

**INDUSTRIAL DEVELOPMENT BOARD**  
**Monday, October 17, 2016**  
**Blue Conference Room**  
**Department of Economic and Community Development**  
**1920 South Germantown Road**

The Germantown Industrial Development Board met on Monday, October 17, 2016 in the Blue Conference Room. Chairman Henry Evans called the meeting to order at 3:00 p.m. A quorum was established with the following members present.

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

**ABSENT:** Daniel Dent

**GUESTS:** Ray Gill (Gill Properties), Brown Gill (Gill Properties), Patty Bullock (Gill Properties), Rob DelPriore (MAA Counsel), Al Campbell (MAA CFO), Max Aldrich (Commercial Advisors), Landon Williams, (Commercial Advisors), and Larry Jensen (Commercial Advisors)

**STAFF:** Marie Lisco, Economic Development Manager; Cameron Ross, Economic Community Development Services Director; Patrick Lawton, City Administrator; Sarah Goralewski, Planner; David Harris, City Attorney; and Andy Jones, PILOT Attorney

Mr. Evans stated the next item is approval of the minutes from our August 29, 2016, meeting.

**MINUTES**

A motion was made by Keith Saunders, seconded by Dick Vosburg to approve the August 29, 2016, minutes. The motion passed.

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Mr. Evans stated the next item is consideration of Amendment to PILOT Matrix.

Mr. Ross explained the Matrix Amendments.

In looking at what's available under the state statute and in light of other circumstances staff has been looking at the Matrix to make some changes for quite some time. The application that is following references the state statute. We really felt that making the adjustment to the PILOT Matrix at this time was a good way to move forward so we can make sure that any application that comes after this Matrix adjustment is judged by the same criteria as we are about to consider next on the agenda.

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**Amendment to PILOT Matrix**

**BACKGROUND:**

The Industrial Development Board's PILOT Matrix has not been updated since March 6, 2008. The following changes reflect better clarity of points awarded in each category, better reflection of market conditions, and alignment with the City's priorities for economic development locations.

**ANALYSIS:**

Economic and Community Development, IDB counsel and the City Attorney reviewed the existing PILOT Matrix and determined that in all categories minor modifications needed to be made to provide a more complete analysis of applications. It was also determined that other surrounding jurisdictions had made modifications based on the TCA that allowed PILOTs to be granted for longer terms. After reviewing TCA section 7-53-305, which allows for PILOTs up to 20 years, staff and counsel determined that if the Germantown IDB is to consider PILOTs for longer terms the PILOT matrix should reflect that opportunity.

Mr. Harless made several suggestions:

- Jobs: 5 additional points for each additional 100 employees over 450 because right now there not a cap on it. So, if we get someone that comes in with 6,000 employees, we need to have a way to address that...or take the example out.
- Wages: The points state wages less than 90% of the target, I think it should be 89%, and so on with all the percentages in the middle and the examples should read 111%, 116%, 121%, etc, to make it uniform.
- Capital investment: the second item first line should read up to 2 million, 5 million less than 10 million, etc., be adjust the capital investment ranges again this is for verification. Also, change it to say 5 additional points for each \$10 million over \$50 million.
- Location: I'm not sure why we would award 10 points for locating in Germantown. I would set it at 30 points instead of having Germantown listed separately.
- We need to make discretionary points a separate column from special circumstances, so office type is NOT discretionary.

Mr. Saunders would like to see the “examples” in the matrix removed from the matrix and put into another document.

Mr. Harless asked if Mr. Ross agrees?

Mr. Ross suggested the examples could be put into a “Cover Sheet”.

Mr. Vosburg asked should companies on the NYSE be added to #2 on the special circumstances column?

Mr. Saunders answered I think perhaps maybe the language should be changed to the point where, if it is a recognized stock traded firm or one of the New York Stock Exchange.

Mr. Saunders stated put “and” between Germantown and Key Commercial Areas for a possible total of 30 points.

Mr. Lawton stated on the Forest Hill Heights area there will be a point in time where all five of the Economic Development areas will be consider key commercial areas.

Mr. Harless stated I'm not sure, because it says here as determined by the IDB.

Mr. Harris stated one thing to remember, of course, is 10 points doesn't get you anything. You have to get to 30 points to get any freeze at all. The other point I want to make is however you do this location, it needs to say Germantown and Key Commercial, there needs to be a connection there.

**PROPOSED MOTION:** To approve the attached PILOT Matrix amendments.

A motion was made by Mike Harless, seconded by Keith Saunders to approve the attached PILOT Matrix amendments. The motion passed.

A motion was made by Keith Saunders, seconded by Julie Klein to approve amendments to Matrix as discussed. The motion passed.

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Mr. Ross introduced the PILOT application.

**PILOT Application – Mid-America Apartments, L.P. (MAA)**

**BACKGROUND:**

One of our region's most important corporate citizen's, Mid-America Apartments, L.P. ("MAA") has requested from the City's Industrial Development Board ("IDB") a Payment-in-lieu-of-Tax ("PILOT") of fifteen (15) years, with 75% of real and personal property taxes abated. MAA is a Tennessee Limited Partnership formed in 1993 and has been in Memphis since its establishment. Their activities include full ownership and operation of 254 multifamily properties located in the southeast and southwest United States. With a merger in 2013 and a recently announced second merger in August 2016 MAA has positioned itself to have a total market capitalization of approximately \$17 billion. This includes 2,500 total employees (167 currently in Memphis), thereby creating the largest multifamily real estate investment trust (REIT) by number of units in the United States.

**ANALYSIS:**

MAA and Gill Poplar, GP, as owner of the real property in which MAA will have its 83,265 square foot new corporate headquarters, have requested from the IDB a PILOT of fifteen (15) years, with 75% of the real and personal taxes to be abated. This project has been reviewed using the following information provided by MAA:

<b>JOBS CREATED:</b>	219 Total
<b>AVERAGE WAGE:</b>	\$85,128 (161% of PCI)
<b>REAL PROPERTY:</b>	\$26,100,000 (Building) \$2,600,000 (Land) \$1,000,000 (Site improvements)
<b>TANGIBLE PERSONAL PROPERTY:</b>	\$3,300,000 (IT assets, FFE, etc.)
<b><i>TOTAL INVESTMENT:</i></b>	<b><i>\$33,000,000</i></b>

**LOCATION:** 6797 Poplar Avenue (Parcel ID G0219 00308), City of Germantown, West Poplar Gateway District

**TERMS:** Fifteen years, 75% abatement of City and County's annual real and tangible personal property taxes.

MAA and Gill Poplar, GP request Germantown PILOT treatment of the real and personal property as part of this corporate relocation project and outlined in this document. Mayor Palazzolo has requested County support of the PILOT from Shelby County Mayor Mark Luttrell regarding County real and personal property taxes, as requested by MAA, by authorizing fifteen (15) year tax abatement as to Shelby County Mayor Mark Luttrell regarding real and personal property taxes for the County.

Chairman Evans stated The Centre Group has done some work with MAA, but not in at least 15 years. I have never worked with the company on anything, but my partner did. I don't think there is any conflict on my part.

Mr. Harless asked Chairman Evans if he was currently involved with The Centre Group?

Chairman Evans answered yes until the end of the month, and I am not a principal of The Centre Group.

Mr. Harris noted as I understand what you said, Mr. Evans, is The Centre Group has no business with MAA in the past 15 years.

Chairman Evans stated we think it goes back further than 15 years. We can only find the exact records back to 10 years, without going in to our storage facility.

Mr. Harris agreed that there is no conflict for Chairman Evans to vote on the application.

Rob DelPriore with MAA gave a presentation of the company. Mid America Apartments we were founded in 1977 by George Cates as the Cates Company. In 1993, the company was rolled up and several companies were combined to go public effective in early 1994. This is a 22 year history as a public company. Currently, we own and operate over 80,000 apartments units. Our current market caps approximately 12 million. We currently employ 2,000 people across 15 states, with about 225 in the mid-south area, most are at the corporate office. We have an open arms charity. It is a self contained charity with 501-c3, and what we do is provide apartment homes to families in medical crisis. We have five apartments here in Memphis that are tied to St Jude. So if there is a child at St. Jude, we will go in and furnish the apartment, provide it rent free. The staff of the community really gets excited about it and they will help that family go through the crisis. One other exciting thing that is going with MAA right now is a pending acquisition of Post properties. They are based in Atlanta, GA. Post has been around for 40+ years. They are very similar to us. They are approximately \$4 billion public company, and we will acquire them. We will be bringing several new jobs into the mid-south area.

Al Campbell, CFO with MAA stated he has been with the company for 18 years. We came through one of the most difficult financed periods of this company's history in 2008, 2009, and 2010. We were able to continue buying properties and growing. That growth has continued. We have more than tripled in size and in only 5 to 6 years.

Chairman Evans asked when is your target date for being in the building?

Mr. DelPriore stated as soon as possible, but hopefully in January 2018.

Chairman Evans asked if the PILOT would go into effect once they take occupancy?

Andy Jones said yes.

Mr. Harless noted it is always great to see a homegrown company grow, and congratulations. We are glad to have MAA here in Germantown.

Mr. Saunders echoed that Germantown is glad to have MAA. Your company is certainly a leader in the industry. Mr. Saunders said it's also a compliment to the developer. Their project is certainly one that will fit your criteria, and being involved with some of the aspect of it with smart growth, I think you are bringing a beautiful class A building to have the corporate headquarters in.

Ms. Klein said she also sees additional opportunities for the impact from MAA including employees as residents, in schools, shop in Germantown, etc.

Mr. Vosburg looks forward to seeing MAA move into Germantown.

Mr. Harless asked Ray Gill if the building will be LEED?

Ray Gill said that they will impart LEED principles, but don't want to pay the costs of getting it certified.

A motion was made by Keith Saunders, seconded by Julie Klein to approve the Mid-America Apartments L.P. application. The motion passed.

Mr. Harless has been through the new matrix, and arrived at 153 points (giving all 30 points for location and 15 IDB discretionary points - not all 25).

Chairman Evans there is one more item on the agenda which is consideration of acceptance of West Fraser compliance report.

Ms. Lisco reported that staff reviewed the compliance reports for West Fraser and ThyssenKrupp Elevator Americas and that they were in compliance with their leases. The county also sent a letter that the PILOT's are in compliance. West Fraser's PILOT is still active as far as the county goes until the end of the year. With regards to West Fraser's amount paid to Germantown suppliers and professionals in the past three years, they only showed 2015's amounts; not a three year aggregate. However, this does not affect their compliance.

Chairman Evans asked if there was any other business to come before us.

**ADJOURNMENT**