

## Economic Development (Updated 6/5/2020)

### Council Member inquiries regarding Economic Development.

1. In the budget there are several economic development items listed (Dell, Phillips, UBS, etc.) what are the legal/contractual obligations for these? Could they be reduced to \$0 for the upcoming year? Also, there is 3.2 million transfer to the Coliseum, could this be postponed or reduced?

**Council Director Response:** Metro is contractually obligated to make the incentive grant payments listed in the budget. Most Metro contracts have a “termination for lack of funding clause,” so a court may not be able to hold us to making a payment. But Metro has a moral obligation to make the payments and the damage to the city’s reputation could be significant if we don’t.

2. For Dell, are they being paid \$500/ employee for only 500 employees, and no PILOT since they are below 1500 employees?

**Finance Response:** Dell’s agreement provides a calculation method, beginning year 11, if employee count falls below 1500, excerpt from PILOT:

PILOT agreement, Section 2: (a) (ii) With respect to years 11 through 40, the amount of the Payment for any such year shall be the lesser of (A) two percent (2%) of the Standard Tax for each 15 Dell Nashville Employees (determined as set forth in agreement) less than 1,500 Dell Nashville Employees that are employed during the immediately preceding year; or (B) 100% of the Standard Tax.

For TY19, CY18 employee count fell short 156 therefore, Dell’s abatement was reduced accordingly. In addition, square footage not utilized by Dell also reduced the abatement; approximately 35% is used by HCA.

3. Isn't there one more PILOT payment on Healthspring in 2021 for \$249,000 or does that show up somewhere else?

**Finance Response:** Healthspring PILOT ends 8/16/21 (CY / TY); therefore, will be in FY21 and final prorated portion in FY22.

4. PILOT for Lifepoint \$120,000?
5. HCA Parallon \$3,000,000 PILOT?

**Finance Response:** Just FYI - HCA Parallon is aka HCA/WCP Capitol View and aka HCA/WCP Charlotte

6. Bridgestone \$2,100,000 PILOT?
7. AIG \$1,625,000 PILOT?

**Finance Response:** American General Life Insurance property has never been quit claimed to IDB. Developer Highwoods is billed by Trustee and pays taxes. We do not have contacts for company.

8. UBS job grant was awarded in 2013 for 5 years. When does it end?

**Finance Response:** Began budget FY17 ends budget FY21.

9. HCA Charlotte (Data Center) job grant was for 7 yrs starting 2012. When does it end?

**Finance Response:** To be clear, HCA IT&S (Data Center) had a PILOT, but no grant.

HCA Charlotte (aka Capitol View; WCP Properties, LLC) job grant began CY ending 12/31/17 (FY19 budget) and final year will be CY 12/31/23 (FY24 budget).

10. Warner Music ends after year 4 if not up to 500 jobs. Is that this year?

**Finance Response:** Grant began FY19 budget. Excerpt from grant agreement below. Conclusion, if does not exceed 500 as of 12/31/20 (aka FY22 budget year), no payment for FY22 and terminates.

Government to make an economic and community development incentive grant to Warner in an amount calculated each "Grant Year" by multiplying the number of "Additional Warner Jobs" (as defined herein) by \$500 for a period of seven years from the commencement of the Project, provided however that should the number of Additional Warner Jobs not exceed 500 as of December 31, 2020, no grant payments will be made for that year or any subsequent Grant Year and this Agreement will be terminated, all as more fully set forth herein.

11. HCA - did this have a jobs grant? I see totals for years 1,2,and 3. Also some kind of PILOT that is not shown here.

See response to # 9 above.

12. Is Keystone included in the IDB TIF?

**Finance Response:** Keystone does not have an IDB TIF, nor an MDHA TIF.

13. Will we be making any job grant payments to Alliance Bernstein or Amazon this year?

**Finance Response:** No, neither for FY21.

14. Are all the PILOT's listed somewhere else?

Link: [IDB Tax Year 2019 PILOTs FY20 Summary](#)

15. Can you elaborate/explain the history/purpose of the Transfer to the Coliseum of 3.2 mm?

**Finance Response:** This transfer from the GSD General Fund to the GSD Debt Service Fund for stadium debt originated in 1996 (refunded in 2006). This debt will be paid in May 2026.

16. On page J-10-4 the grant to HCA says it is decreased \$20,000 to \$648,500. This is not consistent with the 50% decrease. Can you clarify those figures?

**Finance Response:** The 50% decrease was based on the payments requested for these grants in FY 21. In FY 20, part of this particular grant was paid from one-time excess funds received from the IDB. The \$20,000 decrease is in reference to the amount that Metro funded (after the IDB funding) in FY 2020.

17. Do these deals have a clause written in them that these payments are contingent on Metro having the funding?

**Finance Response:** These grants subject to annual appropriations from the Metropolitan Council.

18. If we do make any new job grant awards in the upcoming year, can that request for approval to the council include reports that include not just jobs created, but other direct and indirect economic benefit from past on-going awards?

**Administration Response:** The Mayor's Office remains eager and willing to include data points that would assist Council members in their evaluation of economic incentives. This Office would seek Council's assistance in establishing a specific formula defining "direct and indirect economic benefit", including the items to be calculated or quantified, the metrics to use, and other clarifications. The Mayor's Office might further suggest that these metrics be codified within the Metropolitan Code of Laws, perhaps under Chapter 2.210, for purposes of consistency and public notice.

19. Please confirm that HCA cut is 50% and not \$20K as indicated on page 436 of the budget book.

**Finance Response:** All of the jobs grants were reduced by 50% of the amounts requested for FY 2021.

20. Provide a link Council to incentive map established last term, with explanation, value/terms, status, etc. We often receive questions around budget like: why is Dell still getting incentives? Why does Bridgestone have a 25 yr tax abatement?

**Administration Response:** These are currently available on Mayor Cooper's webpage at the following links:

<https://www.nashville.gov/Mayors-Office/Economic-Opportunity/Business-Incentives/Projects-Database.aspx>

<https://www.nashville.gov/Mayors-Office/Economic-Opportunity/Business-Incentives.aspx>

21. When that data on business closings from the state becomes available can this office share how Nashville zip codes are tracking for business closures?

**Administration Response:** Yes, if possible. The Mayor's Office has attempted on multiple previous occasions to obtain business data from the Office of the Tennessee Secretary of State, including specific lists of Davidson County businesses that have started and closed, the particular reasons for closure, location data (i.e., by zip code), and other information disclosed within state business license applications. To date, these efforts have been unsuccessful, although the Secretary of State has offered to provide some data at a significant cost. The Mayor's Office continues to work with the Davidson County Clerk's Office to seek this and other information from state offices to improve our internal mapping of Nashville's business landscape.

22. I would like to have information about the total number of jobs created or filled in relation to the companies that receive the ECD jobs grant.

**Administration Response:** Attached is a summary of the jobs created by companies with active job incentives. I have included a link to the legislation enabling these incentives for your reference and because they differ in length of term the incentive runs for. Dell is the outlier with an extremely long term. I am happy to speak with you about what I am seeing other cities in our competitive suite provide (or not) in terms of incentives- jobs or otherwise. My personal feeling is that job grants are more helpful in supporting local employment than other types of incentives (PILOT, TIF) and can be tailored to high-barrier individuals and/or place bases (you receive funding if the business locates in x neighborhood).

Eliminated the incentive altogether removes our ability to have a seat at the table for negotiating and integrating our other initiatives (workforce development, apprenticeships, etc).

| IDB - March 2020      |           |                   |               |   |   |                            |                            |
|-----------------------|-----------|-------------------|---------------|---|---|----------------------------|----------------------------|
| Job Incentive Summary |           |                   |               |   |   |                            |                            |
| Company Name          | Jobs 2019 | Incentive per Job | Total Payment | Mayor's FY21 Budget amount 50% of total | Location of Project                             | Legislation                |                            |
| Bridgestone           | 861       | 500               | \$ 430,500    | \$ 215,250                              | 5244 Hickory Hollow Pkwy, Antioch TN 37013      | <a href="#">RS2016-399</a> |                            |
| Philips               | 633       | 500               | \$ 316,500    | \$ 158,250                              | 511 Union Stree, Nashville, Tn 37219            | <a href="#">RS2017-986</a> |                            |
| Warner Music          | 139       | 500               | \$ 69,500     | \$ 34,750                               | 315 Deadrick Street Nashville, TN 37201         | <a href="#">RS2016-434</a> |                            |
| UBS                   | 840       | 500               | \$ 420,000    | \$ 210,000                              | 300 Union St, Nashville, TN 37201               | <a href="#">RS2013-845</a> |                            |
| HCA Parallon/SCRI     | 2594      | 500               | \$ 1,297,000  | \$ 648,500                              | multiple- Capitol View, Mainstream Dr, Skypark  | <a href="#">RS2014-988</a> | <a href="#">RS2014-989</a> |
| Dell                  |           | 500               | \$ 500,000    | \$ 250,000                              | 1 Dell Parkway 37217, 648 Grassmere Park, 37211 | <a href="#">R99-1621</a>   |                            |
| Totals                | 5067      |                   | \$ 3,033,500  | \$ 1,516,750                            |   |                            |                            |

23. Are the ECD grants to be partially funded in the Mayor’s proposed budget subject to funding availability, and, if so, would the Council would need to make an affirmative finding that funds are not available?

**Response:** Except for UBS, all of the agreements contain similar language conditioning the payments upon the annual appropriation of funds by the Council while acknowledging that the agreement is an inducement for the company to bring/maintain operations and make investments in the jurisdiction. The UBS agreement has the subject to funds appropriation language but does not contain the acknowledgment language.

I have confirmed with Metro Legal that if the Council decided to eliminate the grant payments entirely for FY21, it would help Metro’s case in any resulting litigation to make a finding in the budget ordinance that funds are not available to pay the grants from FY21.