

INDUSTRIAL DEVELOPMENT BOARD
Wednesday, June 4, 2014
Human Resources Conference Room – 5:30 p.m.
Department of Economic and Community Development
1920 S. Germantown Road

The Germantown Industrial Development Board met on Wednesday, June 4, 2014 in the Administration Conference Room. Chairman Henry Evans called the meeting to order at 5:30 p.m. A quorum was established with the following members present.

PRESENT: Chairman Henry Evans, Dick Vosburg, Vice-Chairman Mike Harless, Keith Saunders, and Julie Klein

ABSENT: Frank Markus

GUESTS: Coleman O’Keefe (1900 Exeter Road)

STAFF: Marie Burgess, Economic Development Planner, Cameron Ross, Economic Community Development Services Director, and Josh Lawhead, PILOT Attorney, Burch Porter & Johnson PLLC

MINUTES

A motion was made by Keith Saunders, seconded by Julie Klein, to approve the January 29, 2014 minutes. The motion passed.

Mr. Evans stated we have two items on the agenda tonight. The first one is consideration of a Resolution to approve Assignment of Real Property PILOT lease from 1900 Exeter Road, LLC, to Germantown TN Realty Holdings, LLC (“GTRH”), and to approve execution of documents related to loan from C-111 Commercial Mortgage LLC to GTRH (West Fraser, Inc., Beneficiary).

Mr. Josh Lawhead explained that West Fraser Inc. is the beneficiary of the PILOT benefits and the tenant under the Personal Property PILOT lease. At 1900 Exeter Road, LLC is the current owner of the building. The owner has entered into a contract to sell the building, which would be done by an assignment of the Real Property PILOT lease to C-111 Commercial Mortgage LLC, who is the lender to and the buyer being Germantown TN Realty Holdings LLC. This also happened with the Orgill building in the past, and in this case, they asked us to meet. The closing takes place at the end of this month, and the inspection period expires on June 13, 2014. So time was of the essence in getting the IDB approval. So what is before you is a Resolution whereby the IDB would approve the assignment of the Real Property PILOT lease by 1900 Exeter Road, LLC, to Germantown TN Realty Holdings, LLC. The other item being approved by the IDB pursuant to the Resolution will be the execution by the IDB of the normal and standard loan documents that the IDB must execute in order that the lender has all the security it would normally have with real estate financing. The IDB is the title holder to the Real Property.

Mr. Evans stated the process tonight is the same as we did with the Orgill property some 10 or so years ago, when it was sold. We approved the resolution, as we have one before us tonight, to allow the sale to go forward. Then, as the documents were available, then we executed the documents. Hopefully we will have the documents before the closing.

Mr. Harless asked, “Does 1900 Exeter Road or West Fraser owe the City any money; such as being current on all fees and taxes for the City, IDB and Shelby County?”

Ms. Burgess answered she would have to check with Finance.

Mr. Lawhead stated he will amend the resolution to make it conditional upon that all fees and taxes must be paid to the City, IDB and Shelby County.

Mr. Harless stated fees owed to the IDB are different than money owed to the City.

Mr. Lawhead stated he will amend the resolution again to address this. 1) As of all sums owed to the City of Germantown and to Shelby County under the PILOT lease have been paid in full. 2) All fees and sums owed to the IDB and IDB Council as a result of the assignment received by the IDB and the IDB council respectively. 3) All approximately instruments containing prevision satisfaction to the chairman of the IDB and the IDB council in their sole and absolution discretion execution by the IDB and all other necessary parties and delivered.

Mr. Harless asked, "Does it have to be paid in full to the City, or has to be current?"

Mr. Lawhead answered the resolution will be changed to read: "all sums now due have been paid in full."

Mr. Harless said that as of now, the IDB will forgive property taxes at 75%. The other 25% of taxes is supposed to go the County schools. Shouldn't it go to Germantown schools?

Mr. Lawhead stated he would have to check with his partner Nathan Bicks who represented the municipal school district to see if this has been handled and addressed. We could amend the two PILOT leases to clarify.

Mr. Harless asked, "Who is Germantown TN Realty Holdings, LLC?"

Coleman O'Keefe answered that it is a group of investors out of town.

Mr. Evans requested a motion for the Resolution as presented. A motion was made by Mr. Vosburg, seconded by Mr. Saunders, to approve a Resolution for Assignment of Real Property PILOT lease from 1900 Exeter Road, LLC, to Germantown TN Realty Holdings, LLC ("GTRH"), and to approve execution of documents related to loan from C-111 Commercial Mortgage LLC to GTRH (West Fraser, Inc., Beneficiary). The motion passed.

Mr. Evans asked for confirmation for those that may have the question of how much longer the PILOT has to go if we determined that the City portion runs through 2015 and the County portion 2016?

Mr. Lawhead answered that is correct.

Mr. Evans stated the next item is consideration of acceptance of ThyssenKrupp Elevator Manufacturing and West Fraser compliance reports.

Ms. Burgess stated everyone received the compliance reports via email and they are in compliance (ThyssenKrupp Elevator Manufacturing and West Fraser) either met or exceeded the requirements under the lease.

Mr. Harless asked if they were submitted on time?

Ms. Burgess answered, "Yes, they were." and that they have not been sent to Shelby County yet.

Mr. Evans asked, "Did we find out when the ThyssenKrupp Elevator Manufacturing expires?"

Mr. Lawhead answered TKE PILOT expires on August 16, 2016. As to both Germantown and Shelby County, the Real Property PILOT expires August 16, 2016. There is a defined special recapture period, for Shelby County only that applies until August 16, 2021. Whereby, there are some after the fact penalties that could be accessed if they don't maintain 80% of their promised investment of jobs for that 5 year period. However, the County portion also has a 5 year recapture period during which time Germantown must monitor the compliance still.

Mr. Vosburg asked, "Why should we monitor Shelby County?"

Mr. Lawhead answered that we are required to. The compliance report will come to us for Shelby County only in 2016.

Mr. Vosburg asked if we have no new PILOTs, does the IDB go to sleep?

Mr. Evans answered that if we have no new PILOTs, we wait until we get one.

Mr. Evans asked if Orgill was ready to pursue a Retention PILOT? Have we had any recent discussion with Orgill or Mike Mullis? I have heard that are still discussing an expansion to the building or even a standalone building. It's probably worth just following up with them on a regular basis.

Ms. Burgess answered there has been some discussion with Orgill and we are staying in communication with them. They have not indicated that they plan to apply for a Retention PILOT very soon. We stay in touch on a regular basis with Scott Butterworth.

Mr. Harless asked do you talk to Mike Mullis, because he is a national recruiter?

Ms. Burgess answered, that she hasn't spoken with him in a long time, but knows he works with Orgill.

Mr. Vosburg stated that we have the school issue to find out about. We are 20% of the old Shelby County school system (Germantown is). Which makes us something like 7% enrollment of the entire County number of kids in public school. Would it be our intent to take all the money from that 25%, or just make sure we get our fair share? We are not likely to get any capital money.

ADJOURNMENT

There being no further business to come before the board, the meeting was adjourned.