



## METROPOLITAN COUNCIL

Metro Council Office

MEMORANDUM TO: All Members of the Metropolitan Council

FROM: Jon Cooper, Director  
Metropolitan Council Office

DATE: **March 4, 2014**

RE: **Analysis Report**

Unaudited Fund Balances as of 2/26/14:

4% Reserve Fund	\$22,292,406*
Metro Self Insured Liability Claims	\$4,819,090
Judgments & Losses	\$2,321,588
Schools Self Insured Liability Claims	\$2,442,566
Self-Insured Property Loss Aggregate	\$6,292,616
Employee Blanket Bond Claims	\$637,319
Police Professional Liability Claims	\$2,857,579
Death Benefit	\$775,476

\* Assumes unrealized estimated revenues in fiscal year 2014 of \$13,027,001

**– BILLS ON PUBLIC HEARING –**

**SUBSTITUTE ORDINANCE NO. BL2014-651** (ALLEN) – This substitute ordinance amends the Metro zoning code to regulate temporary music events on commercial property that is located in close proximity to residential areas. Aside from the Metro noise ordinance, the code currently does not regulate or expressly authorize small concerts on commercially-zoned property. Such concerts have become an issue in certain areas that have a mixture of commercial and residential uses within close proximity to each other.

This ordinance would make temporary music events a use permitted with conditions in the CS, CA, and CF zoning districts. The specific requirements for small outdoor music events would be as follows:

- The stage and sound amplification equipment cannot be oriented toward any residence located within 300 feet of the property line where the music event is to be held, and the amplification equipment must be oriented away from other residential property to the greatest extent possible.
- Sound would be limited to 75 decibels measured at the boundary line of the nearest residential property.
- No more than one event could be held per month, and no more than eight per year.
- All activity must take place between 11:00 a.m. and 9:00 p.m. on weekdays, and between 11:00 a.m. and 10:00 p.m. on weekends, with a maximum duration of 4 hours.
- Adequate off-street parking must be provided, and access must be from a nonresidential collector street. The applicant is required to submit a traffic and parking management plan including the number of vehicles expected, a list of streets for ingress and egress, and the location of parking lots to accommodate the event.
- Attendance would be limited to 150 people at each event.
- All lighting and glare must be directed on site.

The zoning administrator would have the authority to revoke a small outdoor music event permit upon the violation of any of the terms and conditions of the use permit or of the provisions of this ordinance. Upon revocation, applicants could not apply for another small outdoor music event permit for a period of one year. The substitute ordinance expressly states that the conditions set forth in the ordinance do not apply to any event on public property or to private events on property that is not zoned CS, CF, and CA.

This ordinance has been referred to the planning commission.

**ORDINANCE NO. BL2014-653** (GARRETT) – This ordinance amends the Metro zoning code to clarify that historic home events must be located inside a historically significant structure. Under the zoning code, "historic home events" is a special exception use, meaning it must be approved by the board of zoning appeals (BZA) prior to operation. The zoning code defines historic home event as "the hosting of events such as, but not limited to, weddings or parties for pay at a private home which has been judged to be historically significant by the historic commission." The code includes certain criteria that must be met in order for property to be allowed to hold these home events, such as parking standards, limited meal service, and a requirement that the home be owner-occupied.

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**ORDINANCE NO. BL2014-653**, continued

One of the conditions applicable to historic home events is that all events "must be within a historically significant structure, as determined by the historic zoning commission". The board of zoning appeals recently made a determination that "within a historically significant structure" includes areas that are not necessarily within the four walls of the home itself. This ordinance would require that all historic home event activities be conducted inside the permanent, primary walls of the historically significant home only.

This ordinance has been referred to the planning commission. The sponsor intends to defer this bill indefinitely without holding a public hearing.

**ORDINANCE NO. BL2014-684** (HUNT) – This ordinance amends the Metro zoning code to allow for the possibility of detached accessory dwelling units within certain urban design overlay (UDO) districts. Currently, detached accessory dwelling units are only allowed within a historic overlay district. The accessory unit must be smaller in size and height than the primary structure. This ordinance would allow such structures within a UDO that has specific development standards for detached accessory dwellings. The only UDO that would be impacted by this ordinance at this point is the pending Clayton Avenue UDO, which is the subject matter of Ordinance No. BL2014-682 on the March 4 public hearing.

**ORDINANCE NO. BL2014-684** (HUNT) – This ordinance amends the Metro zoning code to shift the responsibility for the posting of council public hearing notices for zoning bills to the applicant. Currently, the applicant is responsible for posting planning commission public hearing signs and must provide a certificate to the planning department verifying that the signs have been posted. This has been the practice for a number of years. However, the code still requires the council public hearing signs to be posted "by the appropriate department of the metropolitan government".

This ordinance would essentially make the planning department's practice regarding the posting of planning commission public hearing signs applicable to council public hearings, as well. Private applicants would be required to post the public hearing signs. If a Metro council member or Metro department is acting as the applicant, then the council member or appropriate Metro department would be responsible for posting the signs. According to the planning department staff report, the staff is interpreting this change as giving the council member the option of either overseeing the posting of the signs or returning the signs to the planning department for Metro to post.

**– RESOLUTIONS –**

**RESOLUTION NO. RS2014-999** (STEINE & DOMINY) – This resolution approves a grant in the amount of \$40,000 from the Tennessee wildlife resources agency to Metro water services to construct and operate a boat dock at the Omohundro water plant. Metro will use these funds to construct a 10' x 31' covered boat slip at the Metro boat house located on the Cumberland River at the plant site. The state will have use of the boat slip as long as it is operational on the Cumberland River. The state will be responsible for covering any damages to the slip caused by the state's use, and will assist with the normal maintenance costs up to \$5,000 per year. The term of the agreement is from March 1, 2014 through February 28, 2019. The grant will provide \$15,000 to cover the initial construction costs for the slip, and \$5,000 per year through fiscal year 2018 for maintenance.

**RESOLUTION NO. RS2014-1005** (STEINE & LANGSTER) – This resolution approves a grant in the amount of \$41,744 from the state department of labor and workforce development to the Nashville career advancement center (NCAC) to establish programs to serve out-of-school and older youth through the Youth Work Experience Pilot Program. This pilot program will provide paid work experience for 19 youth. The term of the grant is from February 1, 2014, through June 30, 2014.

**RESOLUTION NO. RS2014-1006** (STEINE) – This resolution authorizes the department of law to settle the personal injury claim of Pam Mikami against the Metropolitan Government for the amount of \$8,830. On March 22, 2013, a Metro health department employee driving a Metro vehicle merged into the right turn lane on Gallatin Road striking Ms. Mikami's vehicle. Ms. Mikami was diagnosed with a cervical strain as a result of the accident, incurring medical bills in the amount of \$3,160.

This resolution settles the personal injury claim for the amount of the medical bills plus \$5,670 for pain and suffering. Ms. Mikami's insurance carrier has already been reimbursed \$3,833.57 for the damage to her vehicle.

The Metro employee that caused the accident resigned prior to a disciplinary hearing.

**RESOLUTION NO. RS2014-1007** (BARRY) – This is a routine resolution approving the election of notaries public for Davidson County pursuant to state law.

**RESOLUTION NO. RS2014-1008** (GILMORE) – This resolution sets a public hearing for proposed amendments to the Arts Center, Capitol Mall, Jefferson Street, and Rutledge Hill Redevelopment Plans that would extend the duration of the plans through December 31, 2040 and increase the tax increment financing (TIF) capacity within the districts. The public hearing on the redevelopment plan amendments is to take place at the March 18, 2014 regular council meeting. An analysis of the amendments will be provided when Ordinance No. BL2014-699 approving the amendments is on second reading.

**– BILLS ON SECOND READING –**

**ORDINANCE NO. BL2013-569** (BEDNE, TENPENNY & OTHERS) – This zoning text change amends the conditions applicable to various automobile related uses. In 2006, the council amended the zoning code to prohibit automotive uses such as automobile repair, service, and used car sales, as well as car washes and wrecker services, from being located in the commercial zoning districts (CS and CA). Car washes were a use permitted with conditions before the 2006 change to SP, while the other uses were permitted by right. The intent of the SP requirement was to give the council more control over the location of automotive-related uses. There were no set conditions included in the code applicable to these uses countywide.

In May 2013, the council enacted Ordinance No. BL2013-418, which basically repealed the SP requirement for automotive uses, added these uses as permitted with conditions, and added a number of specific conditions automotive uses would have to meet in order to obtain a use permit. The conditions for automobile repair; automobile sale, used; and vehicular sales and services, limited are currently as follows:

1. A physical separation between automobile display/parking areas and the right-of-way in the form of a wall or fence not to exceed 3 feet in height.
2. No chain link fencing could be erected within 25 feet of the right-of-way.
3. Service doors facing residential districts must be screened by a solid wall or opaque fence.
4. All buildings, vehicle storage, and repair must take place at least 25 feet from a residential district, and must be screened from residential districts.
5. Inoperable vehicles, outdoor storage, and auto repair activities must be located to the rear or side yard, and cannot be visible from the right-of-way.
6. No billboards or digital signs would be permitted on the property.

The conditions applicable to car washes include:

1. The same physical separation from the right-of-way as noted above.
2. Car wash structures must be at least 50 feet from a residential district.
3. All washing facilities must be within an enclosed structure, and must be separated from the adjacent property by a masonry wall between 6 and 8 feet in height.
4. Operating hours would be restricted to 8:00 a.m. to 10:00 p.m. if the facility is within 100 feet of a residential district.
5. No outdoor speakers would be allowed on the property.
6. No vehicles could be stored or offered for sale.
7. Billboards and digital signs would be prohibited.

This ordinance modifies some of the conditions for automotive uses and adds several new conditions. The primary changes are:

1. Increasing the distance requirement for automotive uses from residential property from 25 feet to 200 feet.
2. Prohibiting more than one car lot or auto repair shop from being located on the same block face.
3. Prohibiting car lots from being located within 1,000 feet of another car lot.
4. Prohibiting car washes from being located within 500 feet of another car wash.
5. Adding a requirement that a community meeting be held prior to submitting a use application to the codes department.

**ORDINANCE NO. BL2014-663** (BENNETT, STEINE & OTHERS) – This ordinance declares the former Jere Baxter Middle School property located at 3515 Gallatin Pike to be surplus and authorizes the director of public property administration to sell the property in accordance with the standard procedures for the disposition of surplus property. This property, totaling 3.41 acres and including a 47,580 square-foot school building, is currently being leased by the charter school Liberty Collegiate Academy for a lease term of ten years. Liberty Collegiate now desires to purchase the property, which first requires a surplus property declaration by the council.

The property is to be sold to Liberty Collegiate for \$1,272,000, which is the appraised value of the property as determined by an appraisal performed by Neiman-Ross Associates, Inc. at Metro's request. The proceeds of the sale will be credited to the unappropriated school fund. The school board has approved the declaration of this property as surplus and the sale of the property to Liberty Collegiate Academy.

This ordinance is to be withdrawn at the request of the administration.

**ORDINANCE NO. BL2014-686** (GILMORE, STEINE & TYGARD) – This ordinance authorizes the director of public property to accept two parcels of property from the Metropolitan development and housing agency (MDHA) for the construction of the West Riverfront Park improvements and amphitheater. The council approved \$25 million in capital funding for the riverfront improvements and open space acquisition as part of the 2013 capital spending plan in June 2013. This ordinance accepts two parcels on Korean Veterans Boulevard totaling 0.81 acres that is within the footprint of the proposed development. The property is being transferred by MDHA at no cost to Metro.

**ORDINANCE NO. BL2014-687** (GILMORE) – This ordinance approves a "Special Event Zone" for the downtown area in conjunction with the 2014 NCAA Women's Final Four basketball tournament to be held in Nashville in April 2014. The purpose of this temporary ordinance is basically to protect the NCAA and its sponsors from outside interference. This type of ordinance has become a popular request in recent years for major sporting events, such as the NCAA Final Four and Super Bowl. The NCAA initially requested that Nashville enact an ordinance that would basically prohibit the transaction of business on the public streets or sidewalks, including food/beverage and merchandise, as well as a ban on signage not sanctioned by the NCAA. Such a broad ban on commercial activity and signs could be construed as a violation of the free speech protections of the First Amendment to the United States Constitution. The council office and the department of law negotiated with the NCAA to come up with a more narrowly tailored ordinance that addresses the NCAA's concerns, while attempting to protect the everyday business activity and fabric of our downtown area.

The boundaries of the Special Event Zone are basically the area surrounding Bridgestone Arena, the Music City Center, and lower Broadway. The boundaries extend from 1<sup>st</sup> Avenue South to 8<sup>th</sup> Avenue South, and from Korean Veterans Boulevard to Commerce Street. The Special Event Zone ordinance will be in effect from 6:00 a.m. on Wednesday, April 2<sup>nd</sup>, through 6:00 p.m. on Wednesday, April 9<sup>th</sup>. The ordinance sets forth the types of activity that will be allowed in the area while the Special Event Zone is in effect. All licensed street vendors with a valid permit will (continued on next page)

**ORDINANCE NO. BL2014-687**, continued

be allowed to continue their everyday operations. Existing street vendors will be limited to selling the types of food, beverages, and/or merchandise listed on their general street vending permit application. All other temporary vending within the zone will be prohibited without the permission of the NCAA. The ordinance also prohibits the sale or distribution of unlicensed Final Four or college basketball merchandise within the area, as well as promotional giveaways ("sampling") without the permission of the NCAA. The ordinance requires that a "public participation area" be set up within the zone to allow for free speech expressive activity by the public.

The ordinance recognizes that temporary and portable signs and banners are already prohibited by the Metro zoning code. The ordinance grants the NCAA an exception to this prohibition while the Special Event Zone is in effect to allow displays sanctioned or authorized by the NCAA. Tents, temporary structures, and mobile wireless communication facilities will be prohibited unless sanctioned and authorized by the NCAA or erected by Metro for public safety purposes.

**ORDINANCE NO. BL2014-688** (MAYNARD, STEINE & MATTHEWS) – This ordinance approves agreements between the Metropolitan Government, the Metropolitan hospital authority, and several private entities for the privatization and continued operation of the Bordeaux Long Term Care and J.B. Knowles Home facilities. Bordeaux Long Term Care, located at 1414 County Hospital Road, is a 419-bed skilled nursing facility that currently has an average daily census of 220. The Knowles Home is a 100-bed assisted living facility located at 1010 Camilla Caldwell Lane that is operating close to full capacity. These two facilities, which are currently operated by the hospital authority, have been operating at a substantial financial loss for a number of years. The Bordeaux Long Term Care facility was transferred from the old Metro board of hospitals to the hospital authority when the authority was created in 1994. Operation of the Knowles Home was transferred by Metro to the hospital authority in 2004. The Metro operating budget is currently subsidizing these facilities at a cost to the taxpayers of \$10.5 million per year.

Metro and the hospital authority have determined that the private sector is best suited for the operation of these two facilities given the economies of scale available to private operators. In April 2013, Metro's consultant contacted hundreds of potential buyers for the facilities requesting that they submit proposals to Metro. Six finalists were submitted to Metro for review. After completing the analysis, Metro and the hospital authority decided upon the proposed plan involving several private operators/developers that will ensure the continued operation of the facilities and eliminate Metro's subsidy entirely by fiscal year 2017.

The primary parties to this rather complex deal are Signature Healthcare, Ed Street Company, Autumn Assisted Living Partners, and Vision Real Estate Investment Corp. Signature Healthcare, based in Louisville, KY, operates 87 long-term care communities in seven states including a facility in Nashville. Of Signature's 35 urban facilities, 27 have the highest (five star) rating a nursing home can receive from the federal Centers for Medicare and Medicaid Services. Signature would take over operation of Bordeaux Long Term Care starting in May 2014, and will commit to operating a 120-bed nursing home at the Bordeaux campus for at least 10 years. Signature will also have a new \$18 million 168-bed skilled nursing facility built on Dickerson Pike near Skyline Medical Center.

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**ORDINANCE NO. BL2014-688**, continued

Ed Street Company will be the contractor for the new Dickerson Pike facility. This company, based in Johnson City, Tennessee, has more than 40 years of experience in the development of residential housing, office buildings, commercial developments, and senior care/senior housing facilities. Ed Street Company has built facilities in Tennessee, Kentucky, Indiana, Virginia, West Virginia, North Carolina, South Carolina, and Florida, with a total value in excess of \$400 million.

Once the new facility is built, Signature will have the option of either continuing operation of the existing Bordeaux Long Term Care facility or build a new nursing home on the campus. Signature will be required to immediately invest at least \$250,000 in renovations to the existing Bordeaux facility.

Starting July 1, 2014, operation of the Knowles Home will be transferred to Autumn Assisted Living Partners, which is an affiliate of Vision Real Estate Investment Corp. The president of Autumn Assisted Living Partners is Paul Miller, who was formerly with the managed care organization Amerigroup Corp. Mr. Miller most recently operated an adult care program in Green Hills. The chairman of Vision Real Estate is Nashville native and workforce housing developer Mike Hampton. Two of Mr. Hampton's most recent projects are the East River Place and Seven Fifteen Woodland developments in East Nashville. Autumn will lease (and ultimately purchase) the facility from Metro and will enter into a separate agreement with MJM Associates, which is an operator of senior health facilities.

All of the Knowles Home employees and all but 32 of the Bordeaux Long Term Care employees must be offered continued employment at the same or greater rate of pay. The administration has stated it will attempt to find other positions within Metro for as many of these 32 employees as possible. All transferred employees will receive a one-time lump sum payment from Metro based upon years of service and will receive the difference in health insurance plan costs for one year. The amount of the one-time payment will be as follows:

0-5 years	\$1,500
6-10 years	\$2,500
11-15 years	\$3,500
16-20 years	\$4,500
20+ years	\$6,000

Those employees whose positions are eliminated and cannot be placed elsewhere in Metro will receive a one-time severance payment based upon years of service equal to the above amounts in addition to the payment given to all employees. For example, an employee with 12 years of service whose position is being eliminated will receive a total one-time payment of \$7,000.

Section 1.05 of the Metro Charter identifies "hospitals" and "housing for the aged" as two of the many identified functions of the Metropolitan Government, but provides that Metro does not have to continue any service that the council by ordinance has determined to be obsolete and unnecessary. Given the rationale for the privatization of these facilities, this ordinance includes language stating that long term care services by Metro is obsolete and unnecessary in accordance with this Charter provision.

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**ORDINANCE NO. BL2014-688**, continued

An analysis of the proposed individual agreements approved by this ordinance is as follows:

**Bordeaux Operating Lease with Signature**

This agreement is between Metro, the hospital authority, and LP North Nashville, LLC, which is a wholly-owned subsidiary of Signature. The term of the lease agreement is from May 1, 2014 through April 30, 2016, plus a possible two year extension. However, the lease will continue beyond the termination date until the necessary state legislation has been approved allowing a division of the bed licenses and the new Dickerson Pike facility has obtained its Medicare and Medicaid certification. Signature will be responsible for all expenses associated with the operation of the facility, including general maintenance and utility costs. The facility is being leased "as-is", and Metro will only be responsible for making major structural repairs if needed. The lease requires Signature to spend at least \$250,000 for interior improvements to the facility. The property cannot be subleased or the lease transferred without Metro's approval. The lease includes standard indemnification and insurance provisions for Metro's protection, including general liability, professional liability, and malpractice insurance.

Metro will be required to cover losses on the facility up to \$3 million during the first six months, \$2.5 million in the second six months, \$2 million in the third six months, and \$1.5 million in the fourth six months. Regardless of the actual amount of the losses, Metro's minimum subsidy will be \$5 million in the first year and \$3.5 million in the second year. This includes a management fee in the amount of 3% of the facility's revenue.

Signature must permit all existing residents/patients to remain at the Bordeaux facility during the term of the lease, regardless of ability to pay or health status. However, a patient could be transferred to another facility if Signature determines that it cannot appropriately provide for a patient's needs.

All but 32 of the existing Bordeaux Long Term Care employees must be offered employment with Signature at the same or greater rate of pay. The 32 employees that will not be transferred are non-clinical back office positions. Signature cannot terminate any transferred registered nurse, licensed practical nurse, or certified nursing assistant for six months without cause. All other transferred employees cannot be terminated without cause for the first 60 days.

**Bordeaux Transfer and Development Agreement**

This agreement between Metro, the hospital authority, LP North Nashville, LLC (Signature), and Investors II, LLC (Ed Street Company) sets forth the duties and requirements pertaining to the construction of the new Signature skilled nursing facility on Dickerson Pike and the continued operation of a skilled nursing facility on the Bordeaux campus. Ed Street Company will be responsible for building the 168-bed Dickerson Pike facility and will work with Signature and the hospital authority on the preparation of the required Certificate of Need (CON) to be submitted to the state. The 159 remaining bed licenses will be surrendered. Street Company must begin work on the new facility within 90 days of obtaining the CON, and must complete the facility within 20 months after construction commences.

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**ORDINANCE NO. BL2014-688**, continued

Signature will pay Metro \$1.3 million once the CON is approved. Signature will also pay all costs associated with changing the state law to allow the splitting of the existing bed licenses between the two facilities and the issuance of the CON. The contract obligates Signature to operate a skilled nursing facility on the Bordeaux campus for a minimum of 10 years.

Once the new facility on Dickerson Pike is complete, Bordeaux residents will have an opportunity to transfer to the new facility. Signature will be required to provide placement for any patients and/or residents being served at the Bordeaux facility at the time the new Dickerson Pike facility is licensed at either the Bordeaux facility or the new facility.

**Agreement to Purchase Bordeaux Campus**

This agreement between Metro and Vision Real Estate provides for the phased sale of 76.6 acres of the Bordeaux campus to Vision for future development. For purposes of these transactions, the property has been divided into three tracts. Tract 1, totaling 31.8 acres, is the site of the existing Bordeaux Long Term Care facility. Metro agrees to sell this tract to Vision for \$1.4 million, conditioned upon the \$300,000 in capital improvements to be made at the Knowles Home by Vision's affiliate, Autumn Assisted Living Partners. After the new Dickerson Pike facility is constructed, one half of the current Bordeaux facility is to be converted into 62 senior living apartments. The other half of the facility will remain a skilled nursing facility unless/until a replacement facility is built on the Bordeaux campus. Vision must complete the development of Tract 1 within two years, with a capital improvement cost of at least \$6.2 million.

Vision is to acquire the 21.3 acre Tract 2 for \$300,000 once the following conditions have been met: (1) Vision completes the redevelopment of the existing Bordeaux facility into senior housing apartments; (2) 70% of the new apartment units are occupied; and (3) Vision has obtained Metro's approval of a plan to develop cottage-style homes on the property with a total development cost of \$2 million to be used for affordable senior housing. Upon acquiring Tract 2, Vision must give a right of first refusal to Ed Street Company for 7.5 acres of the property to build a new skilled nursing facility. If Ed Street exercises this option, Vision is to pay Metro \$150,000. Once Tract 2 has been built out, Vision is to purchase the third tract consisting of 23.5 acres for \$300,000. The plan for Tract 3 is for Vision to build a 32-unit townhouse development and community garden.

Part of the existing Bordeaux facility is currently leased to Kindred Healthcare Long Term Acute Care Hospital through June 2018, plus two possible five-year extensions. The agreement to purchase the Bordeaux property requires Vision to continue this existing lease.

All property is to be purchased "as-is", and Vision will be responsible for paying all closing costs. Metro agrees to support Vision's application to rezone the property to allow the construction of senior independent housing.

**Agreement to Lease and Purchase Knowles Home**

Under this agreement between Metro and Autumn Assisted Living Partners (an affiliate of Vision Real Estate), Autumn will either purchase the Knowles Home facility by July 1, 2014 for \$500,000, or will enter into a two year lease agreement and then purchase the facility in 2016. (continued on next page)

**ORDINANCE NO. BL2014-688**, continued

The rent paid to Metro during this two year period would be a nominal \$1,000 per year. However, Autumn is required to make at least \$300,000 in capital improvements to the facility during the first 18 months. Autumn must offer employment to all existing Knowles Home employees at the same or greater rate of pay, and cannot terminate these employees without cause for one year. All existing residents at the facility are to remain unless they voluntarily move or no longer medically need assisted living.

One aspect of the contract that will be of interest to some is the requirement that Autumn resume adult daycare services at the Knowles Home facility. The hospital authority stopped providing adult daycare at the Knowles Home in August 2013.

Autumn will be assuming all financial risk for the facility, and Metro's subsidy for the Knowles Home will end upon the effective date of this agreement. Autumn will be entitled to receive a portion of the outstanding accounts receivable. During the two year lease term, Autumn will be responsible for all maintenance and operation expenses. The agreement includes standard indemnification and liability insurance requirements.

**Summary**

In summary, this ordinance will result in the reduction of the subsidy for Bordeaux Long Term Care and the Knowles Home from \$10.5 million in the current fiscal year down to \$5.5 million in fiscal year 2015, \$3.5 million in fiscal year 2016, and no subsidy in fiscal year 2017 and beyond. The ordinance also ensures that the facilities will continue to operate in the Bordeaux area, provides for a new \$18 million skilled nursing facility near Skyline Hospital, \$550,000 in capital improvements to the existing facilities, a \$3.8 million cash purchase price to Metro, and the potential for new senior housing and amenities in the Bordeaux area. The agreements also provide some protection and transition assistance for existing employees.

**ORDINANCE NO. BL2014-689** (BENNETT, DOMINY & HUNT) – This ordinance abandons the water and sewer easement rights that were retained by Ordinance No. O92-161 when the former right-of-way of Old Ben Allen Road was abandoned for properties located at 3803 Saunders Avenue and Hart Lane, unnumbered. Metro water services no longer has a need for this easement. This ordinance has been approved by the planning commission.

**ORDINANCE NO. BL2014-690** (BAKER, DOMINY & HUNT) – This ordinance abandons the water and sewer easement rights that were retained by Ordinance No. O92-290 when the former right-of-way of 45<sup>th</sup> Avenue North was abandoned for property located at 4502 Illinois Avenue. Metro water services no longer has a need for this easement. This ordinance has been approved by the planning commission.

**ORDINANCE NO. BL2014-691** (A. DAVIS, DOMINY & HUNT) – This ordinance abandons the water and sewer easement rights that were retained by Ordinance No. O69-905 when the former Alley No. 1017-B right-of-way was abandoned for a parcel of property on Chester Avenue. Metro water services no longer has a need for this easement. This ordinance has been approved by the planning commission.

**ORDINANCE NO. BL2014-692** (GILMORE, STEINE & DOMINY) – This ordinance abandons 1,500 linear feet of a 6" public water main along with fire hydrants, as well as 8" public sewer mains for properties located along George E. Davis Boulevard, Charlotte Avenue, Shankland Street, and Nelson Merry Street. This abandonment is necessary for the proposed Capitol View development at the corner of Charlotte Avenue and 11<sup>th</sup> Avenue North, which is to be the location of the new HCA development. The ordinance also abandons all associated water and sewer easement rights. This ordinance has been approved by the planning commission.

**ORDINANCE NO. BL2014-693** (GLOVER, DOMINY & HUNT) – This ordinance authorizes Metro water services to negotiate and accept easements for the Tulip Grove stormwater improvement projects for properties located at 906 and 910 Tulip Grove Road, and Tulip Grove Road, unnumbered. There is no anticipated acquisition costs associated with these easements. Future amendments to this ordinance may be approved by resolution. This ordinance has been approved by the planning commission.

**– BILLS ON THIRD READING –**

**ORDINANCE NO. BL2014-667** (MOORE) – This ordinance amends the Metropolitan Code pertaining to the fairgrounds master plan and appropriates \$200,000 to the fair board for operational support. In February 2011, the council approved BL2011-820, as amended, to add specific duties for the board of fair commissioners pertaining to the operation of the fairgrounds and to require the fair board, working with the planning and parks departments, to develop a master plan for the future development and operation of the fairgrounds property. Conventions, Sports and Leisure International, in conjunction with Venue Solutions Group and Convergence Design, was retained by the Metropolitan Government to prepare phase 1 of the master plan, which report was presented to the Metropolitan Council on February 21, 2013. HDR Decision Economics, BNIM, Civil-Site Design Group, RPM Transportation and Connico, Inc., were retained by Metro to prepare Phase 2 of the master plan, which included a comparison between the Fairgrounds Best Practices model and the highest and best mixed-use development scenario.

Phase 2 of the Master Plan was presented to the council on February 26, 2013. Implementation of either of the phases would require significant capital investment by Metro toward improvements to the fairgrounds property.

Prior to completion of the master plan, the voters in August 2011 approved an amendment to the Metro charter providing that all existing activities on the fairgrounds property "shall be continued on the same site". Further, the charter amendment now prohibits any demolition of the structures on the property unless approved by ordinance receiving 27 votes of the Council. Thus, the plain language of the charter essentially prohibits Metro from stopping any of the uses at the fairgrounds or redeveloping the property without a subsequent amendment to the charter.

As part of the fiscal year 2014 substitute operating budget, the council set aside \$200,000 for operating support of the fairgrounds to be appropriated pending council action on the master plan. Since the council is prohibited from implementing the master plan without substantial capital funds and/or an amendment to the charter, this ordinance would remove the master plan language from the code so that the fair board can go ahead and receive the \$200,000 operating subsidy. It is unlikely that the fair board will be able to operate the fairgrounds for the remainder of this fiscal year without a supplemental appropriation in the spring, even after this \$200,000 appropriation.

**ORDINANCE NO. BL2014-668** (STEINE, PARDUE & ALLEN) – This ordinance approves a memorandum of understanding (MOU) between the office of emergency management (OEM) and Belmont University for a joint information center on Belmont's campus in the event of a major disaster. This is essentially an updated version of an almost identical MOU approved in 2009. The purpose of the MOU is to provide a broad framework to guarantee that a site will be available at Belmont to be used for the coordinated response and recovery efforts in a disaster situation. Belmont agrees to make space available on the campus for media to gather and press conferences to be held regarding the disaster. Belmont will provide work space for 30-40 people, a public address system, phones and internet access. OEM agrees to provide meals to public information officers at the site, portable generators, and IT support. The estimated time frame for activation of the joint information site will be 12 to 24 hours following the emergency, with a total duration of 5 to 10 days.

There is no cost to the Metropolitan Government for entering into this MOU.

**ORDINANCE NO. BL2014-669 (GILMORE & STEINE)** – This ordinance authorizes the industrial development board of the Metropolitan Government (IDB) to negotiate and accept payments in lieu of ad valorem taxes to incentivize the construction of an office building for the corporate relocation of the following HCA affiliates: Parallon Business Solutions, LLC, Health Trust Purchasing Group, LP, and Sarah Cannon Research Institute, LLC. In December 2012, the council approved legislation to grant a property tax abatement for up to 20 years, a \$1 million one-time payment to cover relocation costs, and an annual payment of \$500 per employee for two office towers to be constructed at 1600 West End Avenue. The total value of the incentives to HCA was estimated to be \$65.9 million.

HCA was unable to reach an agreement regarding the development of the 1600 West End Avenue property, and thus has decided to build their own standalone office building on a 10.55 section of property currently comprised of 28 parcels located at the intersection of Charlotte Avenue and 11<sup>th</sup> Avenue. This legislation would approve an incentive package for the Charlotte Avenue site that is essentially the same as the incentives approved by the Council in 2012 for the West End property.

HCA plans to construct a 700,000 to 850,000 square foot office building to house the three affiliate companies. The building is also expected to include approximately 45,000 square feet of retail/restaurant space. The development will include a parking garage, and may include a future hotel on the property. The entire development (excluding the hotel) is to cost approximately \$200 million and is expected to be completed in 2016.

HCA was founded in Nashville in 1968 and is the largest non-governmental hospital operator in the United States. HCA operates 163 hospitals and 110 freestanding surgery centers in 20 states and England, and employs close to 200,000 people. HCA Holdings, Inc., recently reported annual revenue in 2013 of \$34 billion. Parallon is a wholly-owned subsidiary of HCA whose five business units provide revenue cycle and business process expertise, workforce management solutions, supply chain services, information technology services, and purchasing power for healthcare providers. Parallon is currently headquartered in Williamson County. Health Trust Purchasing Group is a partially-owned subsidiary of HCA that functions as a group purchasing organization utilized by hospitals and other healthcare providers. Health Trust Purchasing Group provides its services in connection with Parallon. Sarah Cannon Research Institute is also a partially-owned subsidiary of HCA headquartered in Davidson County that provides oncology research services and serves 75,000 new patients per year. Parallon will be relocating 750 existing jobs from Williamson County and Sarah Cannon will be moving 200 jobs from its existing Davidson County location. It is anticipated that the relocation and expansion of the HCA company entities will create over 1,000 additional jobs within five years of the relocation, with an average salary in the \$80,000 to \$85,000 range.

This ordinance delegates the authority to the IDB to negotiate and accept payments in lieu of real property taxes for the development over a 15-20 year period. State law permits local governments to delegate the authority to industrial development boards to enter into payment-in-lieu-of-tax (PILOT) agreements when they are in furtherance of the public purpose of the board. PILOT agreements essentially provide tax abatements for real and/or personal property taxes the company would otherwise be required to pay to the Metropolitan Government. PILOT programs have been used by Metro in the past to provide incentives to large employers to create more job opportunities, and are subject to approval by the council.

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**ORDINANCE NO. BL2014-669**, continued

WCP Properties, LLC, which is another subsidiary of HCA, would enter into a lease with the IDB whereby the IDB would issue revenue bonds to finance the cost of the project. The actual title to the project would be transferred to the IDB for the term of the PILOT agreement. The agreement provides for a 100% real property tax abatement up to \$3 million per year for 15 years, with an additional five year extension as long as a company entity continues to occupy the office space. If extended for five years, the total potential amount of the tax abatement would be \$60 million over the life of the agreement. The tax abatement would take effect upon the execution of the PILOT lease with the IDB at the time the IDB issues bonds to finance the costs associated with the project. The justification for the \$3,000,000 annual abatement is that this is the additional amount required for the construction of the new parking garage that would not be required if the companies built a new headquarters in Williamson County.

The property in question currently generates approximately \$165,000 in annual property taxes. If left undeveloped, this property as-is would generate roughly \$3,300,000 in property taxes over the next 20 years (assuming the tax rates and property values remained the same). A new office building totaling 850,000 square feet at a value of \$200 per square foot (\$170 million) would generate \$3,070,880 annually at today's tax rates. Adding the parking garage at an estimated cost of \$45 million would generate an additional \$812,880 in property taxes for a total estimated annual tax bill of \$3,883,760, or \$77,675,200 over 20 years. Thus, Metro would still net approximately \$14.4 million in new real property taxes over the life of the PILOT after accounting for the \$60 million abatement, plus approximately \$2 million in additional personal property taxes. HCA and its subsidiaries currently already pay \$13.5 million in property taxes annually to Metro.

If for some reason the property taxes that would otherwise be owed fall below \$3 million in a given year, HCA will have the ability to "bank" the difference and apply it against PILOT payments in future years. This means that HCA company entities would get the benefit of the full \$3 million abatement per year even if the property value falls or the tax rate is lowered.

The ordinance and agreement include provisions requiring that a certain number of employees work in Davidson County as a result of the project in order for the company entities to receive the full amount of the abatement. The job benchmarks are 1,000 FTEs (full-time equivalents) in 2017, 1,300 FTEs in 2018, and 1,500 FTEs in 2019 and subsequent years. Failure to meet these benchmarks would result in a \$300,000 reduction in the amount of the abatement for every shortfall of 100 incremental positions. Project-based employee positions and independent contract personnel of the company entities would count toward the benchmark as long as their exclusive responsibility is to work with and support the activities of the company entities. However, those company employees that are currently working in Davidson County would not count toward the benchmark.

This ordinance includes the same small, minority, and disadvantaged business (DBE) program requirements found in the prior 2012 HCA PILOT ordinance that would basically mirror the Music City Center DBE program. The program must have a DBE participation target of at least 20% of the project's hard construction costs. HCA will be required to make periodic reports regarding the DBE program to the council and the minority caucus. In addition, this ordinance includes a requirement enacted by the Council last summer that requires recipients of PILOTs to (continued on next page)

**ORDINANCE NO. BL2014-669**, continued

utilize Metro's workforce development program with the goal of ensuring that reasonable efforts are made to hire or utilize Davidson County residents for the construction of the project.

On February 18, 2014, the council approved Resolution Nos. RS2014-988 and 989 to appropriate \$1,050,000 in urban development action grant (UDAG) funds to MDHA for the benefit of the HCA company entities, and to authorize an annual economic development incentive grant to HCA in the amount of \$500 per job created.

**ORDINANCE NOS. BL2014-671** (GILMORE) – This ordinance abandons right-of-way and easements for portions of Gay Street, Shankland Street, and Alley No. 359. Specifically, this ordinance would close Gay Street from George L. Davis Boulevard to 11<sup>th</sup> Avenue North; Shankland Street from George L. Davis Boulevard to 11<sup>th</sup> Avenue North; and Alley No. 359 from Shankland Street to the dead end. This closure, requested by Barge, Waggoner, Sumner & Cannon, Inc., is necessary for the redevelopment of the Capitol View site, which is where HCA intends to build a new corporate headquarters for three of its affiliates. The ordinance also abandons all Metro easements, as the utilities are to be relocated. Consent of the affected property owners is on file with the public works department. This ordinance has been approved by the planning commission and the traffic and parking commission.

**ORDINANCE NOS. BL2014-672** (GILMORE) – This ordinance abandons a portion of Alley No. 63 from Rosa L. Parks Boulevard eastward to its intersection with Polk Alley. This closure has been requested by Klin, Swinney and Associates on behalf of Metro Nashville public schools to allow for the construction of a new gymnasium at Hume-Fogg Academic High School. This ordinance retains the Metro utility easements. This ordinance has been approved by the planning commission.