

**INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF OAK RIDGE**  
**MINUTES**

DATE: October 3, 2011

TIME: 4:00 pm

PLACE: Municipal Building Conference Room

PRESENT: Board Members: William Biloski, Richard Chinn, Louise Dunlap, Chris Johnson, Hal Osucha, Buzz Patrick, Harold Trapp, David Wilson  
Executive Director: Kim Denton

ABSENT: David Mason

ALSO PRESENT: Elisabeth Brown, OREP; Kathy Barber, OREP; Parker Hardy, Chamber of Commerce; Maribell Koella, NAI Knoxville; Sam Tate, NAI Knoxville; Keith Craft, BWSC; Lowell Strunk, BWSC; Tammy Upton, B&B Properties; Tagge Stroom, Appalachian Underwriters; Steve Jenkins, City of Oak Ridge; Bryan Mills, ACHW; Rick Ferguson, RSI; Margret Elgin, Oak Ridge Electric Department

Mr. Biloski called the meeting to order at 4:00 p.m.

**Approval of Agenda**

Mr. Trapp made a motion to approve the Agenda as submitted. Ms. Dunlap seconded the motion. Motion carried with all in favor.

**Approval of Minutes**

Mr. Chinn made a motion to approve the minutes of the regular meeting held September 6, 2011. Mr. Trapp seconded the motion. Mr. Krushenski requested a minor change in wording under "Attorney's Report, Paragraph 1" from "Certificate of Occupancy" to "contract closing." Motion carried, including correction, with all in favor.

**Treasurer's Report**

Mr. Trapp reported that the IDB has a current balance of \$305,545.64 in checking account. In reviewing the Financial Report, Mr. Osucha questioned the estimated CAM revenue. Ms. Denton explained it is a bookkeeping issue in how that anticipated revenue is reported. She went on to explain the CAM revenue had previously been reported under deferred revenue and is now being reflected as an individual line item. Mr. Biloski requested Ms. Denton seek a detailed explanation from Ms. Cook regarding actualities. Mr. Osucha made a motion to accept the Treasurer's Report as submitted. Mr. Chinn seconded the motion. Motion carried with all in favor.

**Prospect Activity (Executive Director) Report**

1. Prospect Update

Ms. Denton reported that prospect activity has picked up ever so slightly. Overall activity is very slow, keeping in trend with the region and southeast. Ms. Denton informed the board that a couple of food & beverage manufacturing projects were recently not submitted because the

current infrastructure could not accommodate the large water requirement. Ms. Denton did note, however, that the projects currently active are good, solid projects. Ms. Denton ended her report by informing the board of the site selector luncheon recently hosted by the Tennessee Economic Partnership and Tennessee Department of Economic & Community Development. This luncheon, held in New York, was to allow state economic development officials, as well as Governor Haslam, to interact one-on-one with site selectors to discuss what assets Tennessee has to offer. As a TEP board member, Ms. Denton had the opportunity to participate in this event, making some good connections with site consultants.

2. NAI Real Estate Marketing Report.

Ms. Denton introduced Maribel Koella from NAI Knoxville who presented the real estate marketing report. Ms. Koella informed the board that NAI has received 4 Requests for Information; made 22 outbound calls; and made 2,400 outbound electronic marketing touches. Ms. Koella further informed the board that commercial real estate prices continue to deteriorate. She reported that industrial property is beginning to rebound ever so slightly. Retail/office/land categories are flat – no activity. Ms. Koella also discussed lease rates and comparable sales and stated this market “is the worst I’ve seen in my 25 year career.” The question was raised over what period of time does this report cover? Ms. Koella informed the board this report is over a 2-year period. Ms. Koella did state that Oak Ridge has fared better than other areas of the region. It was noted that Oak Ridge tends to see a delayed reaction in economic trends vs. national climate. Due to the ever-changing economic climate, Ms. Koella offered to present Quarterly reports to the board to assess market conditions.

3. Sewer Line Update

Ms. Denton introduced Lowell Strunk, with BWSC, to the board. Ms. Strunk is responsible for the monitoring of the sewer line installation project at Horizon Center. Mr. Strunk reported that he is quite pleased with the job the contractor, Jack Southard, is doing. Mr. Strunk discussed details of the job and said that while minor glitches have occurred, overall he feels things are going very well. He would estimate that approximately half of the sewer pipe has been installed.

4. Land Clearing Update

Mr. Strunk continued his report with the land clearing update. He feels things are going slowly with the land clearing. The access road into the property has been completed and he estimates approximately 4 acres has been cleared. He noted a burn permit has not been obtained yet. Once the burn permit is obtained, Mr. Strunk feels the project will proceed smoothly. Mr. Strunk said he is impressed with the contractor, B&D Equipment. Lastly, Mr. Strunk informed the board he will be presenting detailed monthly invoices to BWSC for review, who will then submit the invoices to Mr. Biloski and Ms. Denton for review and payment.

5. IDB/OREP Board Work Session Follow-Up

Ms. Denton discussed follow-up from the joint IDB/OREP Board work session. She informed the board she had met with the City Attorney, Ms. Fallon and Ms. Brown to discuss the Partnership’s role in providing IDB support that city staff had previously provided. Ms. Denton indicated she would discuss with the results of the meeting with the IDB Chair, as well as the OREP Chair, and report back to both full boards..

## **Attorney's Report**

### **1. Restoration Services Inc. Land Purchase Update**

Mr. Krushenski reported that the sale contract for the land purchase at Horizon Center is included in the packet. Mr. Ferguson with RSI was present to execute the contract following the meeting. Upon review of the contract, Mr. Chinn raised concerns regarding Sections 7 & 8. Discussion ensued. Mr. Chinn made a motion to amend Sections 7 & 8 of the sales contract to require the full IDB vote before a contract is approved instead of just the IDB Chair and the City Attorney. Mr. Osucha seconded the motion. The motion did not carry unanimously. A roll call was done. Mr. Biloski, Mr. Chinn, and Mr. Osucha, all voted "yes." Ms. Dunlap, Mr. Johnson, Mr. Patrick, Mr. Trapp and Mr. Wilson all voted "no." Due to the motion not receiving a majority vote, the motion failed. Mr. Wilson then made a motion to accept the sales contract as presented. The motion carried unanimously.

### **2. IDB TIF Policy Submission for City Council Approval**

Mr. Krushenski reported he does not have comments from the City Manager regarding TIF Policy. Mr. Krushenski assumes the City Manager will submit his comments regarding the TIF Policy in writing to the IDB when complete.

### **3. PILOT Program Refund Policy**

Mr. Krushenski presented the proposed changes to the board and gave his recommendations. Mr. Krushenski said the board could send the proposed changes back to the Special Projects Committee for further definition or could approve broader language. Some board members felt the language "sole discretion" was broad enough allowing for flexibility while others felt the language needed to be more specific. Mr. Johnson made a motion to approve the suggested language changes. Ms. Dunlap seconded the motion. The motion did not carry unanimously. A roll call was done. Mr. Biloski, Mr. Chinn, Ms. Dunlap, Mr. Johnson, Mr. Osucha, Mr. Trapp and Mr. Wilson all voted "yes." Mr. Patrick voted "no." Due to the motion receiving a majority vote, the motion carried.

### **4. ATC Nuclear/Omega Consultants PILOT Lease Documents**

Mr. Krushenski reminded the board that ATC Nuclear and Omega Consultants PILOT lease does need to be executed by December 31, 2011. Mr. Patrick indicated that Omega's attorney had been in contact with Mr. Mamantov. Ms. Denton will follow-up with ATC.

## **Committee Reports**

### **Finance**

#### **1. FY 2011 Audit**

Mr. Trapp reported the audit is complete. He stated the auditor is available to the board to answer any questions. Mr. Trapp presented copies of the audit to the board. He stated the Finance Committee will review and offer its recommendation the board.

### **Land Use**

#### **1. Horizon Center Electrical Infrastructure Update**

Mr. Biloski discussed a 30-day public notice for a flood plain through the easement site at Horizon Center. Mr. Craft, with BWSC, stated a sketch has been done to submit to DOE for

approval and then will then be presented to the City. The City has engaged Mr. Craft to conduct a survey of the land in question.

2. Horizon Center CAM Invoices

Mr. Osucha reported the CAM fee for HJN Properties is still outstanding. He noted the subject property is for sale. Ms. Denton stated she had a discussion with the listing realtor who feels the situation can be resolved. Mr. Osucha made a motion to place a lien on the subject property. The motion was withdrawn. Mr. Biloski will communicate with the property owner to make clear that stronger action is being contemplated if the CAM fees are not paid in a timely fashion. Mr. Krushenski said he would also send a letter to the property owner.

Special Projects Committee

1. Horizon Center Proposal Letter Request

Ms. Denton reviewed the letter sent from the IDB Chair to the OREP Chair. She stated the letter will be presented to the OREP Board at their meeting on October 14, 2011. She noted the Special Projects Committee will meet in October. Mr. Wilson asked the City Attorney to review the letter. Mr. Krushenski indicated he had discussed the matter with a fellow attorney and agreed there are potential issues. Mr. Wilson stated he had discussed the proposal as well with a real estate attorney who sits on the State Board of Realtors and agreed there are potential issues with the proposal.

2. Horizon Center NAI Proposal

Ms. Denton also reported she has received a draft proposal from NAI which she will present at the November meeting.

Spec Building Committee

Mr. Wilson informed the board the Spec Building Committee has reservations moving forward at this point. He stated the difficulty in finding comparable spec buildings currently on the market to even get an accurate picture of market conditions. He will continue to monitor the market and continue to gather information.

**Old Business**

No old business was reported.

**New Business**

1. City/Appalachian Underwriters Electrical Request

Ms. Denton sent out a brief regarding this matter for board members to review prior to the meeting. It included a letter from B&B Properties, owners of Jackson Plaza as well as a letter from the City Manager including specs of the equipment being proposed. The City Manager addressed the board giving an overview of the issue and the history behind it. The underlying issue is electric reliability for Jackson Plaza.

Appalachian Underwriters is planning an expansion of an additional 100 new jobs, but the electrical issue must be resolved before those jobs can be added. It was noted that Appalachian Underwriters is a global company and must be operational 24/7.

The City Manager is requesting a \$100,000 investment from the IDB to purchase the necessary electrical equipment. Margaret Elgin, Deputy Director of the City Electric Department, presented a map to the board explaining the City's electrical infrastructure in that area. She stated the city has already spent several hundred thousand dollars in electrical upgrades for that area. The piece of equipment relative to this conversation is specific to Jackson Plaza. Mr. Stroom of Appalachian Underwriters addressed the board. He stated the company had relocated from Clinton to Oak Ridge bringing some 200 jobs. They now employ 300 and are planning the previously mentioned expansion. He noted that Appalachian has 12 other locations across the country, as well as the Oak Ridge headquarters operation. He expressed his optimism for the Oak Ridge operation to continue to grow if the reliability issue can be resolved.

Mr. Biloski noted that Chattanooga is in the process of ordering quantities of the equipment being discussed. The board inquired whether Oak Ridge could "tack onto" their order in hopes of receiving a discounted price. Ms. Elgin stated she did not think that would be possible due to standardized pricing. The board also inquired if the IDB paid for the equipment, would the city be willing to pay for the installation? The City Manager stated that option could be discussed. A lengthy discussion regarding the technical specifications of this project was held. Ms. Elgin stated, in her professional opinion, this option was the most viable. It was discussed where in the budget the IDB would pull monies for this project. The question was raised whether this project would qualify for a PILOT or a TIF? Mr. Jenkins, the city's finance officer, and the City Manager stated a PILOT or TIF are not applicable in this circumstance.

The board expressed concern about there being a lack of ROI on this investment. It was noted that Jackson Plaza houses 650+ employees. Mr. Hardy noted that if the reliability issue isn't resolved, Appalachian Underwriters does have the prerogative to locate the planned additional 100+ employees to another of their locations. Mr. Stroom offered for the IDB to tour the facility and see the operation first hand. Mr. Watson stated he would have a firm estimate for the cost of the project to the board before the November meeting. A possibility of scheduling a work session was discussed so the board would be prepared to vote on this issue at the November meeting.

#### **Adjournment**

Mr. Wilson made a motion to adjourn the meeting. Mr. Trapp seconded the motion. Motion carried and the meeting adjourned at 6:00 pm.



Harold Trapp  
Secretary/Treasurer