This redevelopment of western downtown of Chattanooga is expected to spur a minimum of \$800 million in new development over the next 10 years including the construction of infrastructure, educational opportunities, and new affordable housing.

Economic Development Incentive Programs (EDIP)

The Board administers certain economic development incentive programs for the City of Chattanooga Department of Economic Development.

Growing Small Business is the first program established by the Board. It provides incentives for businesses with one hundred or fewer employees that create five or more jobs within the prior twelve months. \$200,000 was provided by the City since the beginning of the program in 2015.

Economic Development Program is a program that receives and holds Economic Development fee payments from the qualifying businesses. The money is used for the City's economic development as directed by the Mayor of the City. Amid the onset of COVID-19, \$500,000 was disbursed as part of the City's \$2.5 million 90-Day Stabilization Fund, as a "bridge" loan assistance until small businesses can apply and receive assistance from the federal government. This \$500,000 provided immediate relief to small businesses that were adversely impacted by the executive orders issued by the Governor and Mayor to slow the spread of COVID-19. The loan terms generally last between five to seven years.

Technology Workforce Development is a program that helps to ensure Chattanooga's residents have the skills and training needed to work in the growing tech sector of the community. \$100,000 was provided in 2015 with an additional \$350,000 provided by the City in 2018. \$50,000 was disbursed to the Enterprise Center for the COVID-19 Coronavirus Digital Access Project for K-12 students in under-served communities.

Small Business Construction Mitigation Grant is a program that provides assistance to qualifying small businesses that are impacted by construction projects in the City. \$25,000 was provided in 2016 with an additional \$19,000 provided by the City in 2018.

Renewing Chattanooga is a program that intends to provide façade grants for the physical renovation of disinvested and blighted properties in under-served communities throughout the City. This is a tool kit to help combat blight, vacant, and abandoned properties that fall into disrepair.

Business Development's mission is to encourage private investment and existing business retention. In fiscal year 2020, \$25,000 was disbursed to the Chattanooga Chamber of Commerce for a marketing campaign on behalf of small businesses impacted by the Coronavirus executive order closures.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Economic Development Incentive Programs (EDIP) (Continued)

Innovation program awards businesses with innovative products, systems or technologies while creating local jobs.

Environment and Economic Infrastructure Improvement (e2i2) Program

On February 7, 2022, the Board and the City entered into an MOU to execute a new program called e2i2. It encompasses the clear Chattanooga and scenic city vision for Chattanooga by reducing sanitary sewage that enters the Tennessee River and waterways. At an estimated cost of \$125 million, this program will design and build Equalization Stations at strategic locations to reduce sanitary sewer overflows in the regional sanitary sewer collection system, comply with EPA Consent Decrees, and promote regional economic growth.

NOTE 3 – CONTINGENCIES

The Project Site has received state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. Management does not anticipate any material losses from such disallowances and believes that potential reimbursements would not significantly affect financial results.

The Board is involved in certain claims arising from normal business activities. Management believes that neither the financial position nor results of operations of the Project Site will be materially affected by the final outcome of these proceedings.

NOTE 4 – CONDUIT DEBT OBLIGATIONS

From time to time, the Board has issued bonds and loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These debts are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the Board, the City of Chattanooga, nor State is obligated in any manner for repayment of the bonds and loans. Accordingly, these debts are not reported as liabilities in the accompanying financial statements.

The Board has six (6) outstanding loans and two (2) refunding revenue bonds, the original amounts of which were \$233,389,045. The outstanding principal at end of fiscal year 2024 is \$224,517,467.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

In the two previous fiscal years, an interest payable of \$313,557 on the \$4 million loan from the City to the IDB, which was for the East Chattanooga Rising TIF, was recorded. Given that this TIF loan is conduit debt, and both the loan and the interest revenue were recorded in the City's Annual Comprehensive Financial Report, this interest payable has been removed from IDB's financial statements this year.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2024 through January 23, 2025 for potential recognition or disclosure in the financial statements. Except for the matters discussed in the following paragraph, management has not identified any other items requiring recognition or disclosure.

On August 26, 2024, the Board approved an increase on the Design Build Contract for the e2i2 Sanitary Sewer Overflow Abatement Program from an initial \$125 million to \$153 million as the project moves into the second phase.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2024

	ASSETS				
	Project and Expansion Site	Tax Increment Financing	e2i2 Program	Economic Development Incentive	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 28,971	\$ 112,358	\$ 409,946	\$ 2,758,306	\$ 3,309,581
Receivable:					
TVA	<u>-</u>	<u>-</u>	<u>333,489</u>	<u>-</u>	<u>333,489</u>
Total current assets	<u>28,971</u>	<u>112,358</u>	<u>743,435</u>	<u>2,758,306</u>	<u>3,643,070</u>
NONCURRENT ASSETS					
Leased assets, land	10,000,000	-	-	-	10,000,000
Leased assets, depreciable	479,085,719	-	-	-	479,085,719
Account receivable - Southeast Tennessee Development District	-	-	-	288,196	288,196
Note Receivable - Southeast Tennessee Development District	-	-	-	211,924	211,924
Allowance for bad debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,789)</u>	<u>(31,789)</u>
Total noncurrent assets	<u>489,085,719</u>	<u>-</u>	<u>-</u>	<u>468,331</u>	<u>489,554,050</u>
TOTAL ASSETS	<u>\$ 489,114,690</u>	<u>\$ 112,358</u>	<u>\$ 743,435</u>	<u>\$ 3,226,637</u>	<u>\$ 493,197,120</u>

See independent auditor's report.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2024

LIABILITIES AND NET POSITION					
	Project and Expansion Site	Tax Increment Financing	e2i2 Program	Economic Development Incentive	Total
CURRENT LIABILITIES					
Due to City of Chattanooga	\$ -	\$ -	\$ 743,435	\$ -	\$ 743,435
Accrued liabilities - EDIP	-	-	-	10,000	10,000
Total current liabilities	-	-	743,435	10,000	753,435
NET POSITION					
Investment in leased assets	489,085,719	-	-	-	489,085,719
Restricted for construction	28,971	-	-	-	28,971
Restricted for TIF	-	112,358	-	-	112,358
Restricted for economic development incentive programs	-	-	-	3,216,637	3,216,637
Total net position	489,114,690	112,358	-	3,216,637	492,443,685
TOTAL LIABILITIES AND NET POSITION	\$ 489,114,690	\$ 112,358	\$ 743,435	\$ 3,226,637	\$ 493,197,120

See independent auditor's report.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2024

	Project and Expansion Site	Tax Increment Financing	e2i2 Program	Economic Development Incentive	Total
REVENUES					
City of Chattanooga	\$ -	\$ 864,620	\$ -	\$ -	\$ 864,620
Hamilton County	-	483,896	-	-	483,896
e2i2 program revenue	-	-	4,473,966	-	4,473,966
TIF admin fees	-	25,216	-	-	25,216
Economic development incentive program grant revenue	-	-	-	432,279	432,279
Allowance for bad debt	-	-	-	11,285	11,285
	<u>-</u>	<u>1,373,732</u>	<u>4,473,966</u>	<u>443,564</u>	<u>6,291,262</u>
Total revenues	<u>-</u>	<u>1,373,732</u>	<u>4,473,966</u>	<u>443,564</u>	<u>6,291,262</u>
EXPENSES					
Tax increment financing expenses	-	1,353,310	-	-	1,353,310
e2i2 program expense	-	-	4,473,966	-	4,473,966
Economic development incentive program grant awards	-	-	-	40,000	40,000
	<u>-</u>	<u>1,353,310</u>	<u>4,473,966</u>	<u>40,000</u>	<u>5,867,276</u>
Total expenses	<u>-</u>	<u>1,353,310</u>	<u>4,473,966</u>	<u>40,000</u>	<u>5,867,276</u>
OPERATING INCOME	<u>-</u>	<u>20,422</u>	<u>-</u>	<u>403,564</u>	<u>423,986</u>

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2024

	Project and Expansion Site	Tax Increment Financing	e2i2 Program	Economic Development Incentive	Total
(Continued)					
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	\$ 50,000,000	\$ -	\$ -	\$ -	\$ 50,000,000
City of Chattanooga local matching funds	5,455	-	-	-	5,455
Hamilton County local matching funds	5,455	-	-	-	5,455
Total capital contributions and transfers	<u>50,010,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,010,910</u>
CHANGE IN NET POSITION	<u>50,010,910</u>	<u>20,422</u>	<u>-</u>	<u>403,564</u>	<u>50,434,896</u>
NET POSITION					
Beginning, as previously reported	439,103,780	(221,621)	-	2,813,073	441,695,232
Prior period adjustment	-	313,557	-	-	313,557
Beginning, as restated	<u>439,103,780</u>	<u>91,936</u>	<u>-</u>	<u>2,813,073</u>	<u>442,008,789</u>
Ending	<u>\$ 489,114,690</u>	<u>\$ 112,358</u>	<u>\$ -</u>	<u>\$ 3,216,637</u>	<u>\$ 492,443,685</u>

See independent auditor's report.



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Industrial Development Board of the City of Chattanooga
Chattanooga, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Industrial Development Board of the City of Chattanooga (the Board), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated January 23, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
January 23, 2025

Henderson Hutcherson
is McCullough, PLLC

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2024

None reported.



Community Health

City on the Hill:

Digital Equity Training Workshops

Agenda

- **Chattanooga area needs and target participants**
- **Overview of the CWS-US program and modules**
- **List of partners**
- **CWS-US Metrics**
- **Program Budget**
- **Future pathways for additional training**

Child Poverty in Tennessee

In 2023, Tennessee's child poverty rate was 17.6%.

In Hamilton County, the rate was 20.6%.

In Chattanooga, the rate was 31.5%.

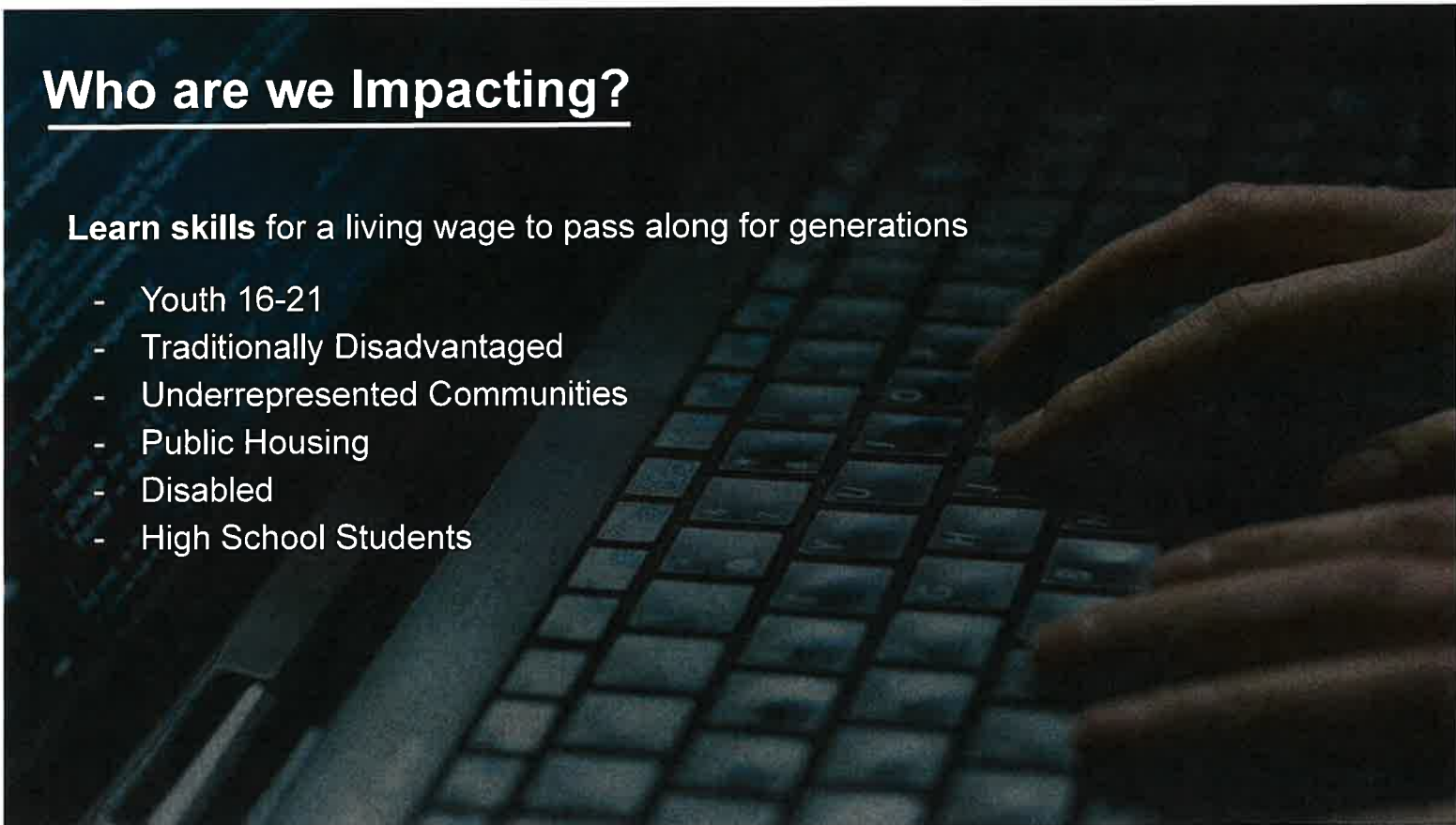


“Child poverty has been linked to adverse health outcomes, increase in risky behavior (e.g., violence), and higher rates of disability and mortality.”

Who are we Impacting?

Learn **skills** for a living wage to pass along for generations

- Youth 16-21
- Traditionally Disadvantaged
- Underrepresented Communities
- Public Housing
- Disabled
- High School Students



Overview of Program

Mission: Establish a Digital Equity program for training Chattanooga area adults and youth to enter the workforce with best-in-class training.

Why?

- Fill the thousands of jobs with great paying sustainable income for life across TN
- Unfilled jobs abound across our region
- Great paying jobs are great equalizers

How?

- Team of highly experienced professors and professionals
- Tech Goes Home to Enroll Students and provide free devices
- 16 week (Eight Two-Week Modules) of Live In-Classroom and Virtual Instruction
- Training on in-demand skills with certificates of completion
- Buy-in from local employers with civic endorsement



Experience Matters

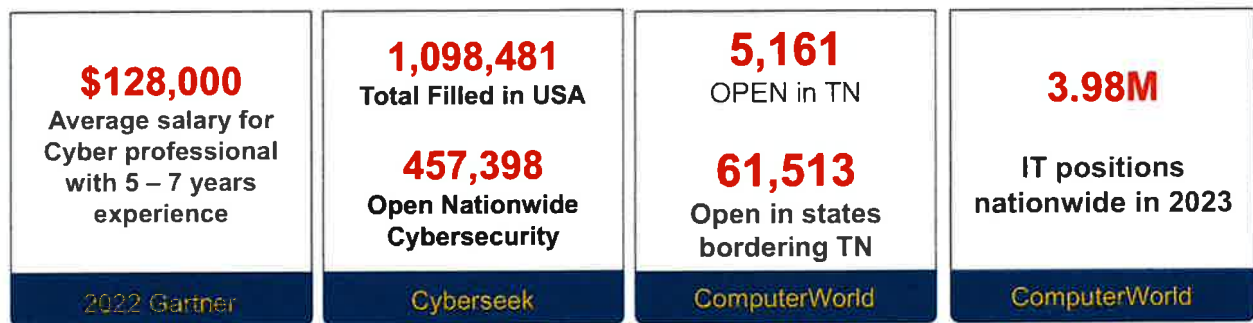
Partnerships



Community Health



IT & Cyber Demand



Problem: Cyber talent demand has skyrocketed, while our universities are forecasting **only 30,000** graduates/year nationwide

Solution: Half of open Cyber, Quantum and other technologies do not require a 2- or 4-year degree



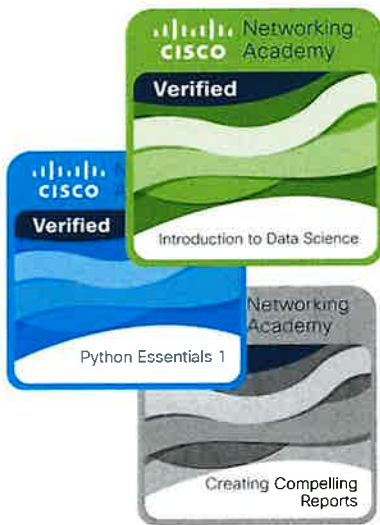
Digital Equity Workshops 1-3



Workshop	Assignments
1. Word Processing (Word) Introductions Cover letters and Resume Information History Files, Folders, Data Storage	Digital Literacy Assessment Job Market Research Soft skills required for job search Cover Letter, Resume and Peer Review LinkedIn and other Networking Tools
2. Presenting Information Graphics in publications Creating presentations Information Security Essentials and Hygiene Web page design-HTML	Market Research Activity Flyer Poster Presentations Introduction to Cybersecurity Web page design - HTML
3. Budgets and Data (Excel) What is data vs. information? Systems Spreadsheets, Logical/Physical	Discussion on data sources Personal Budget Statistics Visualization (Charts and Graphs)



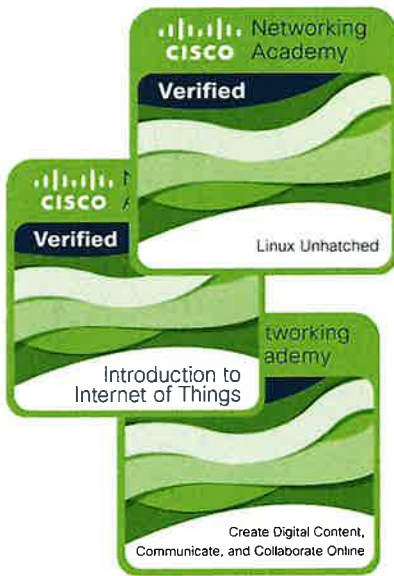
Digital Equity Workshops 4-6



Workshop	Assignments
4. Understand Database Systems Creating tables Automating SQL Query & Reporting Data Modeling	Excel to MS Access Excel to Oracle (APEX) Data Systems Peer Review
5. Logic and Coding in Python Early data structures and Logic Data types: logical vs physical Flowcharts	Scripted Program Computer Logic Python Essentials
6. Intermediate Topics Worksheets and Data Introduction to AI Functions & Pivot Tables	Discussion on data sources Personal vs. Business Budgets Statistics Add visualization



Digital Equity Workshops 7-8



Workshop	Assignments
7. Topics in Operating Systems Operating Systems Ubuntu Philosophy & Ethics IoT	Raspberry Pi Linux Unhatched Ethics in Computing – Quiz
8. Create an Online Secure Database Oracle APEX Develop simple online database system from prior Excel worksheets Final website development	Peer Review Final database enabled website

Program Budget

Please see the attached document



Experience Matters

\$12.8M NCAE-C/NSA funded 2020-23

1,834 Students (215% of goal)

Graduates are in High Demand

100% US Citizens/Permanent Residents



78%

1st Responder

Law Enforcement

Military

78.9%

Retention rate

73.2%

Underrepresented
populations

29.3%

Female

10,368 Applicants

50+ experienced Instructors (classroom & virtual)

100+ industry and government partners

50 States/5 Protectorates and
Active Military Across Globe





Digital Equity: City on the Hill

All About Employment and Sustainability

February 3, 2025





Proposal to the Chattanooga Industrial Development Board

Support for CO.LAB's Skills Accelerator in Partnership with gener8tor

Introduction

CO.LAB, in collaboration with gener8tor, has launched the Skills Accelerator—a virtual, rapid reskilling program aimed at equipping unemployed and underemployed individuals with in-demand skills for high-growth industries. One of CO.LAB's main pillars of support is “talent” and having the *right* talent in our city for technical jobs is both critical for our community's ecosystem as well as critical to the individuals who will benefit from a more advanced employment status.

Program Overview

The Skills Accelerator is a 10-week, cohort-based virtual program offering:

- **One-on-One Career Coaching:** Personalized guidance on learning content, interview preparation, LinkedIn optimization, and resume writing.
- **Lunch and Learns:** Expert-led sessions on topics such as interview best practices, career pivots, and personal branding.
- **Access to a Network of Peers:** A supportive community fostering collaboration and shared learning experiences.
- **No Out-of-Pocket Cost:** Funded through scholarships and public workforce programs, ensuring accessibility for all eligible participants.
- **Learn at Your Own Pace:** Flexible module completion within the program timeframe, accommodating diverse schedules.
- **Job Placement Support:** Ongoing assistance from gener8tor's expert staff, including access to curated job openings.
- **Technical Certifications:** Providing technical training and certifications at no cost increasing tech talent in Chattanooga.

Impact on Chattanooga's Economic Development

This initiative addresses critical workforce needs by:

- **Bridging the Skills Gap:** Providing training aligned with employer demands in sectors such as technology, and project management.
- **Enhancing Employment Opportunities:** Empowering participants to secure gainful employment, thereby reducing local unemployment rates.
- **Supporting Economic Growth:** Contributing to a skilled labor pool that attracts and retains businesses in Chattanooga.
- **Promoting Inclusivity:** Ensuring equitable access to career advancement resources for underrepresented communities.

Request for Support

To effectively implement and expand the Skills Accelerator, CO.LAB requests a grant of \$50,000 from the Industrial Development Board. This funding will facilitate:

Direct Outreach

Targeted Networking Events: Host networking mixers or information sessions specifically for potential applicants

Partnership Building

- **Partner Collaborations:** Work with employment institutions, and schools, to connect with their unemployed or under-employed populations
- **Corporate Partnerships:** Collaborate with corporations in our network to bring awareness to the skills we can support them with
- **Non-Profit Collaborations:** Partner with other relevant non-profits that have a mission to support skills and job access. Establish reciprocal referral arrangements.

Strategic Marketing

- **Paid and Organic Campaigns:** Run highly targeted digital marketing campaigns on platforms like LinkedIn, Twitter, and startup-focused forums to reach entrepreneurs in our target demographics and industries. Highlight success stories, emphasizing the tangible impact of CO.LAB's skills program.
- **Content Creation:** Create compelling blog posts, videos, and case studies about past recipients and the benefits of being part of the program. Share these widely.
- **Media Outreach:** Build relationships with media outlets that cover economic opportunities

Return on Investment

Investing in the Skills Accelerator promises:

- **Economic Revitalization:** Stimulating the local economy through increased employment and specific technical skills for living wage positions. Reducing unemployment and underemployment in our region

- **Business Attraction:** Positioning Chattanooga as a hub for skilled talent, appealing to prospective employers. Positioning Chattanooga as a hub for innovation
- **Community Development:** Fostering a resilient workforce capable of adapting to evolving industry needs.
- **Reach:** Our goal is 30 participants per program with an overall reach goal of 330 participants
- **Enhancing Education and Training opportunities:** The program provides highly sought after technical certifications from Comptia, LinkedIn and Microsoft

Conclusion

CO.LAB's aim in delivering the Skills Accelerator represents a strategic initiative to enhance Chattanooga's workforce and economic landscape. We invite the Industrial Development Board to invest in this transformative program, driving sustainable growth and opportunity for our community.

**Industrial Development Board
of the City of Chattanooga**

**Policies and Procedures for
Payment-in-lieu-of-Tax Transactions**

Section I. General Purpose and Eligible Projects*

1. Purpose. The City of Chattanooga, Tennessee (the “City”) is committed to improving the local business environment and economy. In furtherance of this objective, the City has previously formed the Industrial Development Board of the City of Chattanooga (the “IDB”). The IDB is a public nonprofit corporation established pursuant to the Tennessee Industrial Development Corporation Act (the “Act”), Tenn. Code Ann. §§7-53-101 *et seq.* The IDB’s statutory purposes include financing, owning and leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade in Tennessee and in particular, in the City.

In furtherance of such purposes and in order to promote economic growth in the City, the City has caused to be prepared these Policies and Procedures (these “Policies”) in order for the City and the IDB to consider and approve certain requests from Applicants to make payments in lieu of taxes (“PILOTs”) to the IDB instead of paying property taxes to the relevant taxing authority. Additionally, these Policies will inform potential Applicants for PILOT incentives of the specific criteria that the City and the IDB will consider in evaluating Applications for PILOT incentives and the process that will be undertaken with respect to such incentives. PILOTs are generally less than regular property taxes and lower the property tax expense for a business that is locating or expanding in the City. For purposes of these Policies, an incentive provided by the IDB through a PILOT that results in a PILOT that is less than the property taxes that otherwise would be payable with respect to the applicable property is referred to herein as a “PILOT incentive.”

The City will not negotiate any PILOT incentive that would result in a reduction of the amounts that Hamilton County, Tennessee (the “County”) would otherwise receive as property taxes unless (i) the County has approved the terms of the particular PILOT incentive with respect to property taxes that otherwise would be payable to the County or (ii) the County Commission of the County has approved a resolution authorizing the IDB to negotiate PILOT incentives on the terms provided in these Policies. While the decision as to PILOT incentive as to County taxes will ultimately be made by County Commission, it is not expected that any PILOT incentive would affect the payment of amounts equal to the school portion of County property taxes.

These Policies shall not be construed to require the City or the IDB to approve a PILOT incentive for any Person. Granting a PILOT incentive as to City property taxes, whether such PILOT incentive is within the parameters of these Policies or beyond the scope of these Policies, is solely within the discretion of the City Council and the IDB.

2. Eligible Projects. The Act defines the types of projects as to which the IDB is authorized to undertake and for which the IDB is legally authorized to enter into a PILOT transaction.

* Capitalized terms used in these Policies and Procedures that are not otherwise defined shall have the meanings given to such terms in Section VIII.

Notwithstanding the broad list of such projects in the Act, the City will only approve PILOT incentives for the IDB to undertake for the following types of projects:

- a. Industrial facilities that manufacture, assemble, process or fabricate agricultural, mining or other products.
- b. Distribution facilities that receive and distribute goods.
- c. Office buildings and service facilities.

In addition to the foregoing limitation, any project must also be in a target industry sector as defined by the current five-year strategic plan of the Chattanooga Area Chamber of Commerce (the "Chamber") or as defined by the Tennessee Department of Economic and Community Development (the "State ECD"). The current lists of target industry sectors, as of the approval of these policies, of the Chamber and State ECD are collectively attached hereto as **Exhibit D**.

Additionally, structured parking facilities that support an otherwise eligible project or support a development project in areas designated by the City as focus areas for redevelopment will also be eligible projects under these policies.

Section II. Overview of PILOT Structure

Property tax abatement in Tennessee cannot be achieved solely by legislative or administrative action of the City because of certain limitations in the Tennessee Constitution. In other words, the City Council cannot unilaterally grant tax abatement. In order to implement tax abatement for a specific project, and to permit an Applicant to reduce its property taxes by making PILOTs, the Project (as such term is defined in Section VIII) must be conveyed to the IDB and leased back to the Applicant. The following is a general description of the terms of a typical PILOT transaction.

1. Conveyance to the IDB. To implement a PILOT transaction, the IDB must take title to the Project. The conveyance to the IDB is usually consummated by the Applicant's execution and delivery to the IDB of a deed conveying any real property to the IDB and a bill of sale conveying any personal property to the IDB.

2. Lease and PILOT Agreement. Upon the conveyance of property, the IDB simultaneously enters into a lease agreement and an agreement with respect to PILOTs (the "PILOT Agreement") with the Applicant whereby the Applicant leases the conveyed property from the IDB and the Applicant agrees to make PILOTs to the IDB. The lease will be a "triple net lease" whereby the Applicant is responsible for all maintenance, repair, taxes, and insurance. Other than such commitments and the PILOTs, the rent under such a lease is nominal, and the lease is generally not considered a true lease for federal tax purposes (i.e. tax ownership remains with the lessee). The lease and the PILOT Agreement will contain specific provisions as to a number of matters including the following:

- a. **Payment-in-Lieu Taxes** — Because the property is exempt from property taxation while owned by the IDB, the IDB and the Applicant will agree upon a schedule of PILOTs to be paid under the PILOT Agreement. Such schedule will be determined in the manner shown in **Exhibit A**.
- b. **Purchase Option** — In the lease, the IDB will grant to the Applicant the right to purchase the Project at any time during the term of the lease by payment of a nominal sum. Upon such a purchase, the PILOT incentive and the lease shall terminate.

- c. **Additional Improvements and Equipment** — The PILOT incentive will only be applicable to the initial Project as described in the Lease and not to additional improvements made (such as expansions) or equipment added after the initial Project is placed in service. Any PILOT incentive as to an expansion or equipment acquired after the Project is placed in service would be considered by the City under a separate Application made by the lessee.
- d. **Adjustments to PILOTs** — The PILOT Agreement will provide that if the Applicant does not achieve the employment, capital investment and average wages projected in the Applicant's Application, the Applicant's PILOT will be increased on an annual basis to reflect Applicant's actual results as described in more detail in Section V.
- e. **Indemnity/Insurance** — The lease will require the Applicant to indemnify the IDB for all matters relating to the Project (except matters resulting from the gross negligence or willful misconduct of the IDB) and maintain certain insurance (including commercial liability insurance, casualty insurance and workers' compensation insurance) with respect to the Project. If the Applicant typically self insures as to certain risks, the IDB may consider allowing the Applicant to self insure those same risks, but the IDB, in its discretion and upon the advice of its counsel, may require insurance.
- f. **Limited liability of IDB** — Any liability of the IDB under the lease shall be limited to its interest in the leased Project.
- g. **Assignment and Subletting** — The Applicant will not have the right to sublet the Project or any part thereof or assign or otherwise transfer its rights under any PILOT incentive except with the prior written consent of the IDB upon the terms provided in the lease and PILOT Agreement.
- h. **Stormwater Fees** — In no event shall any PILOT incentive affect the payment of stormwater fees to the City relating to any Project.

3. **Financing** — In many cases, the Applicant will need to use the property leased from the IDB as collateral for financing. The lease will provide that the IDB will cooperate with the Applicant and its lender in assuring the lender that the lender has a first priority lien on the leased property provided that the documentation does not place any obligation or liability on the IDB beyond its interest in the Project.

4. **Ground Leases** — If the Project is located on property that is the subject of a ground lease, a PILOT incentive can still be achieved, but the documentation will need to include a sublease to the IDB of the ground lease.

5. **Personal Property** — The IDB can offer tax abatements for personal property as well as real property for eligible Projects through a PILOT incentive. Any personal property can be leased pursuant to the same lease as any real property or pursuant to a separate lease. If the real property and personal property that constitute a Project would otherwise be owned by separate entities, separate leases will be used, and both such entities should jointly be the Applicant for the PILOT incentive. The lease will require the Applicant to clearly identify the personal property that is included under the lease and to provide annual bills of sale under which personal property is conveyed to the IDB. Personal property shall not include inventory or other similar assets.

6. **Requirement of Economic Inducement** — A PILOT incentive is intended to be an inducement for a new or existing business to commence or expand its business operations, and to induce businesses to create jobs in the City. If a business has already made a decision to undertake a Project without the City's adopting a delegation resolution relating to the PILOT incentive, then, in such event, the PILOT incentive did not constitute an inducement or incentive for the Applicant's decision to undertake the Project. If an Applicant has already contracted for or made binding arrangements to accomplish any of the foregoing prior to submitting its Application to the City, and there is no condition in any such contract related to the granting of the PILOT incentive, then a PILOT incentive will not be available for the Project. Additionally, for real estate development projects where the incentive is intended to assist the developer in obtaining a minimum projected rate of return so that the project is viable, the City or IDB may require an analysis by an independent third party confirming that the requested incentive does not exceed the amount necessary for the developer to achieve a reasonable rate of return based upon market conditions.

7. **Expansions of Existing Facilities.** If the Applicant's proposed Project relates to the expansion of a facility (an "Expansion"), the PILOT incentive will apply only to the Expansion. If the Expansion is on the same tax parcel as an existing facility, the entire tax parcel will need to be conveyed to the IDB, and the lessee will agree to make PILOTs equal to the taxes that would otherwise have been assessed on the existing facility plus the PILOT payment, if any, related to the Expansion. For purposes of clarification, existing businesses operating in City are eligible to apply for a PILOT incentive under these Policies with respect to any Expansion of the existing business. For purposes of the information provided in an Application for an Expansion, the information provided therein as to the projections requested therein shall relate only to the Expansion and not the existing business, although Applicants for Expansion are encouraged to provide additional information regarding the Applicant's existing business.

8. **Commencement of Lease Term; Project Completion.** The term for a PILOT incentive relating to each Project determined in accordance with **Exhibit A** shall commence not later than the first full calendar year after completion of the Project. A Project shall generally be deemed completed when it is placed in service for the purposes for which the Project is being undertaken. The PILOT lease will establish an outside date for the completion of the Project based upon an Applicant's anticipated completion date, subject to excusable delay, provided that the completion date shall not exceed three years unless the Applicant demonstrates unusual factors as to a Project that require an extended completion date.

Section III. Criteria for Determining Term and Amount of PILOT

The term of a PILOT incentive will be determined by reference to the factors listed in **Exhibit A**, attached hereto. **Exhibit A** generally provides that each eligible project will be evaluated based upon three factors described below and that points will be awarded (or deducted) as to each factor. In most cases, unless otherwise determined by City Council, the term of the PILOT will equate to a year for each point awarded. The maximum amount of points that can be awarded will be 15 points, and therefore the maximum term of a PILOT will generally be 15 years. However, additional points, up to 5 may be awarded for the special factors described below and in **Exhibit A**. With such special factor points, the maximum term of the PILOT would be 20 years. The percent of tax abatement achieved through the use of the PILOT is also set forth on **Exhibit A**.

As more particularly described in **Exhibit A**, the three general factors to be considered in determining the term of PILOTs for eligible Projects are:

- a. Jobs. An important factor will be the number of jobs that are created due to the proposed Project. The Applicant must anticipate creating at least 100 new jobs to be considered for a PILOT incentive.
- b. Wages. Another important factor to be considered will be the average wages to be paid by the Applicants and whether such average wage encourages economic mobility. An Applicant's projected average wage for the additional jobs created by a Project must be no less than 80% of the current annual Hamilton County average wage as reported by the US Bureau of Labor Statistics.
- c. Capital Investment. The capital investment made by an Applicant in the land, building, site preparation, equipment and any other capital assets relating to the Project will be another factor considered by the IDB. An Applicant for a PILOT incentive for a manufacturing or distribution facilities must project at least a \$20 million capital investment, and an Applicant for a PILOT incentive for office or service facilities must project at least a \$5 million capital investment.

In addition to these three general factors, the City and IDB may, in their discretion, give special consideration to, and award additional incentive points to, an Applicant under **Exhibit A** attached hereto, if the Applicant clearly demonstrates that any of the following special factors should be considered: (a) construction or renovation in connection with the Project results in building design and equipment that significantly reduces energy consumption as supported by evidence of commitment to obtain LEED Certification or an equivalent standard of attainment; (b) the proposed Project will be located in or directly adjacent to a specially designated economic development area (as described below) identified or certified by the federal or state government or the City or County; (c) community benefit commitments as described in **Exhibit A**; (d) the Applicant agrees to provide a specific and measurable community benefit commitment by providing career pathways and upskilling opportunities for employees, creating apprenticeships or workforce development programs in partnership with the local community, utilizing contractors and suppliers from economically disadvantaged backgrounds, or supporting talent and education initiatives through partnerships with Hamilton County Schools and local higher-education institutions; and/or agrees to provide apprenticeship programs for project construction; (e) the Applicant agrees to provide to its employees at the Project unique substantive work benefits (health care services, extraordinary paid sick leave, childcare services, etc.); or (f) an Applicant demonstrates industry leading or otherwise exceptional performance in promoting the rights and welfare of employees and local communities. A demonstrated pattern of poor corporate and environmental practices and/or violations of law by an Applicant or any of its principal owners or similar considerations shall be grounds for not approving or recommending any Application. A specially designated economic development area includes a renewal community zone as defined by HUD; federal empowerment zone; state enterprise zone; opportunity zone; new markets tax credit eligible census tracts; such other similar zones indicating economic distress or disadvantage as may be designated by the federal, state or local governments; or a remediated Brownfield site identified by the Environmental Protection Agency or Tennessee Department of Environment and Conservation.

Section IV. PILOT Application

1. Application. Any person desiring that the City and the IDB consider a PILOT incentive shall complete and submit the Application to the IDB, through the staff of the Chamber, for a PILOT incentive in the form attached hereto as **Exhibit B**. The Application shall be filed with the Chamber no later than 30 days prior to the date on which a Public Hearing is requested to be held concerning the Application and the proposed Project. A summary of the process for PILOT Applications is outlined in **Exhibit C**.

After submitting its Application, the Applicant should expect completion of a preliminary review of the Application by staff of the Chamber and the City (and the County if County taxes will be affected by the PILOT incentive) within two weeks after submitting same. Upon completion of the preliminary staff review, and upon the Applicant responding to any additional requests for information from staff, staff shall submit the Application to the City Council for consideration. The Economic Development Committee of City Council will hold a public Hearing during its next regularly scheduled meeting (or a special called meeting if the City Council desires) relating to the Application and the Project. Following such public Hearing, at the next scheduled meeting of City Council, City Council may approve or disapprove the Application, and if approved, adopt a delegation resolution authorizing the IDB to implement the PILOT incentive. City staff will then advise the IDB that it may proceed with documentation relating to the incentive. The IDB will then instruct an attorney designated by it to prepare the lease, PILOT Agreement and other documentation relating to the incentive. An Applicant should retain its own legal counsel in connection with the documentation of the PILOT incentive. No PILOT incentive shall be effective until the IDB and the Applicant have approved all documentation and such documentation has been executed.

2. No Obligation. Nothing within these guidelines shall imply or suggest that the City, the IDB or any political subdivision of the State of Tennessee is under any obligation to provide a PILOT incentive in any amount or value to any Applicant.

Section V. Post-Closing Monitoring and Non-Compliance Payments

Through the use of the PILOT incentive, the IDB intends to produce measurable improvements to the economy of the City. Accordingly, each PILOT Agreement with an Applicant will contain certain provisions to assure that the PILOT incentive is consistent with the job creation, wage levels and capital expenditures actually accomplished, and not just projected, by the Applicant. The IDB will annually evaluate each Project receiving a PILOT incentive to measure whether levels of job creation, wages and capital investment projected in the Applicant's Application have been achieved.

In order to assist the IDB in such evaluation, the Applicant shall agree in the PILOT Agreement to provide to the IDB and the City administration certain information annually in the manner described in the PILOT Agreement, which information shall include, but not be limited to, the information regarding the Applicant's then current number of jobs, wages and capital investment. The form of an annual report to be filed with the IDB and the City will be attached as an exhibit to the PILOT Agreement. Failure to maintain at least 50% of projected job levels for two consecutive years shall also be an event of default under the PILOT lease. The City administration will report to City Council at least annually on compliance with PILOT Agreements based upon such reports and will provide a copy of such report to the County.

If any such report or other information obtained by the IDB reveals that the Applicant has not met the projections in the Applicant's Application, the IDB will have such remedies as are provided in the PILOT Agreement. The specific remedies will be set out in the PILOT Agreement, but, generally, if an Applicant fails in any year to meet the 90% of its job or capital expenditure projections or 100% of its average wage projections as submitted in its Application for a Project and upon which the PILOT term and amount was determined, the Applicant should expect that the Applicant's PILOT incentive would be proportionately reduced in that year.

The Applicant's lease and PILOT Agreement may provide for phased-in compliance consistent with the Applicant's projections, if approved by the City and the IDB, provided that the Applicant's projections must be fully met by the fifth full calendar year after the completion of any Project.

If an Applicant is awarded any incentive points pursuant to **Exhibit A** for the special factors described in Section III, the Applicant will be deemed in default under the PILOT Agreement if the Applicant does not achieve the such special factors to the extent such special factors can be objectively monitored. Such a default could result in the termination of the PILOT Agreement.

Section VI. Fees Payable to the IDB for Projects Requesting Incentives

1. **Application Fee.** An Application fee of \$1,000 must accompany any Application. The Application fee is non-refundable.

2. **Expenses.** The Applicant will pay any and all costs related to Applicant's Application of PILOT incentive including, but not limited to, the IDB's attorney fees and any recording fees. The IDB's approved attorney shall prepare the necessary documentation for the PILOT incentive. The IDB's attorney's fees shall be paid at closing, provided, however, in the event a PILOT incentive closing does not occur for any reason or is delayed for an extended period, the Applicant agrees to pay all of the above mentioned fees and expenses of the IDB at such time.

3. **Economic Development Payments.** For each calendar year in which an Applicant makes a PILOT as to a Project that is less than the taxes that would otherwise be payable with respect to the Project, the Applicant shall also pay a fee, which is referred to herein as the "Economic Development Payment." The Economic Development Payment shall be calculated in the manner provided in the PILOT Agreement but shall generally equal 15% of the amount that would otherwise be payable as taxes with respect to the Project to the City's general fund if the PILOT incentive was not in effect (with a commensurate payment to the County if the County's property taxes are affected by the PILOT incentive).

4. **Amendments.** Applicant shall be responsible for any and all costs associated with amendments to any PILOT incentive documents or to any other documents or agreements associated with the PILOT incentive, including any documents relating to Applicant's financing.

Section VII. Conflicts of Interest and Ethical Standards

Each member of the City Council and director of the IDB shall be responsible for disclosing any material interest which he or she may have in or with an Applicant or any proposed Project. Any member of the City Council or director of the IDB having any material interest in a project or a financial or family relationship with an Applicant or sponsor or financing source for a Project shall submit to the City Attorney a representation of that interest, and the City Attorney shall make a preliminary determination of whether the City Council member or IDB director should recuse himself/herself from consideration of the Application. In the event the City Council member or IDB director disagrees with the decision of the City Attorney, then the City Attorney shall submit the potential conflict of interest to the City Council or IDB, as the case may be, for final determination, which shall be made in accordance with the applicable laws regarding conflicts of interest. If recusal is deemed appropriate, the City Council or IDB, as the case may be, will then consider the Application without participation from the City Council member or IDB director who has been recused.

No City Council member or director of the IDB shall disclose confidential information acquired by him or her in the course of his or her official duties as a City Council member or director of the IDB nor use such information to further his or her personal interests.

Section VIII. Definitions

For purposes of these Policies, the following terms shall have the following meanings:

“Applicant” means the Person applying to the City and the IDB to enter into a lease with the IDB that would include a PILOT incentive with respect to a Project.

“Application” means the Application submitted to the City and the IDB by an Applicant to receive a PILOT incentive.

“Economic Development Payment” means the payments described in Section VI(3), which will be made to the IDB on behalf of the City and, if applicable, to the County if County property taxes are affected by the PILOT incentive.

“Payment-In-Lieu-of Taxes” or **“PILOT”** means payments established by the IDB to be made in lieu of ad valorem taxes with respect to a Project.

“Person” means any individual or entity.

“Project” means buildings, structures, machinery, equipment, or land identified in the Application and described in the lease from the IDB to the Applicant. The Project may include the addition of the buildings, structures, machinery, or equipment that is committed by the Applicant to be started within three years (or such later date as may be approved by the City upon special circumstances demonstrated by the Applicant not to exceed five years) of the PILOT Agreement. Any expansion undertaken beyond the approved implementation period will require a new Application to be filed at the time said expansion is planned as is described in Section II above.

“Public Hearing” for the PILOT incentive means a hearing conducted at a publicly-noticed time-certain meeting of the City Council or a committee thereof with applicable documents posted on the City’s and/or IDB’s website for review and comment by the general public.

Section IX. Miscellaneous

These Policies shall not be construed to create any type of contract or agreement between the City or the IDB and any third party, including any Applicant. Notwithstanding any provision of these Policies to the contrary, the City and the IDB retain the right, in their sole discretion, to not approve any Application for a PILOT incentive. If any Applicant does not enter into a lease with respect to a proposed Project within one year of the initial approval by the City of the Applicant’s Application for a PILOT incentive, that Applicant’s Application shall be deemed to be withdrawn, and the Applicant shall be required to resubmit a new Application if the Applicant wants the City to continue to consider the Applicant’s Project for a PILOT incentive.

Section X. Modifications

Any modification or amendment of these Policies must be approved by the City and by the IDB.

EXHIBIT A

**CRITERIA USED TO DETERMINE ELIGIBILITY FOR
AND TERM AND AMOUNT OF PILOT INCENTIVE**

Overview. The term and amount of a PILOT incentive for any Project will be based upon the number of incentive points for a particular Project in accordance with Section III of these Policies and this Exhibit. A minimum of four incentive points is required to be eligible for a PILOT incentive for a Project. The term and amount of a PILOT will be based on the amount of points awarded with one point representing one year of abatement. Special factors may also be considered pursuant to Section III of the Policies and Procedures and pursuant to the chart below that may result in up to five additional points (and five additional years of a PILOT term). The maximum period for a PILOT incentive as to any portion of a Project is fifteen (15) years unless otherwise approved by the City Council. The factors that will be used in determining the number of incentive points and the term and amount of the PILOT incentive are shown on the chart and information on the following page.

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MATRIX FOR DETERMINING INCENTIVE POINTS

Jobs	Points	Wages	Points	Investment	Points	Special Factors	Points
Projected number of new jobs that will be created by Applicant.		Projected average annual wage for full-time employees at Project (rounded to nearest percentage) as percentage of the US Bureau of Labor Statistics for Hamilton County, TN. ¹		Projected real and personal property investment for Project		Special consideration factors identified in Section III of the Policies (the following factors are intended to align with such Section). ²	
100	1.0	80 – 90%	-2.0	\$5,000,000+	0.5	LEED: Silver Gold Platinum	0.5 1.0 1.5
150	1.5	90 – 94%	-1.0	\$10,000,000+	1.0	Location in a Specially Designated Economic Development Zone	1.0 – 3.0
200	2.0	95 – 99%	-0.5	\$15,000,000+	1.5	Community Benefit Commitments	1.0
250	2.5	100 – 104%	1.0	\$20,000,000+	2.0	Local Community Cooperation	1.0
300	3.0	105 – 109%	1.5	\$30,000,000+	3.0	Employee Benefits and Apprentice Programs	1.0
350	3.5	110 – 114%	2.0	\$40,000,000+	3.5	Exceptional Corporate Stewardship	1.0
400	4.0	115 – 119%	2.5	\$50,000,000+	4.0		
450	4.5	120 – 124%	3.0	\$75,000,000+	5.0		
500+	5.0	125 – 129%	3.5				
		130 – 134%	4.0				
		135 – 139%	4.5				
		140 – 144%	5.0				
		145 – 149%	5.5				
		150 – 159%	6.0				
		160%+	7.0				

¹US Bureau of Labor Statistics – Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>); Hamilton County’s 2022 average annual wage for private industry was \$62,919.

²Any points awarded for special factors shall be based upon the specific representations made by the Applicant in its Application.

Term and Amount of PILOT Incentive Based Upon General Factors Described Above – The term of the PILOT incentive shall be based upon the number of incentive points awarded as described above with each incentive point equating to one year of abatement. The PILOT incentive shall effectively provide for a percentage of property tax abatement (excluding County school taxes) consistent with the following schedule:

- Year 1: 100% abatement
- Year 2: 75% abatement
- Year 3: 60% abatement
- Year 4 and beyond: 50% abatement

This schedule is subject to the PILOT agreement that sets forth the actual terms of the PILOT incentive, including the payment by the Applicant of economic development fees.

The term of the PILOT incentive may be extended up to an additional five (5) years after the term is otherwise established based upon the general factors set forth above. So, for example, if an Applicant would receive a 13-year term of a PILOT based upon the general factors set forth above, the Applicant may receive up to an additional five (5) years of PILOT incentive based upon the special factors set forth below, with each point equating to an additional year in the term of the PILOT incentive.

Special factors (as identified in Section III of the Policies)	Available Points
<p>Meeting Energy Efficiency and Sustainability Standards</p> <ul style="list-style-type: none"> • LEED Silver (or equivalent as determined by City Engineer) • LEED Gold (or equivalent as determined by City Engineer) • LEED Platinum (or equivalent as determined by City Engineer) <p>From Section 3 - (a) construction or renovation in connection with the Project results in building design and equipment that significantly reduces energy consumption. Documentation of LEED Certification or an equivalent standard of attainment shall be required;</p>	<p>Maximum Points 1.5</p> <p>0.5 1.0 1.5</p>

<p>Location in a Specially Designated Economic Development Zone</p> <p>From Section 3 - (b) The proposed Project will be located in or directly adjacent to a specially designated economic development area (as described below) identified or certified by the federal or state government or the City or County; A specially designated economic development area includes a renewal community zone as defined by HUD; federal empowerment zone;; state enterprise zone;; opportunity zone;; new markets tax credit eligible census tracts;; such other similar zones indicating economic distress or disadvantage as may be designated by the federal, state or local governments;; or a remediated Brownfield site identified by the Environmental Protection Agency or Tennessee Department of Environment and Conservation.</p>	<p>Maximum 3 Points</p> <p>1 Point: Federal Empowerment Zones, HUB Zones, NMTC, Opportunity Zones, and other similar disadvantaged zones, Urban Renewal Communities, remediated Brownfield site</p> <p>2 Points: Brownfield Site, Active Brownfield with a voluntary cleanup agreement</p> <p>3 Points:</p> <ul style="list-style-type: none"> • Targeted Local Sites • EDA Recompete Grant Census Tracts • Enterprise South Industrial Park • City/County Industrial Parks • Eastgate/Airport/Airport Road • Rossville Blvd Corridor
<p>Community Benefit Commitments</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • Participation in a third party executed Community Benefits Agreement establishing community benefits unique to the Project. • Specified community benefits that are committed to by Applicant in the PILOT Agreement
<p>Local Community Cooperation</p> <p>From Section 3 - (c) the Applicant agrees to provide a specific and measurable community benefit commitment by providing career pathways and upskilling opportunities for employees, creating apprenticeships or workforce development programs in partnership with the local community, utilizing contractors and suppliers from economically disadvantaged backgrounds, or supporting talent and education initiatives through partnerships with Hamilton County Schools and local higher-education institutions; and/or agrees to provide apprenticeship programs for project construction;</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • Partnership with Hamilton County Schools career and technical education, and workforce development programs.
<p>Unique Employee Benefits and Apprentice Programs</p> <p>From Section 3 – (d) the Applicant agrees to provide to its employees substantive work benefits to local employees (health, paid sick leave, childcare services, etc.)</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none"> • On-site childcare • On-site health clinic

<p>Exceptional Corporate Stewardship (e) an Applicant demonstrates industry leading or otherwise exceptional performance in promoting the rights and welfare of employees and local communities.</p>	<p>Maximum 1 Point</p> <ul style="list-style-type: none">• Certified B Corporation
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EXHIBIT B

Application for PILOT Incentive

Industrial Development Board of the City of Chattanooga

1. Company name (Applicant): _____
Mailing address: _____

Website: _____
Federal Employer ID Number: _____
Legal status: Sole Proprietorship _____ Corporation _____ Partnership _____ LLC _____
If entity, state of formation: _____
2. Contact for this project: _____
Title: _____
Mailing address: _____

Phone: _____
Fax: _____
E-mail address: _____
3. Provide a narrative description of the proposed project, including activities to be performed and a list of products to be produced and/or services to be provided:

4. Does the Application currently own the real property on which the proposed project will be located?

Yes: _____ No: _____

If the answer is yes, please provide a copy of the deed to the property.

If Applicant is not the owner, what is the relationship between owner and Applicant?

If the Applicant has a contract to purchase the property, please provide a copy of the contract. Any proprietary terms can be redacted.

Street Address of the proposed project: _____

Tax Parcel ID Number (s): _____

5. Does the Applicant's project and requested PILOT incentive comply in all respects with the Policies and Procedures relating to Payment-in-lieu-of-Tax Transactions that have been approved by the IDB and the City?

Yes: _____ No: _____

If the answer is no, please attach a detailed explanation as to why the project or requested incentive does not comply with such Policies and Procedures.

6. Is the real estate located within corporate limits of the City of Chattanooga?

Yes: _____ No: _____

7. What is the projected amount of real estate capital investment and personal property capital investment for the project?

Real property: _____ Personal Property: _____

Please provide a budget for the project showing in reasonable detail the items to be included in the capital investment for the project.

8. Is the Applicant aware of any environmental conditions affecting the proposed project location?

Yes: _____ No: _____

If yes, please attach a description of such environmental condition. If an environmental site assessment has been prepared with respect to the project site, please provide a copy of such assessment.

9. Has the Applicant been fined or entered into a judgment or consent decree with respect to any violation of any environmental law or regulation during the past 36 months?

Yes: _____ No: _____

If yes, please attach a description of the circumstances resulting in such fine, judgment or decree.

10. Does the Applicant expect to finance all or a portion of the costs of the project?

Yes: _____ No: _____

If yes, will the lender have a lien on the project?

If yes, please identify the lender: _____

Address: _____

Contact: _____

11. Does Applicant know of any proposed or pending mergers or acquisitions by or affecting Applicant or of any other materially significant event in any way affecting Applicant?

___ Yes ___ No

If yes, please provide brief description: _____

12. Is Applicant currently considering any layoffs or employment reductions or has the Applicant undertaken any layoffs or employment reductions during the previous 12 months?

___ Yes ___ No

If yes, please provide brief description of the scope of the layoffs and reason for the occurrence of such layoffs or the consideration thereof: _____

13. Is the Applicant in full compliance with all terms of any grant or other economic development incentive that Applicant has received?

Yes: _____ No: _____

If no, please attach a description of such noncompliance and the reasons therefor.

14. Is the Applicant considering other locations for its Project outside the City of Chattanooga?

Yes: _____ No: _____

15. Provide a brief description of any building being constructed as part of the Project including size and construction type:

(Attach any site plans, building plans and architectural renderings that are available.)

16. If Applicant is requesting the award of incentive points for any of the special factors described in Section III of the Policies and Procedures, please provide such information as the Applicant deems relevant to substantiate such request. Applicant may attach such additional information as Applicant deems appropriate:

17. Estimated start date for construction: _____

Estimated completion date for construction: _____

Estimated date for start-up of operations: _____

18. Job Creation – How many new jobs are projected to be created by the proposed project? _____. If the jobs to be created at the project are not expected to all be created as of the time of completion of the project, please attach a chart showing how many jobs are expected to be created upon the completion of the project and as of the end of the three calendar years after completion of the project.

19. Average Annual Wage – Please provide the projected average annual wage for the full-time employees at the project: \$ _____.

20. Types of Jobs Created – Please attach a chart to this Application showing the types of jobs expected to be created by classification and the expected wages for such job classification in substantially the format shown below.

Position Title	# Positions	Hourly \$ Rate	Position \$ Total

Total Employees			

In

completing the foregoing chart, the projected number of positions should be based upon full-time employees. A full-term employee should be offered at least 1,600 annual hours of work and be offered benefits. The hourly rate is calculated using base pay only. No overtime, bonuses, discretionary incentive payments and benefits are to be used.

By submitting this Application, Applicant agrees to provide, upon request, such financial information about the Applicant as may be reasonably requested by the IDB or Chamber staff, including financial statements.

This Application is made in order to induce the City and the IDB to provide a PILOT incentive to Applicant, and Applicant confirms that the PILOT incentive is a material inducement for the Applicant to undertake the Project in the City. Applicant represents and warrants that the statements contained herein or attached hereto are true and correct to the best of its knowledge.

If Applicant is granted a PILOT incentive or any other incentives as a result of this Application, Applicant agrees to report annually to the IDB such information as may be required in the documentation evidencing the incentive.

Applicant specifically agrees, in connection with the submission of this Application, to pay all reasonable costs, fees and expenses incurred by the IDB, including attorneys’ fees, whether or not any PILOT incentives are granted, as a result of Applicant submitting this Application.

Executed this _____ day of _____, 20____

Name of Applicant

By: _____

Title: _____

EXHIBIT C

Summary of PILOT Application Process

1. Before submitting an Application, an Applicant should arrange a pre-application conference with the Chattanooga Area Chamber of Commerce to discuss the Application process and whether the Applicant's Project may qualify for a PILOT incentive. If the Applicant's Project may qualify for a PILOT incentive, the Applicant may submit the Application and supporting documentation to the Chamber's staff.
2. The Chamber's staff will perform all necessary due diligence and prepare a report to the economic development staff representatives of the City (and the County if the County's property taxes will be affected by the requested PILOT incentive). The Chamber's staff will provide the City and the County, if applicable, the recommended terms of the PILOT incentive based on these Policies. If the Chamber's staff determines that an economic impact analysis would be helpful to its analysis of a Project, the Chamber may procure an economic impact analysis from a firm with recognized expertise in public sector economic analysis.
3. Prior to submitting an Application to the City Council and IDB for consideration, the Chamber's staff shall consider input from the City Mayor and staff (and the County Mayor and staff if the County's property taxes will be affected by the requested PILOT incentive). Also, prior to submitting an Application to the City Council and the IDB for consideration, the Chamber's staff shall provide to the Applicant a term sheet setting forth the Chamber's recommendation as to the proposed PILOT incentive, if any, to be submitted to the City Council.
4. If the proposed PILOT incentive is acceptable to the Applicant, the Chamber's staff shall submit the Application and a proposed PILOT Agreement to the City Council for initial consideration. Such information shall be submitted to City Council not less than 7 days prior to the Public Hearing on the Application.
5. The City Council will consider the Application and an appropriate delegation resolution at a duly called meeting. Prior to such consideration, the City Council, through its Economic Development Committee, will conduct a Public Hearing with respect to the Application, thereby providing members of the public an opportunity to comment on the proposed Application and the proposed PILOT incentive. After such Public Hearing, the City Council may either (i) accept the Application and adopt a delegation resolution that will specify the term of the PILOT incentive consistent with these Policies or (ii) decide to not proceed further with the requested PILOT incentive.
6. Once the City Council provides a delegation resolution relating to a PILOT incentive to the IDB, the IDB will retain counsel to draft the relevant PILOT documentation. Such documentation, in substantially final form, shall be submitted to the IDB at a subsequent meeting of the IDB for consideration and, if appropriate, approval.
7. If the Applicant's request for a PILOT incentive does not comply in all respect with the Policies to which this Exhibit is attached, the Chamber's staff shall submit the Application, along with a report and recommendation, to the City Council for consideration. Such submission shall include (i) all supporting documentation; (ii) an explanation as to why the requested PILOT incentive does not comply with the Policies; and (iii) a report of the Chamber's staff and the City's economic development staff as to the potential economic impact of the Project, whether the PILOT incentive is an inducement for the Project, and a recommendation as to whether to approve the Application. If the County's property taxes would be affected by the proposed PILOT incentive, the Application will also be submitted to the County Commission as is set forth

in the Policies. As with all Applications, the City Council or a committee thereof will hold a Public Hearing as to the Application. City Council may then decide whether to waive the terms of these Policies, as requested, and adopt a delegation resolution.

8. If after the approval of an Application but before the final PILOT documentation is executed, (i) the Project's scope, location, or purpose changes, (ii) the Applicant receives tax incentives from another governmental entity that were not disclosed when the Application was considered, or (iii) any other change occurs that is would materially affect the information in the Application, the City Council or IDB may reconsider the Application after notice to the Applicant and modify or revoke its prior approval.

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TARGET INDUSTRIES

Chattanooga Area Chamber of Commerce Climbs Higher Strategic Plan – July 1, 2024 – June 30, 2029

- Advanced Manufacturing
 - Electric vehicles
 - Machinery manufacturing
 - Outdoor products
 - Specialty food
- Professional Services
 - Freight Services
 - Headquarters
 - Back Office
 - Creative Media
- Future Technology
 - Quantum computing
 - Biomedical Devices
 - Circular economy/clean tech
 - Smart City technology
 - Industrial design, engineering & robotics
- Software & Information Technology



TARGET INDUSTRIES

Tennessee Department of Economic & Community Development

- Advanced Manufacturing
- Aerospace & Defense
- Appliances & Electrical
- Automotive
- Chemicals
- Distribution & Logistics
- Food & Beverage
- Healthcare & Life Sciences
- HQ, Finance & Tech
- Rubber, Ceramics, & Glass

