

## **Tax Increment Financing Study and Formulating Committee**

### **Draft Minutes of Meeting**

**February 22, 2019**

On February 22, 2019, the Tax Increment Financing Study and Formulating Committee (the “Committee”) held a meeting in the Peabody Conference Room on the first floor of Lindsley Hall, 730 2nd Avenue, in Nashville, Tennessee. The meeting began at 1:00 P.M. The following individuals were present in person:

Dr. Paulette Coleman, Charles Robert Bone, Talia Lomax-O’Neal, Bert Mathews, Bob Mendes and Richard Warren. Mr. Mendes chaired the meeting and called it to order. Mr. Warren served as Secretary. Brian Kelsey had a conflict and was unable to attend.

The meeting was open to the public and there were several other people in attendance. The meeting was recorded on video and made available following the meeting on Channel 3 and the Metro YouTube channel.

#### **Agenda**

The agenda for today’s meeting was for the committee to begin reflecting on the information that it has gathered to date about Tax Increment Financing and to review the list of Ideas and Questions to Consider posted to the committee’s Share Point site in advance of the meeting as a way to begin formulating the committee’s recommendations for its report to the Metro Council.

#### **Approval of Minutes**

The minutes of the previous meeting held on February 8, 2019, were unanimously approved on a motion from Dr. Coleman seconded by Mr. Mathews. They are now posted to the SharePoint site and marked as “Approved.”

#### **Brainstorming about next steps**

Mr. Mendes opened the discussion by stating that the committee is now ready to shift from the study portion of our assignment to the recommendation stage. Some recommendations on transparency can probably be adopted right away while others may take some time to implement. Ms. O’Neal suggested that there could be one list for the next six months and a longer term list. Mr. Bone suggested that a third bucket could be areas for other groups to study in the future. Dr. Coleman is concerned that steps be put in place to assure that there is action taken. She thinks that we should designate those to whom the recommendations are addressed. Mr. Mendes said there will be some actions for the Council to act on. He has introduced three bills that are on hold while MDHA agreed to a moratorium in new TIF deals until after June 30.

This committee should finish its work by the end of April and that leaves two months in the current Council term.

Mr. Mendes prepared a list of items to consider that is posted to the Share Point site. It starts with a list of goals of where and what that should be updated periodically. Ms. O’Neal asked

who would set those goals; you need executive input but also the public, legislative branch, and MDHA. What about the development community? Mr. Mathews said that is part of the public outreach. Mr. Mendes added the Planning Department. Dr. Coleman noted that development here has often been done parcel by parcel rather than holistically which is something that Planning can do. Mr. Warren mentioned that Planning is doing some of that now through corridor studies.

Mr. Mathews said that some of that type of thinking has gone on in the redevelopment districts. Dr. Coleman pointed out that thirty years is too long a time for a plan to go without revision. MR. Mendes noted that the lenders need a long term commitment to repay the loan; perhaps Council and MDHA need to sign off every ten years as to whether blight still exists. Mr. Bone noted that blight is the initial determination but the test after that is public benefit, not necessarily “but for.” You do need to modify the specific goals as time goes on. Mr. Mathews observed that TIF may not be required for another hotel but may still be required for housing or other needs; he likes the idea of a periodic review process.

Mr. Mendes then attempted to summarize this discussion. After some number of years there is a reassessment by various stakeholders of what current needs are. Mr. Mathews noted that you don’t want to lose the tool which may be useful for other purposes. Mr. Mendes cited the Skyline District as one that did not produce a lot of results as compared to the Gulch between 2008 and 2018. Mr. Mathews said that we need a tool to assess successes and failures and opportunities to talk about both results such as AT&T bringing 2,000 employees downtown to its new headquarters building.

Mr. Mendes asked what the frequency of review should be. There was a discussion of how often the Nashville Next plan is redone which we think is about every twenty years. Mr. Bone suggested that it would be good to tie this into some process that already exists. Mr. Mendes noted that the Planning Department has been grading the city’s capital improvement budget and how it compares to implementation of the Nashville Next plan. Ms. O’Neal and Mr. Bone noted that Planning is well suited to do this and they work closely with MDHA already.

Mr. Mathews said that our committee should set some 30,000 foot goals and let these groups make it more specific. Mr. Mendes noted that the Director of Planning, Lucy Kempf, is very interested in what we are doing and the design review process and this committee will need to hand off some longer range assignments to other groups. There needs to be some consequence if these requirements for periodic review are not met.

Mr. Mendes noted that we have to be mindful of the electoral cycle as some things will require executive input and we have a mayoral election set for August. Ms. O’Neal observed that some things can be done legislatively but other things can be done by an executive order from the mayor.

Mr. Mendes offered another topic to consider. He is now more focused on IDB TIF which does not require a redevelopment district but the IDB has only one part time employee. Mr. Mathews said this is an intriguing idea for developers as it opens up a lot of new opportunities. Mr. Bone said that MDHA might be able to loan some expertise to the IDB under a memorandum of understanding. Mr. Mathews noted that you don’t want someone playing the IDB off against MDHA. Mr. Mendes said there should be a single process. Ms. O’Neal noted that we will

need to alert Ginger Hauser as Chair of the IDB if we are going to make a recommendation that involves the IDB.

Mr. Mathews suggested that there should be a public document that explains the TIF process and there should be periodic workshops to explain how TIF works; this should make it more widely available. Another idea might be to set aside a pool of money that does not require a guarantor for a loan for specific geographic areas and types of borrowers.

Mr. Mendes then commented that one risk he is concerned about with such a pool is that the developer has less skin in the game. He suggested that there could be a contingent note purchase agreement with Metro. Mr. Warren suggested that perhaps the lender is only made 90% whole.

Mr. Bone noted that this introduces some risk to the city that is not currently there but it could well be worth it. He discussed the cost of issuance and the guaranty requirement. Perhaps instead of a pool there is a reserve fund. Mr. Warren discussed the concern that the larger projects generate a lot more tax revenue so that will require some analysis, Mr. Cain noted that the issuance costs has traditionally caused MDHA to not make TIF loans of less than \$1 million as loans below that amount are not economical and other tools may be better suited for those projects.

Dr. Coleman noted that this gets back to your goals as we have incentivized a lot of big shiny projects and we need a mechanism that helps other projects. Mr. Mendes suggested that one of our goals may be to increase the diversity of TIF recipients. Mr. Mathews stressed that this should be a key goal, helping to reduce the view that this is an insider's game. Mr. Bone noted that this will require us to be proactive. Dr. Coleman said that we need to explain what TIF is and how it works such as the requirement that it be used for infrastructure; people perceive that this is only available for wealthy developers with big shiny projects and it only happens downtown. Can we target some other areas (Mr. Bone called this geographic diversity). Are there more creative ways that we can use TIF? For example, Dr. Coleman had not known that IDB TIF can be used for affordable housing.

Mr. Mendes then raised another issue. The Planning Department requires certain infrastructure improvements from developers and some of them but not all may be able to receive TIF to help pay for this. Mr. Warren responded that this involves two different concepts. The Planning Department does sometimes require developers to bear the cost of certain infrastructure costs as part of the development of a new project. For example, after the city built the Music City Convention Center it was decided that as the land around it was developed wider sidewalks would be required and the developers would bear the cost of constructing these sidewalks on their property. As hotel projects were proposed, it was important to the city that some of the hotels near the convention center make rooms available at reduced rates for conventions so it asked the hotels to enter into room block agreements for this purpose. Some of the hotels such as the Westin agreed to do this and received some TIF in connection with that. Others such as the JW Marriott chose not to enter into such an agreement and it did not receive TIF. The TIF awards were tied to the willingness to enter into the room block agreements, not the required sidewalk improvements.

Mr. Mathews noted that this gets back to goals. TIF was used to help rehabilitate the trolley barns or to incentivize AT&T to bring 2,000 jobs downtown. These goals should be transparent and publicly disclosed.

Ms. O'dNeal noted that there are complaints that these TIF loans divert money from the capital improvement budget so there is less money available for, say, sidewalks in another part of town. Mr. Bone said that we need to be intentional going forward and focus proactively on parts of town that don't look like downtown or the Gulch. How do you demonstrate whether the TIF is an investment that grows the entire pie? Mr. Mendes says they would be more credible if they gave you a range rather than a precise calculation, hopefully with a very neutral party making the assessment, Mr. Bone noted that this is complicated by the public benefit analysis which includes desirable goals (open space, greenways, transit, etc.) on which it is hard to place a price tag..

Mr. Mathews then raised the issue of design review. MDHA has more flexibility than the Downtown Code ("DTC") so it looks at different issues than the Planning Department. Mr. Mendes says that he hears a wide variety of comments on how well or poorly this process works. He noted that part of the objection to the Donelson TOD was property owners not wanting to have to deal with MDHA on signs forever. Mr. Cain discussed how MDHA has attempted to make the signage standards more uniform such as adopting the DTC signage guidelines. Our committee should encourage MDHA to continue streamlining its process.

Mr. Mathews said that we should be able to answer the categories of questions that we receive at the public hearing by either educating people as to what has already been done and what we are recommending changes to address. Mr. Mendes agreed that we should include myths, FAQs, etc.. Dr. Coleman's outline of what we should be doing is very helpful.

### **Discussion of the public hearing**

.The committee will be there to listen not to immediately respond to issues raised by the public. Each speaker will have three minutes. Mr. Mendes will do a short introduction.

### **Comments received on the Study Group web page**

None.

### **New business**

None.

### **Next Meeting**

Next meeting is on Wednesday, March 6, at 6:30 pm, a Public Comment session in Council Chamber. The next regular meeting of the committee will be on March 8 at 1 pm back in Lindsley Hall. The topic will be to discuss suggested improvements to TIF practice in Nashville. The committee will then determine when it needs to meet again as it moves into the phase of writing its report.

There being no further business, the meeting was then adjourned at approximately 3 P.M.

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Richard Warren, Secretary