



AGENDA

BOARD OF MAYOR AND ALDERMEN

CALLED BUSINESS MEETING

Wednesday, March 18, 2015

Council Room – 2nd Floor, City Hall, 10:00 a.m.

Board of Mayor and Aldermen

Mayor Dennis R. Phillips, Presiding
Vice Mayor Mike McIntire
Alderman John Clark
Alderman Colette George

Alderman Andy S. Hall
Alderman Tom C. Parham
Alderman Tom Segelhorst

City Administration

Jeff Fleming, City Manager
Chris McCartt, Assistant City Manager for Administration
Ryan McReynolds, Assistant City Manager for Operations
J. Michael Billingsley, City Attorney
James Demming, City Recorder/Chief Financial Officer
David Quillin, Police Chief
Craig Dye, Fire Chief
Morris Baker, Community Services Director
Lynn Tully, Development Services Director
Tim Whaley, Community & Government Relations Director
George DeCroes, Human Resources Director

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. Contribution, if Needed, to KEDB for Economic or Industrial Development, Including the Acquisition and Preparation of Property and Authorizing One or More Agreements Pertaining to the Same (AF: 70-2015) (Jeff Fleming)**
 - Resolution
- IV. COMMUNICATIONS**
 - A. Visitors
- V. ADJOURN**



AGENDA ACTION FORM

Contribution, if Needed, to KEDB for Economic or Industrial Development, Including the Acquisition and Preparation of Property and Authorizing One or More Agreements Pertaining to the Same

To: Board of Mayor and Aldermen
From: Jeff Fleming, City Manager

Action Form No.: AF-70-2015
Work Session: N/A
First Reading: N/A

Final Adoption: March 18, 2015
Staff Work By: Jeff Fleming
Presentation By: Jeff Fleming

Recommendation:

Approve the resolution.

Executive Summary:

KEDB has an opportunity to acquire some property that is ideally situated for economic and industrial development. There is significant potential, if the property is acquired. To acquire the property KEDB would obtain a loan for the purchase. KEDB could then lease the property for an amount that would cover its loan payments (including interest) for the duration of the loan term.

In the event that does not occur, e.g. the lease is terminated earlier than expected, the city would make a contribution, most likely in installments, of potentially up to \$6.5 million to KEDB for economic or industrial development, and those funds could be used for the payments for the facility. In such event the property would be available for economic and industrial development. At some point, when the property is sold or leased, it is anticipated that the city would recoup some or all of the contribution.

Attachments:

- 1. Resolution
- 2. T.C.A. section 6-54-118

	<u>Y</u>	<u>N</u>	<u>O</u>
Clark	—	—	—
George	—	—	—
Hall	—	—	—
McIntire	—	—	—
Parham	—	—	—
Segelhorst	—	—	—
Phillips	—	—	—

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING A CONTRIBUTION TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KINGSPORT, TENNESSEE (KEDB) FOR ECONOMIC OR INDUSTRIAL DEVELOPMENT PURPOSES, INCLUDING THE ACQUISITION AND PREPARATION OF PROPERTY FOR SUCH PURPOSES; AUTHORIZING SUCH AGREEMENTS AS MAY BE NEEDED TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; EXPRESSING THE INTENT OF THE BOARD TO ESTABLISH ONE OR MORE PROJECT ACCOUNTS IN AN ORDINANCE APPROPRIATING FUNDS TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION, IF NEEDED; AND TO FIX THE EFFECTIVE DATE OF THIS RESOLUTION

WHEREAS, the board of mayor and aldermen (“board”) has met pursuant to proper notice in a public meeting; and

WHEREAS, the board has previously authorized the incorporation of The Industrial Development Board of the City of Kingsport, Tennessee (“KEDB”) as an industrial development board duly organized and existing under the provisions of Title 53, Chapter 7, Tennessee Code Annotated (the “Act”); and

WHEREAS, KEDB is planning to acquire approximately 33.75 acres and improvements thereon from the Sullivan County Economic Development Partnership (d/b/a Networks-Sullivan Partnership, which is a part of the property conveyed in deed book 2564C, page 338, recorded in the office of the Register of Deeds for Sullivan County at Blountville) and which property will be used for economic or industrial development purposes in Kingsport, Sullivan County, Tennessee, thereby providing jobs and furthering economic development; and

WHEREAS, the use of the property will provide the city with increased tax receipts and will enhance the public welfare, health and safety of its citizens; and

WHEREAS, KEDB will obtain a loan to purchase the property and make certain improvements thereto and may need a contribution of up to six million five hundred forty thousand and 00/100 dollars (\$6,540,000.00) for economic or industrial development; and

WHEREAS, the city is authorized by T.C.A. section 6-54-118 to make contributions to an eligible industrial development corporation for economic or industrial development; and

WHEREAS, KEDB is an eligible industrial development corporation; and

WHEREAS, KEDB represents that it has the statutory authority to borrow funds to purchase the property; and

WHEREAS, certain agreements between the city and KEDB will be needed to effectuate the purpose of this resolution.

Now therefore,

BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

SECTION I. That the board authorizes, if necessary, a contribution to the Industrial Development Board of the City of Kingsport, Tennessee (KEDB) for economic development or industrial development of up to six million five hundred forty thousand and 00/100 dollars (\$6,540,000.00) for acquisition and preparation of property, which contribution, if needed, could be used to pay part or all of the indebtedness incurred by KEDB for such acquisition and preparation.

SECTION II. That an agreement with KEDB is approved to provide an annual contribution for such economic development or industrial development to KEDB up to the required debt service on the loan in the event that net rental income under leases and rental agreements on the property are not sufficient to pay the debt service during the ten (10) year term of the loan, and if a principal balance remains on the loan at maturity (10 years from the date of the loan), after KEDB has applied all proceeds from the net rental income under leases and rental agreements on the property or sale of part or all of the property, the city shall, at its option, purchase any remaining unsold part of the property from KEDB for the outstanding balance owed on the loan, or provide a contribution to KEDB for economic development or industrial development in amount equal to the outstanding balance owed on the Loan up to a maximum of six million five hundred forty thousand and 00/100 dollars (\$6,540,000.00). Additionally, the agreement must provide that KEDB will use all net rental income payable under leases and rental agreements on the property to pay the accrued interest on the Loan and the debt service on the loan, and if any portion or all of the property is sold, the proceeds from the sale will be applied to the principal balance owed on the loan. KEDB may assign the agreement.

SECTION III. That the board recognizes that other agreements with KEDB may be needed to effectuate the purpose of this resolution and, accordingly, approves such agreements, as needed, to effectuate the purpose of this resolution, as determined by the mayor in consultation with the city attorney, and authorizes and directs the mayor to execute such agreements.

SECTION IV. That the board finds that the expenditure of any funds pursuant to this resolution is for the purpose of economic development or industrial development, is for a public purpose, is in the public interest and will promote the health, safety and prosperity of the citizens of the city.

SECTION V. That to carry out the intent of this resolution the board will establish by ordinance, as needed, one or more project accounts and to fund such project account(s) in the upcoming budgets, and the city manager is directed to authorize and establish such project account(s), when and as needed.

SECTION V. That this resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED this the 18th day of March, 2015.

DENNIS R. PHILLIPS, MAYOR

ATTEST:

JAMES H. DEMMING, CITY RECORDER

APPROVED AS TO FORM:

J. MICHAEL BILLINGSLEY, CITY ATTORNEY

T. C. A. § 6-54-118. Municipal relationships with industrial development corporations.

(a)(1) Notwithstanding any other provision of law to the contrary, a municipality may appropriate funds, which may be funds borrowed by the municipality under applicable law, for the purpose of making a loan, with reasonable interest assessed, or a contribution to an eligible industrial development corporation, as defined in subsection (c), for the purpose of economic development or industrial development, or both.

(2) Without limiting the provisions of subdivision (a)(1), a municipality may also agree, for the period of time that the municipality may determine pursuant to an interlocal agreement entered into under § 12-9-104, that relates to the joint development or operation of an industrial park or a business park, to contribute to any eligible industrial development corporation that is identified in the interlocal agreement as the entity responsible for the development or operation of the industrial park or business park an amount equal to the property taxes that the municipality receives with respect to the property, including personal property, located within the industrial park or business park.

(3) Any amounts contributed to an industrial development corporation pursuant to subdivision (a)(2) shall be deemed revenues of the industrial development corporation, which may be used for any lawful purpose of the industrial development corporation.

(4) Without limiting the provisions of subdivisions (a)(1)-(3), any industrial development corporation that is identified in an interlocal agreement as the entity responsible for the development or operation of an industrial park or business park shall be authorized to distribute to any municipality that is a party to the interlocal agreement any revenues received by the industrial development corporation with respect to the industrial park or business park that are in excess of the amounts that are needed to pay the expenses of developing and operating the industrial park or business park.

(b) Without limiting the authorization provided under any otherwise applicable law, on or before 11:59 p.m., January 1, 2012, a municipality located in a tier 3 enhancement county as defined in § 67-4-2109(a)(2) as of June 1, 2011, acting through the authorization of the board of public utilities or other board or supervisory body having responsibility for the electric department or gas department of the municipality, may loan funds from the electric department or gas department to an eligible industrial development corporation for the purpose of economic development or industrial development, or both; provided, that:

(1) Prior to making any loan pursuant to this subsection (b), the municipality shall submit the loan agreement to the comptroller of the treasury, or the comptroller's designee, for approval based upon a review of the financial condition of the electric or gas department, the department's available reserves, the collateral provided to the department, and the terms and conditions of the loan documents; and

(2) The principal amount of any loan made pursuant to this subsection (b) shall not exceed five hundred thousand dollars (\$500,000).

(c) For purposes of this section:

(1) "Eligible industrial development corporation" means:

(A) Any industrial development corporation incorporated in the county in which the municipality is located;

(B) Any industrial development corporation formed jointly by the municipality and other municipalities pursuant to § 7-53-104(b); and

(C) Any industrial development corporation that has been identified in an interlocal agreement to which a municipality is a party as the entity that will be responsible for the development or operation of an industrial park or business park; and

(2) "Municipality" shall have the same meaning as in § 7-53-101.