

**OAK RIDGE INDUSTRIAL DEVELOPMENT BOARD
MINUTES**

DATE: September 8, 2009

TIME: 4:00 pm

PLACE: Municipal Building Training Room

PRESENT: William Biloski, Louise Dunlap, Stephen Grady, Doug Janney, Alan Liby, David Mason, Hal Osucha, Harold Trapp, David Wilson

ABSENT: None

ALSO PRESENT: Charlie Hensley, Councilman; Amit Patel, Holiday Inn Express; Parker Hardy and Kim Denton, Chamber/Partnership; James O'Connor, City Manager; Ken Krushenski, City Attorney; Susan Fallon, City Staff; Julie Miller, Oak Ridge Resident; John Huotari, Oak Ridger; Stan Mitchell, Oak Ridge Observer; Emily Waddell, ORUD; Mark Mamantov of Bass, Berry & Sims; Chris Hodges, Emerald Housing Partner; Cindy Franklin, City Staff; Anne Garcia Garland, Councilwoman

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

Approval of Agenda

Mr. Janney requested that Quitclaim Selected Land Parcels at Horizon Center be added as item c. under New Business. Mr. Wilson made a motion to approve the agenda as amended. Mr. Grady seconded the motion. Motion carried.

Approval of Minutes

Mr. Biloski recommended deleting the words "4 acres" from the first sentence in the second paragraph under Woodland Town Center on page three of the August 3, 2009, meeting minutes. The topic was discussed and Mr. Janney suggested the minutes be amended to reflect the changes. Mr. Wilson made a motion to approve the minutes of the regular meeting held August 3, 2009, as amended. Mr. Biloski seconded the motion. Motion carried.

Treasurer's Report

Mr. Trapp reported that the checking account balance is \$344,916.21. The balance for all of the funds combined is \$831,623.26 at the present time. Mr. Wilson moved to accept the treasure's report as submitted. Ms. Dunlap seconded the motion. Motion carried.

Prospect Activity

Ms. Denton reported via email that economic development activity is steady, but unfortunately the Oak Ridge Economic Partnership hasn't seen the spike that was seen in June. Recent activity has included five very large projects that either had representatives visiting or detailed RFP responses submitted. Oak Ridge did not make the final cut on two of them, but is still in the hunt for the other three.

They have seen significant interest in the large spec building over the past month. At least four different companies have expressed interest, most of which are existing industries looking to expand. They are now including the spec building flyer in all of their promotional materials, as well.

The Technology Strategy developed by Battelle for Innovation Valley Inc. is now complete and will direct their technology led economic development efforts for the next four years. Innovation Valley Director of Technology Jesse Smith is directing the implementation of the strategy. Mr. Smith would be happy to come brief the IDB on the tech-led strategy if the Board is interested.

The Board expressed interest in the briefing and Mr. Janney stated that he would let Ms. Denton know.

Attorney's Report

State Comptroller Request

Mr. Krushenski reported that a letter was received from the State Comptroller's Office and the new comptroller, Justin Wilson, is instituting a new policy to coincide with audit procedures. A formal audit is not required under the new policy; however, they are asking for a copy of the IDB's cash on hand, which can be provided.

Mr. Krushenski reported that he had spoken with Iris Haby, the representative contact in the office, and she said that this was something new and had not been done in many years. She suggested doing a simple balance sheet showing cash on hand and the sources from which they were derived. The comptroller's office is mainly interested in public taxpayer money that is held by industrial development boards across the State. He explained to Ms. Haby that money generated by the City of Oak Ridge IDB consists only of fees derived from tax abatements and bond issues. There are no public funds such as tax revenue involved. This being the case, Ms. Haby indicated there should no issues, and that it would be suitable to submit a simple balance sheet showing the funding sources and the total.

Mr. Janney stated that he thought the letter had been sent to all IDB's and Mr. Krushenski stated that supposedly they had, but he didn't know how the other IDB's were handling the request.

Mr. Janney suggested the item be voted on and Mr. Wilson then made a motion to comply with the State Comptroller's request to provide the balance sheet. Mr. Mason seconded the motion. Motion carried.

Mr. Biloski stated that Ms. Fallon had updated the business activity roster that has all of this information. Copies were distributed to the Board. Mr. Janney stated that this was the same report that Mr. Osucha and Mr. Biloski had distributed in years past.

Committee Reports

Spec Building

Mr. Janney reported that construction is underway by Sequoyah Construction and distributed photos to the Board that indicated significant earthwork. The work has been underway for several weeks. The metal building that will provide the structural frame and the exterior walls and the roof is on order and delivery is expected to coincide with

completion of the foundation work, which is in progress now. The completion date is still scheduled for November.

Mr. Osucha proposed that due to the time delay in getting spec building #2 up and running that sometime in January the Board look at the possibility of the next spec building so that they don't have to wait 4-5 years for something to happen. Mr. Janney stated that was a good point. There is another available site at ED-5 and discussions relating to this tie in to the EDA Grant application that if successful, will help to extend infrastructure to the site. This was at one time the site of the current spec building project, but the site was changed when it was determined that State funds were not going to be available to help extend the infrastructure.

EDA Grant Status

Ms. Fallon reported that the grant application had apparently been through a cursory review by the East TN Development District (ETDD) and there had been a recommendation to make a few changes. The Mayor re-signed the revised documents that will be returned to the ETDD on September 10.

Ms. Dunlap asked the status of the State of TN funds for infrastructure. Mr. Janney stated that previous information indicated that funding might be restored once the State budget was approved in June or July of 2009. There has been no further word and it appears the State is unable to distribute funds due to the economy.

Old Business

Centennial Village

Mr. Janney reported that he had spoken with Mr. Chilton and Mr. White of Centennial Village and they are on schedule for construction to begin in November. Construction documents have been submitted to the COR for building permit approval. Construction Plus, Inc., a local company with a good track record, has been selected as their general contractor. Other members of their project team include Allan and Associates, ACHW, Carpenter Wright Engineers, Kelso-Regen Engineers, and Norris and Associates.

Centennial Village is expecting to have occupancy for the first 252 family style units during the course of 2010. During construction, they are expecting that the project will generate over 250 full-time equivalent jobs for the local construction market.

Woodland Town Center

Mr. Janney reported that he had spoken with Mr. Wheeler last week and they are working to confirm the commitments of two restaurant projects and then they expect to submit a formal request for IDB participation in some manner. The request is expected to be submitted or in hand at the October meeting. Mr. Osucha asked if they would be submitting a pilot application and Mr. Janney stated that he did not know, but it is likely.

New Business

Holiday Inn Express Incentive Application

Mr. Janney briefly described the project as an 80-room hotel with approximately 8.1 million dollars in capital expenditure that is being submitted under the commercial Tax Incentive Policy. Mr. Janney reported that there had been no pre-application meeting due to the expedited submittal of the application. However, a draft MOU was prepared for Mr. Biloski and Mr. Osucha to review. These occurred in reverse order; however, the information has been provided, and Mr. Biloski and Mr. Osucha reported that the application appeared to be complete and in order. Mr. Janney also reported that Steve Jenkins conducted a financial feasibility study and has indicated that from a staff standpoint this is a project with a return on investment that merits staff recommendation.

Mr. Janney introduced Mr. Amit Patel representing Oak Ridge Hotel Partners, the developer of the project, and noted that Mr. Patel was also the developer of the Staybridge Suites project in Oak Ridge. Mr. Patel reported that there had been talk about a Holiday Inn Express name over the last several years and they are excited to now make it happen. The site is where the old Coal Creek Armory building is located. Their plans are to remove that building and build a five-story upscale hotel. Their goal is the same as with Staybridge Suites to not just shift around business in Oak Ridge amongst the hotels, but to pull new business from Knoxville. He stated they were able to achieve this with Staybridge Suites.

Ms. Dunlap asked how many acres the site has and Mr. Patel stated the site was over 4-acres; however, only 2-acres are usable due to a creek running through part of the site. Mr. Mason asked if they would have adequate parking and Mr. Patel answered yes.

Mr. Janney stated that it was encouraging to see someone in Mr. Patel's business encouraged about the market in Oak Ridge and he thinks it is something to be excited about in regard to the potential for improvement of the city's tax base and commerce. He stated the Board was being asked to deliberate and act upon this application, which is within the approved tax abatement matrix. Mr. Wilson made a motion to approve the 50% tax abatement for 10 years as requested. Mr. Trapp seconded the motion.

Mr. Janney asked if there was any discussion. Mr. Biloski recommended that the Board deliberate on whether or not a clawback provision like the one that was in the Staybridge Suites tax abatement needed to be added. Mr. Janney asked Mr. Patel if he had considered this and Mr. Patel indicated there were occupancy requirements for Staybridge Suites and that he did not have a problem with the same provisions being added for the Holiday Inn Express. Mr. Biloski stated that the Staybridge lease provided for occupancy of 60% for the first three years and 70% thereafter. Ms. Dunlap asked if the Board had a pro forma for the Holiday Inn Express and was told yes.

Mr. Janney told the Board they would be voting on whether or not to approve a 50% tax abatement for 10 years subject to meeting a 60% occupancy ratio for the first three years and 70% thereafter plus the total investment.

Ms. Julie Miller, a resident of Oak Ridge, asked to speak. She asked if there were any negotiations that were going to take place prior to voting to adjust what was being agreed upon. Mr. Janney said that the project was in the financial pro forma guidelines that the

IDB is able to act within. Ms. Miller stated she was asking because she has followed the tax abatement issue over the past few years. She stated she is questioning the percentage and the term. Ms. Miller stated she understood the need to offer incentives in order to get this development, but she feels like the incentives and the terms are excessive. Mr. Janney told her that he thought she would find that the investment by the City of 50% of the amount of taxes that would normally be due on this project, with an investment of 8.1 million dollars, is far exceeded by the return on the investment that would include 50% of the real property tax that would be generated by this project, as well as the retail and occupancy taxes that come from a project of this nature. He stated that the Board in the past has had a comfort level with a 50% abatement for a retail project. Mr. Janney also noted that other commercial projects only allow for a 33% tax abatement. Ms. Miller thanked the Board for allowing her to speak.

Mr. Janney stated that there was a motion with a second on the table. The additional issue the Board may wish to incorporate the graduated occupancy ratio language as the Board did with the Staybridge Suites project. Mr. Wilson asked if Mr. Patel was in agreement and he stated he was. The revision of the original motion and second to add the occupancy requirements was approved, and Mr. Janney stated the Board would be voting on the application for an abatement of 50% of real property taxes for 10 years and also a condition with language in the MOU and the lease that indicates a 60% occupancy ratio shall be achieved for the first three years and 70% thereafter. The motion passed unanimously.

McKenzie Village/Kareday Terrace Apartments Bond Request

Mr. Janney stated that Mr. Chris Hodges, Emerald Housing Partners, would be asking the Board to address a request that they submitted for a preliminary bond resolution that will allow them to proceed with development of the bond issue. Mr. Janney introduced Chris Hodges who explained the project to the Board.

Mr. Hodges introduced himself and stated that he was a developer of affordable housing. Emerald Housing Partners (EHP) currently has McKenzie Village and Kareday Terrace apartment complexes under contract to purchase and they intend to pursue tax exempt bond financing and low income housing tax credits through the Tennessee Housing Development Agency (THDA) as well as an additional allocation of some TCAP funds, which are dedicated to affordable housing and were provided through the stimulus plan last year. In April, EHP submitted a tax credit application for this same project to THDA for a 9% tax credit and at that time he got some feedback from the Oak Ridge Community Development Department and the Mayor seeking their support for the project in terms of acknowledging that they were consistent with the community development strategies and efforts of the COR. They were unsuccessful in that application due to it being a very competitive process and limited funds available from that program. THDA approached them recently about resubmitting an application for this project using tax-exempt funds and 4% tax credits to utilize some of the additional stimulus funds that they have.

McKenzie Village consists of 100 units built in the mid-70's and receives 100% Section 8 rental assistance from HUD. Kareday Terrace consists of 56 units dedicated to senior and disabled residents and also receives 100% rental assistance. No units will be added as part of this project, but they will be renovating the existing units with the expenditures

of 4.5 million dollars. Eight units will be fully handicap accessible. Currently there are none. Security will also be enhanced at both locations. Mr. Hodges also stated that he thought they would attract the "cream of the crop" as far as residents.

Mr. Janney asked Mark Mamantov of Bass, Berry & Sims to give the Board a briefing on the nature of this bond issue. Mr. Mamantov described the different kinds of bond issues and stated that these are conduit bonds where the Board has no liability other than to pass through the payments from the borrower. The COR has no liability and there will be no effect on the City's ability to issue bank-qualified bonds because these do not count against it. He stated that the bonds essentially have no effect on the COR whatsoever and there is no real effect on the Board other than having a conduit bond issued on the books and the Board is essentially responsible for the bond documents. Mr. Mamantov stated that their role in this project is to serve as bond counsel.

Mr. Mason asked what would happen to current residents who did not meet their "cream of the crop" criteria. Mr. Hodges stated that there would be no immediate displacement of anyone if they were not the type of tenants they want long term. He stated that they would have leasing criteria and high occupancy standards. If people do not meet those occupancy standards, then they will not be living there. He also stated that he thinks people rise or fall to the standard of what is provided for them.

Mr. Janney stated that the IDB would receive the standard bond fee of 0.5% of the bond issue, capped at \$5,000. This project qualifies for the \$5,000 cap. Mr. Krushenski stated that the Board would need to address the notice of public hearing and the "preliminary" bond resolution and also approve the issuance of the bond. Mr. Mamantov noted they were not seeking the entire amount of financing and that in order for Mr. Hodges to be in the hunt for bond allocation, he would need an indication from the IDB that they would be willing to work with him to issue the bonds. He stated that is why there was a preliminary bond resolution today and not a final resolution. The final bond documents will come to the IDB sometime in November or December, assuming that Mr. Hodges gets bond allocation. Mr. Mamantov stated that all they are asking is for the IDB to say that this is a project that they would be willing to work with this developer on to issue the bonds, assuming that all the documents are eventually satisfactory. He also stated that they wanted to give a 14-day notice of a public hearing to be held at 2:00 p.m. on September 25, 2009, in the Municipal Building Training Room, which would give enough time for newspaper notice and to include in Mr. Hodges' application. He stated that all board members would be welcomed and encouraged to attend if they are seeking public input. Mr. Janney further summarized that the Board has a preliminary bond resolution to sign with a letter of intent to participate in this bond issue.

Mr. Wilson moved to approve and execute the preliminary bond resolution letter and the notification of a public hearing. Mr. Grady seconded the motion. Motion passed unanimously.

Quitclaim Selected Land Parcels at Horizon Center

Mr. Janney reported that this is a request from Horizon Center LLC and as the Board is aware there is an existing pilot agreement with Horizon Center LLC, which maintains the property as tax exempt until such time as properties are leased or sold. There are three

parcel areas involved the quitclaim request. Details of the request are provided in the accompanying letter from Mr. Lawrence Young of Horizon Center, LLC.

The first request allows the Tennessee Department of Transportation (TDOT) to gain right-of-way widening for construction of the four-lane divided highway with median that passes in front of the Horizon Center. The Board will be quitclaiming the property that is presently in Horizon Center to allow Horizon Center LLC to convey it to TDOT.

The second quitclaim request is for the 2.2 acres on which the Horizon Center Communications Building is located. Horizon Center LLC wishes to continue use of the property. Upon quitclaim, the property will be added to the tax roles.

Finally, there is an approximate 52 acre tract, referred to as Development Area 4, located at the western-most section of the park, which is also distant from infrastructure and the least viable from a topographical standpoint for manufacturing or industrial projects. In the view of the Advocates for the Oak Ridge Reservation (AFORR) the tract has enough ecological value that they would like to have the land to preserve as natural area. As per the letter from Lawrence Young, it is not financially feasible for Horizon Center to extend infrastructure to that part of the park. Therefore, they are requesting the quitclaim in order to transfer the tract to AFORR to be maintained as natural area.

Mr. Krushenski stated there would be one quitclaim deed for all tracts directly back to Horizon Center LLC so the Board will not have any more interplay.

Ms. Dunlap moved to authorize execution of the quitclaim deed for the three properties in Horizon Center. Mr. Trapp seconded the motion. Motion carried.

Adjournment:

Mr. Wilson made a motion to adjourn the meeting. Mr. Trapp seconded the motion. Motion carried and the meeting adjourned at 5:07 pm.


Harold Trapp
Secretary/Treasurer



September 01, 2009

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Subject: Transfer of various parcels at the Horizon Center Business Park

Mr. Janney:

Please accept this correspondence as official request for the transfer of the following properties from the Oak Ridge Industrial Development Board to the Horizon Center, LLC: Lot 1-17 BA, a 56.64 acre parcel; Lot 2-16 BD, a 2.12 acre parcel; a 1.041 acre portion of Lot 1-19 BC, a 615 square foot portion of Lot 1-19 BC; and a 1.246 acre portion of Lot 1-17 BD.

Lot 1-17 BA has been of some significant interest to environment entities since the park was developed. We have been in contact with these environmental interests, principally the Advocates for the Oak Ridge Reservation (AFORR), for many years discussing activities of mutual beneficial interest. Most recently, the Horizon Center board of directors has determined that the property is of little value for the purposes of industrial development as it is isolated and some significant distance from existing infrastructure. As a result, it has been determined that the property's highest and best use is as an area of perpetual environmental protection and Horizon Center wishes to convey said property to AFORR for this purpose. As this will be a donation for purposes of environmental stewardship, we will not be receiving any financial consideration for the transfer, so there will not be any payment to the Industrial Development Board once it is conveyed to AFORR or their assigns.

The Horizon Center Communications Center is located on the 2.12 acre Lot 2-16 BD. Horizon Center would like to more formally control said property. As such we are requesting that it be transferred. Again, we would not anticipate any transfer fees, although we do anticipate that it would become a fully, taxable property.

Mr. Douglas Janney
September 01, 2009
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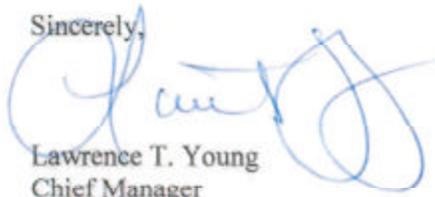
As you are keenly aware, we have been working, collectively, for more than a decade to commence with improvements to State Route 58/95 in front of the Horizon Center. It is my understanding that this project is, joyously, set to commence this Fall. The Tennessee Department of Transportation (TDOT) has contacted us, after referral by your Counsel, Mr. Krushenski, asking if we would convey property in Horizon Center necessary to effectuate the development of this expanded roadway. The various properties described above, amounting to ~2.031 acres, are those properties necessary for right-of-way (ROW) acquisition and drainage easements.

In order to assist in your efforts to develop a quitclaim deed, I have taken the liberty of enclosing a property description for Lot 1-17 BA and Lot 2-16 BD. I have also enclosed a map provided by TDOT that shows the acreage necessary for the road project.

It is my understanding that the conveyance of the right-of-way acreage is of some urgency as TDOT needs the ROW's conveyed this month, so I am asking that an expedited response to this request be undertaken.

Thank you for your efforts to meet this request.

Sincerely,



Lawrence T. Young
Chief Manager

Attachments: Property Descriptions
TDOT Maps

cc: James O'Connor
Ken Krushenski