

Plateau Partnership Park (PPP)

May 2011

Goal: To outline a course of action for the development of the Plateau Partnership Park.

Objective: To provide understanding, guidance, direction, and explain the County Executive's position on scheduled development and future financial considerations for the Plateau Partnership Park.

Position: The Office of the Roane County Executive supports the development of the Plateau Partnership Park with the existing funding; however, I request consideration for equality sharing of property tax. This position paper will discuss equality sharing of property tax along with outlining scenarios of possible future partnership division of revenue and other recommendations to the Board.

Background: Since taking office on September 1, 2010, we have spent numerous hours studying, analyzing, planning, strategizing, meeting, and even presenting historical information, current status, and formulating plans on the Plateau Partnership Park.

We feel that our studies and analysis should be reduced to writing, thereby allowing a clear understanding of our current position.

We fully recognize that as additional information and facts become available we could re-visit our stated position.

The PPP Board of Directors was incorporated in August 2006. An inter-local agreement was signed in January 2007. By June 2010 each county's legislative body had invested \$2,250,000 as equal partners in the partnership.

The PPP is an industrial board partnership of Cumberland, Morgan, and Roane County, with each county having three board members. The partnership owns roughly 1,163 acres --- 887 in Cumberland and 276 in Morgan.

Solutions to infrastructure needs have not been resolved related to cost, financing, and delivery time of service. Infrastructure utility needs consist of water improvements, sewer, electric, and natural gas, if needed. Road improvements are also required. Sufficient infrastructure does not exist on the property for industrial development. No firm or even estimated date to provide delivery of infrastructure services is known.

The Partnership has a little over \$2,000,000 in cash. The partnership agreement requires net proceeds from the sale of property to be divided with the respective counties. Cumberland and Morgan Counties' legislative bodies (Commissions) have agreed to distribute the excess above base amount of property tax to the PPP Board until the year 2027. The Board is to give proceeds to counties for debt retirement.

Position:

1. The PPP Board of Directors should recommend to the Morgan and Cumberland County Commissions to extend the sharing of property tax until the longest legal acceptable time frame. Our understanding is that state law, T.C.A. 7-53-312(e) allows 30 years. The current County Commission approval is 20 years.

2. The PPP Board of Directors should further recommend to state legislature to amend state law to allow sharing of property tax for at least 50 years, and then the respective counties **should** approve extending the contract to the maximum.

The reasoning for my position on both Items #1 and #2 is that if partnership equally shares in the cost of development and related risk, then the partnership should share equally in the investment return. With the development of the Industrial Park, one would anticipate increased property tax revenue in the development area and an increase in both property tax and sales tax revenues at the adjacent interstate exchanges which are in Cumberland County. We recognize that additional increase in this property tax and increased tax revenue outside the park boundary would not be shared but increases in revenue (property tax) in the invested properties should be shared. Further, investments in industrial parks often are not recouped from the sale of the industrial property due to the property being sold to attract the industry at below-market prices and investment cost.

Further, sharing of property tax in a time frame which is currently 20 years and could be 30 years does not necessarily guarantee the original investment return due to (1) the park not being fully developed within the tax sharing agreement time needed to develop the property before actual use; and (2) property tax abatement which sometimes extends 10 years.

Example: PPP has a property tax sharing agreement that started in May of 2007 and ends December 2027. Currently four years have elapsed. Further infrastructure development could be as far out as three to five years; then with a potential 10-year tax abatement program that would leave property tax sharing of only one to three years. Under this scenario, Roane County's investment is basically all at risk of not being returned to the Roane County taxpayers. With the most desirable property being in Cumberland County, Morgan County's investment is at risk of not being returned.

3. The PPP Board of Directors should request that the respective utility providers put in writing the scheduled delivery of services to the Park; noting that upon a tentative signed tenant commitment, service for the utility would outline the timing of:
 - (1) Respective Utility Board approval
 - (2) Engineering
 - (3) Environmental assessment
 - (4) Bidding or procurement
 - (5) Construction, and
 - (6) Service completion date

In essence, a Gantt chart or milestone dates are needed from each utility provider. In addition, estimated costs should be submitted.

4. The PPP Board of Directors should have their engineering firm study options for an onsite sewer system solution and determine the best option of whether the onsite system or connection to the Roane County system is most feasible.
5. The PPP Board of Directors should address any estimated cost to the PPP for the respective utility providers recognizing that certain providers may not require any assistance in financing and others could require matching funds.

6. The PPP Board of Directors should not hire a marketing firm, employee or contracted individual until an implementation schedule of utility service has been established.

My reasoning for this position is: (1) industry/business will not risk uncertainty in time of delivery service and/or if the scheduled delivery is too far in the future. Example: an industry, ABC, asks when services will be provided and a written schedule does not exist, the risk to the industry/business is that PPP and related governments do not have firm commitments and the service may never meet an unknown deadline; (2) if a deadline is known but is too far in the future, again the industry/business will look at other options for their business solution. I do not feel that a four to five year delivery of service date is sufficient for an industry to make a commitment to sign a letter of intent. Extensive marketing should not proceed until infrastructure needs are resolved.

7. The PPP Board of Directors, upon receiving utility solutions and delivery of service dates, should then develop a financial budget of costs and related source of funding. This financing plan should determine if the respective counties will be requested to provide funding and, if so, each county should be approached for their investment requirement. Respective counties then can determine if additional investment in the partnership will be made or if the respective counties would take a small percentage of the partnership investment.

Example:

As of now:

Cumberland	33 1/3 %	\$2,250,000
Morgan	33 1/3 %	\$2,250,000
Roane	33 1/3 %	\$2,250,000

New investment of \$10,000,000 is needed and Roane County decided that since property tax and sales tax would not be received in the development, it chose not to participate, and Morgan County did likewise, the new partnership would be:

Cumberland	73.13%	\$12,250,000
Morgan	13.43%	\$ 2,250,000
Roane	<u>13.43%</u>	<u>\$ 2,250,000</u>
	100 %	\$16,750,000

This plan can then be considered by each legislative body for decision on future investment.

8. The PPP Board of Directors should approach the State of Tennessee about a partnership buy-in investment which could be granted as in number 7.

Positions in Summary:

1. Extend property tax sharing revenue agreement to maximum allowed by law.
2. Request property tax sharing revenue state law be extended to at least 50 years.
3. Do not spend marketing dollars on the PPP until acceptable utility service deadlines and estimated costs are known, and within reasonable times.
4. Present to respective Commissions upon meeting requirements 1, 2, and 3 above, about funding considerations.
5. Address estimated costs for the utility providers.
6. Establish infrastructure needs and implementation schedule of utility services before hiring marketing personnel.
7. Develop a financial plan and determine source of funding.
8. Approach the State of Tennessee about a buy-in investment.