

MEMORANDUM TO: All Members of the Metropolitan Council

FROM: Jon Cooper, Director
Metropolitan Council Office

DATE: **November 20, 2012**

RE: **Analysis Report**

Balances As Of:	<u>11/14/12</u>	<u>11/15/11</u>
<u>GSD 4% RESERVE FUND</u>	*\$28,756,746	\$35,787,151
 <u>GENERAL FUND UNDESIGNATED FUND BALANCE</u>		
GSD	Unavailable	\$50,000
USD	Unavailable	\$50,000
 <u>GENERAL PURPOSE SCHOOL FUND UNRESERVED FUND BALANCE</u>		
	Unavailable	Unavailable

*** Assumes estimated revenues in fiscal year 2012 in the amount of \$25,514,400**

– RESOLUTIONS –

RESOLUTION NO. RS2012-488 (LANGSTER & MATTHEWS) – This resolution approves an economic and community development incentive grant to the industrial development board (IDB) for the benefit of HCA Holdings, Inc., and its affiliates. A full analysis of this resolution is included as part of the HCA economic development incentive analysis included at the end of this document.

RESOLUTION NO. RS2012-489 (LANGSTER & MATTHEWS) – This resolution appropriates \$1,000,000 in Capitol Mall urban development action grant (UDAG) repayments for the benefit of HCA Holdings, Inc., and its affiliates. A full analysis of this resolution is included as part of the HCA economic development incentive analysis included at the end of this document.

RESOLUTION NO. RS2012-490 (MATTHEWS & BENNETT) – This resolution approves an amendment to a grant in the amount of \$789,690 from the state department of human services to the Davidson County juvenile court to enforce federal and state mandated child support guidelines concerning children born out of wedlock. Pursuant to the grant agreement, the juvenile court referees will hear these child support cases and paternity hearings on an expedited basis. This is a housekeeping amendment to the grant to replace the docket detail form used in reporting to the state.

RESOLUTION NO. RS2012-491 (WEINER & MATTHEWS) – This resolution approves a contract between the Metro health department and Vanderbilt University to provide information about the federal women, infants and children (WIC) assistance program to eligible individuals. Pursuant to this contract, Vanderbilt agrees to make information about the WIC program available to eligible women receiving prenatal and postpartum services, as well those accompanying a child under the age of five who receives pediatric care. The hospital will coordinate hospital patient services with WIC staff. There is no cost to the Metropolitan Government associated with the performance of this contract. The contract is for a term commencing October 15, 2012, and extending through October 14, 2017.

The health department has entered into similar contracts with Baptist Hospital and Nashville General Hospital in recent years.

RESOLUTION NO. RS2012-492 (WEINER & MATTHEWS) – This resolution approves an amendment to a grant from the state department of health to the Metro health department for breast and cervical cancer screening. This federal pass-through grant pays the salary of a regional coordinator for the implementation of a screening service for breast and cervical cancer by reaching out to targeted populations, monitoring women with abnormal test results, and providing community education about the importance of early screening. The term of the grant is from July 1, 2011 through June 30, 2014. This amendment decreases the amount of the grant by \$20,400 for a new grant total of \$262,200.

RESOLUTION NO. RS2012-493 (WEINER & MATTHEWS) – This resolution approves two amendments to a grant from the U.S. department of health and human services to the Metro board of health to enhance access to community-based care for low income individuals and families with HIV. These grant funds are used to provide a number of medical and support services for HIV patients under the Ryan White HIV/AIDS Treatment Extension Act of 2009. The amendments transfer \$190,327 in unspent funds from the previous year to the current grant budget, for a new grant total of \$4,730,915.

RESOLUTION NOS. RS2012-494 (MATTHEWS & BENNETT) – This resolution approves an intergovernmental agreement between Tennessee State University and the Metropolitan police department for the use of off-duty police officers. The recitals of the resolution indicate that the officers are to be used for TSU's Step Show and Pep Rally, though the agreement does not limit the use of officers to a specific event. All officers will be assigned exclusively through the Metro police secondary employment unit and will be compensated at fiscal year 2012 extra-duty hourly rates. TSU is responsible for paying for the officers' time in advance unless prior arrangements are made. The term of the agreement is through June 30, 2013, but Metro may terminate this contract with seven days written notice.

State law allows the Metropolitan Government to enter into intergovernmental agreements with government agencies with approval of the council by resolution.

RESOLUTION NOS. RS2012-495 and RS2012-496 (MATTHEWS) – These two resolutions approve grants from the state department of labor and workforce development to the Nashville career advancement center (NCAC) to prepare adults and dislocated workers for re-entry into the labor force, and to provide training for those facing serious barriers to productive employment. These grants provide part of the operating funding for the NCAC. The terms of the grants are from October 1, 2012, through June 30, 2014.

Resolution No. RS2012-495 approves a grant in the amount of \$1,903,054 to establish programs and deliver services to adult workers.

Resolution No. RS2012-496 approves a grant in the amount of \$1,829,917 to establish programs and deliver services to dislocated workers.

RESOLUTION NO. RS2012-497 (PRIDEMORE, POTTS & MATTHEWS) – This resolution approves an intergovernmental agreement between the state department of transportation and the Metropolitan Government for the resurfacing of Myatt Drive. The state has agreed to provide \$564,900 to resurface a 1.86 mile stretch of Myatt Drive between Gallatin Pike and Anderson Lane and to provide marked bike lanes and signs. Metro will be responsible for the remaining \$188,300 cost of the project. The project is to be completed no later than November 30, 2014.

This is a typical contract with the state for road resurfacing authorized under the state-aid highway system program.

RESOLUTION NO. RS2012-498 (BENNETT, POTTS & MATTHEWS) – This resolution approves a second amendment to the Safe Routes for Schools project agreement between the Tennessee department of transportation and the Metropolitan department of public works to construct sidewalks along Oakwood Avenue in the vicinity of Tom Joy Elementary School. This contract is funded through a federal pass-through grant program made available for the benefit of specific schools with infrastructure issues that act as an impediment to students safely walking and biking to school. This contract amendment extends the completion date of the project until October 20, 2013.

RESOLUTION NO. RS2012-499 (POTTS & MATTHEWS) – This resolution authorizes the acquisition of 20 additional easements for the Lakewood Laterals and Rehabilitation project. Ordinance No. BL2011-36 allowed the acquisition of additional easements for this project to be approved by resolution instead of by ordinance.

This ordinance approves the acquisition of easements for the following properties:

Easement No.	Property Address	Council District	Map & Parcel No.
9-1	106 22nd Street	11	05307007900
9-2	108 22nd Street	11	05307007800
9-3	103 24th Street	11	05307008000
9-4	105 24th Street	11	05308004400
9-5	204 24th Street	11	05308005700
9-6	206 24th Street	11	05308005800
9-7	205 26th Street	11	05308006400
9-8	207 26th Street	11	05308006300
9-9	209 26th Street	11	05308006300
9-10	108 30th Street	11	05312011500
9-11	110 30th Street	11	05312011800
9-12	109 32nd Street	11	05312011900
9-13	111 32nd Street	11	05312011800
9-14	2408 Dabbs Avenue	11	05308006100
9-15	0 Old Hickory Blvd	11	05307010100
9-16	1901 Old Hickory Blvd	11	05307006000
9-17	2209 Old Hickory Blvd	11	05307008300
9-18	2213 Old Hickory Blvd	11	05307008400
9-19	2215 Old Hickory Blvd	11	05307008500
9-20	2221 Old Hickory Blvd	11	05307008600

This ordinance has been approved by the planning commission.

RESOLUTION NO. RS2012-500 (MATTHEWS) – This resolution authorizes the department of law to compromise and settle the Metropolitan Government’s personal injury claim against David Gares in the amount of \$9,898.61. On December 15, 2011, a Metro police officer’s patrol car was struck in the rear by Mr. Gares when the officer stopped on Rivergate Parkway after the car in front of him suddenly stopped to make a left turn. The police officer was treated at Nashville General Hospital for neck injuries at a cost to Metro of \$1,144.97. Metro also paid \$8,753.64 in compensation to the officer while he was recovering. This resolution accepts the full amount of the medical bills and wages paid by Metro. The claim for the repair costs of \$934 to the police car was settled in March 2012.

RESOLUTION NO. RS2012-501 (MATTHEWS) – This resolution authorizes the department of law to compromise and settle the Metropolitan Government’s property damage claim against Donna Pippins in the amount of \$5,201.99. On December 31, 2011, a Metro police officer was traveling north on Rosa L. Parks Boulevard when Ms. Pippins turned in front of the officer causing a collision. This resolution accepts the full amount of the damage to the 2008 Chevrolet Impala patrol car.

RESOLUTION NO. RS2012-502 (MATTHEWS) – This resolution authorizes the department of law to compromise and settle the personal injury claims of Robert and Lynn Robinson against the Metropolitan Government for the total amount of \$113,443. On August 3, 2010, a Metro public works employee was exiting I-40 West onto the Church Street exit when he stated that his brakes failed and he was unable to stop. The Metro employee ran the vehicle into a guardrail in an attempt to slow it down. The Metro vehicle struck several vehicles, including the Robinson’s Chevrolet Tahoe. Mrs. Robinson sustained injuries to her face, arms, and chest, and was left with a permanent scar on her face. Her treating physician also opined that the accident exacerbated a glaucoma condition. Mrs. Robinson has incurred \$34,412.04 in medical bills to date, and is still being treated for neck pain. Mr. Robinson’s injuries were not as severe, resulting in medical bills totaling \$3,402. Mr. Robinson also incurred additional expenses in hiring someone to run his business while he recovered and cared for his wife.

Even though the Metro employee attempted to avoid the accident by striking the guardrail, the Metropolitan Government would likely be found liable for the accident. An inspection of the Metro truck’s brakes after the accident did not show evidence of failure. The department of law believes the \$113,443 settlement amount is fair and reasonable given the injuries incurred and damages sustained.

The council approved the settlement of the property damage claim to the Tahoe in February 2011 for the amount of \$30,205.65. The council also approved a settlement in October 2011 for property damage and personal injuries totaling \$36,403.66 for the driver of another vehicle that was hit in the same accident, bringing a total settlement amount to date brought to the council of \$180,052.31.

The Metro employee involved in this accident did not receive disciplinary action because the public works department believes the employee took appropriate defensive action to try to avoid the accident.

This settlement amount is to be paid out of the self-insured liability fund.

– BILLS ON SECOND READING –

ORDINANCE NO. BL2012-241 (DOMINY) – This ordinance amends the Metropolitan Code to require the annual contract for services between the Metropolitan Government and the Nashville Area Chamber of Commerce (“chamber”) for the Partnership 2020 economic development program to be approved by resolution of the council. The Partnership 2020 program (formerly Partnership 2000 and Partnership 2010) is a public-private partnership developed by the chamber whose purpose is to recruit new businesses to the greater Nashville area. Metro’s appropriation for the Partnership 2020 program in recent years has been \$300,000 annually. The chamber membership consists of businesses in ten counties, several of which provide some level of financial support for the Partnership 2020 program. According to data provided by the chamber, the program receives approximately \$3.4 million annually in private funding. The chamber data further indicates that all other regional chamber/economic development entities plus regional governments combined provide \$130,500 annually for the program.

Once the funds are appropriated by the council through the operating budget ordinance, Metro enters into a grant contract with the chamber outlining the business recruitment services to be performed. According to the grant contracts for the past several years, these services have included:

- Project management of 50 relocation and expansion projects in Davidson County, with 75% in targeted sectors and a minimum job creation goal of 1,000 new jobs;
- Targeting 500 professional site location consultants with direct mail campaigns, marketing materials, and personal outreach;
- Three outbound target market business recruitment missions and five inbound showcase Nashville events with face-to-face meetings with site consultants and corporate executives.

This ordinance would require the grant contract with the chamber to be approved by the council by resolution receiving 21 affirmative votes. The contract would have to be approved by resolution annually before any funds are disbursed to the chamber.

ORDINANCE NO. BL2012-289 (TODD) – This ordinance abandons Johnstone Court from Hobbs Road southward to its terminus. This closure has been requested by Harpeth Hall School. The ordinance retains all existing utility easements. Harpeth Hall School is the only affected property owner.

This ordinance has been approved by the planning commission and traffic and parking commission.

ORDINANCE NO. BL2012-294 (DOMINY) – This ordinance amends the Metropolitan Code to require certain sole source contracts to be approved by resolution of the council. The procurement code recognizes that there are some contracts for which it is not feasible to put out for public bid when there is only one source capable of providing the particular goods or services. Further, the procurement code provides that contracts for services requiring certain professional expertise are not to be put out for competitive bid, but rather are to be awarded on the basis of recognized competence and integrity. Professional services include legal services, medical services, accounting, financial advisors, architects, and engineers.

This ordinance would require all sole source contracts for the purchase of goods or services in excess of \$250,000 to be approved by resolution of the council receiving at least 21 affirmative votes. This ordinance is a follow up to Ordinance No. BL2012-241 on second reading that would require the annual contract for services between the Metropolitan Government and the Nashville Area Chamber of Commerce for the Partnership 2020 economic development program to be approved by resolution of the council.

According to the purchasing agent, Metro had two sole source contracts in fiscal year 2011, two in fiscal year 2012, and only one so far in fiscal year 2013 that were valued at \$250,000 or more.

ORDINANCE NO. BL2012-295 (TYGARD) – This ordinance amends the Metropolitan Code pertaining to the egg handling and dispersal plan requirements for the keeping of chickens on school property. Substitute Ordinance No. BL2012-228, as amended, approved in September 2012 allows up to 20 hens to be kept on school property for educational purposes on lots of five or more acres in the GSD. That ordinance contained a number of health requirements schools must satisfy in order to keep chickens, including:

- Adequate nearby access to hand washing facilities or, in the alternative, disposable rubber gloves for use by all children handling the hens and/or eggs;
- A copy of a valid facility use agreement between the applicant and Metropolitan Nashville public schools that allows the keeping of hens on the property;
- A signed plan that adequately addresses the handling, dispersal, and/or disposal of eggs approved, in writing, by the school.

This ordinance amends the last condition noted above to require that the written egg handling plan be submitted to, but not approved by, the school and adds a provision prohibiting eggs from being stored within the school cafeteria or kitchen with the written permission of the school principal or MNPS administration.

ORDINANCE NO. BL2012-296 (MATTHEWS) – This ordinance designates 14th Avenue North between Jefferson Street and Scovel Street as “Curtis Senior Lane”. Mr. Senior was known as “Scooby” on Clear Channel Radio/101.1 – The Beat’s “Dolewite and Scooby Show” in Nashville. Mr. Senior unexpectedly passed away in February 2012 at the age of 33.

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ORDINANCE NO. BL2012-296 (continued)

On November 13, 2012, the council enacted Ordinance No. BL2012-262 to establish a procedure for the use of honorary street signs. That ordinance allows the council, by ordinance, to authorize and direct the department of public works to install honorary street signs beneath the official street name sign for any street identified on the official street and alley acceptance and maintenance map. Such honorary street signs are to be brown in color with white lettering. No honorary street sign can be installed honoring a living person, and signs for no more than five honorary street names may be publicly funded in each calendar year. After the fifth honorary street, the honorary signs must be privately funded. A member of council is not permitted to sponsor more than one ordinance in each calendar year naming an honorary street for which the costs of the signs are to be borne by the department of public works.

This ordinance does not officially rename this portion of 14th Avenue North. The designation as "Curtis Senior Lane" is only honorary.

ORDINANCE NO. BL2012-297 (MATTHEWS & LANGSTER) – This ordinance authorizes the industrial development board of the Metropolitan Government (IDB) to negotiate and accept payments in lieu of ad valorem taxes for the benefit of West End Summit Development, LLC, and certain affiliates of HCA Holdings, Inc. (HCA). A full analysis of this ordinance is included as part of the HCA economic development incentive analysis included at the end of this document.

ORDINANCE NO. BL2012-298 (MATTHEWS & BENNETT) – This ordinance approves an agreement among the public defender's office, Equal Justice Works and the Southern Public Defender Training Center (SPDTC) for the Public Defender Corps (PDC) program. Pursuant to this agreement, the Davidson County public defender's office will continue to serve as a host site for a national fellowship program. The public defender's office has agreed to employ the "fellow" for three years. The SPDTC will provide \$10,000 to partially defray the cost of employing one fellow for the first year of the three-year fellowship. The public defender's office will be responsible for covering the remainder of the salary and benefits for the first year, and all of the salary and benefits for the second and third year.

ORDINANCE NOS. BL2012-299 & BL2012-300 – These two ordinances abandon water and sewer facilities and/or easements no longer needed by the department of water and sewerage services. Future amendments to these ordinances may be approved by resolution. These ordinances have been approved by the planning commission.

Ordinance No. BL2012-299 (Todd & Potts) abandons two 15-foot water main easements on properties located at 925 and 929 Otter Creek Road.

Ordinance No. BL2012-300 (Moore & Potts) abandons the water and sewer easement rights that were retained by Ordinance No. O73-611 when a portion of the 9th Avenue South right-of-way was abandoned on property located at 921 South Douglas Avenue.

– BILLS ON THIRD READING –

ORDINANCE NO. BL2012-280 (GILMORE & CLAIBORNE) – This ordinance amends the zoning code to modify the composition of the historic zoning commission to broaden the eligibility requirements for representatives of the downtown area. The historic zoning commission consists of nine members, two of which must be business or property owners within a downtown historic overlay district or listed in the National Register of Historic Places in the downtown area. This ordinance would create an alternative to the business/property owner requirement that would allow persons having a business interest in downtown property within a historic overlay district or listed in the National Register of Historic Places.

This ordinance has been approved by the planning commission.

ORDINANCE NO. BL2012-281 (BENNETT, HARRISON & MATTHEWS) – This ordinance, as amended, amends the Metro code to transfer the administrative support for the transportation licensing commission (TLC) to the department of public works. The TLC is responsible for the licensing and oversight of wreckers, taxicabs, horse-drawn carriages, and other passenger vehicles for hire. The code currently provides that the TLC is to hire its own staff consisting of a director and inspectors.

In July 2012, RPM Transportation Consultants conducted a study of the regulation of taxicabs and other passenger vehicles for hire in Nashville and recommended that the TLC staff be moved under the department of public works. The study noted that this change would provide additional accountability and oversight, and would result in some economies of scale and potential cost savings.

This ordinance amends the code to provide that the TLC support staff, including the executive director and inspectors, are to be employed by the department of public works subject to the civil service provisions in the charter. The ordinance does not change anything in the code pertaining to the composition or function of the TLC.

This ordinance also transfers the FY2012-2013 operating budget for the transportation licensing commission and the oversight of 4% fund purchases for the commission to the department of public works.

ORDINANCE NO. BL2012-282 (BARRY & A. DAVIS) – This ordinance, as amended, amends the Metro code to further specify the type of certified payroll information that must be retained by government contractors, and to specifically provide for the public inspection of this information. The code currently requires Metro contractors for public works projects to furnish payroll records at the request of the purchasing agent. These payroll records are to include employee names, hours worked, and rates paid. Such information is to be kept by the contractor for a period of one year.

This ordinance adds employee addresses to the list of information that must be retained, and provides that such payroll records must be provided to the public in accordance with the Tennessee public records act. All such records are to exclude social security numbers, as well as any information deemed to be confidential under applicable law.

ORDINANCE NO. BL2012-285 (MOORE, GILMORE & OTHERS) – This ordinance approves an agreement between the state department of transportation (TDOT) and the Metro board of parks and recreation for the lease of property to be used as a greenway trail. This state-owned right-of-way totaling approximately 5.2 acres is bounded by Granny White Pike, Gale Lane, Lealand Lane, and I-440. The state has agreed to construct the greenway trail at its own expense, and there is no rental cost associated with the lease agreement. The term of the lease is through May 31, 2017, but may be terminated by either party with 60 days written notice. Future amendments or extensions of the agreement may be approved by resolution.

This ordinance has been approved by the parks board and the planning commission.

ORDINANCE NO. BL2012-286 (CLAIBORNE, GILMORE & MATTHEWS) – This ordinance approves a renewal of a lease agreement between the U.S. Army and the board of parks and recreation for 8.62 acres of property adjacent to the Cheatham lock and dam for continued use as a park facility known as Lock II Park. The lease is for a term beginning May 1, 2012 and extending through April 30, 2022. There is no rental cost to Metro Government under the terms of the lease, but Metro must use and maintain the property as a public park. The lease also requires Metro to maintain the historic lockmaster’s house, commissary, and barn in accordance with federal standards, as well as to paint the lockmaster’s house and repair its roof within the first two years of the lease. The estimated cost to paint the building and repair the roof is \$50,000. The annual cost to maintain the property is approximately \$7,500.

This property has been leased to Metro by the U.S. Army for many years. Future amendments to this lease may be approved by resolution of the council. This lease agreement has been approved by the planning commission and the board of parks and recreation.

ORDINANCE NO. BL2012-287 (GILMORE, WEINER & MATTHEWS) – This ordinance approves a lease agreement between the state department of transportation (TDOT) and the Metro board of parks and recreation for property located along the Harpeth River in Bellevue, and approves a sublease of the property to the Harpeth Youth Soccer Association (HYSA). This is essentially a renewal of an existing lease and sublease arrangement for this 46-acre property. There is no rental cost associated with either the lease or sublease. The terms of the agreements are for twenty-five years from January 1, 2013 through December 31, 2037.

The agreement with the state simply requires that the property be used for public recreation purposes. The sublease agreement with HYSA requires the property to be used exclusively as a public recreational soccer park. HYSA is not permitted to charge admission to the property except for tournaments and special events. HYSA is entitled to keep all concession revenue, but the net proceeds must be used by HYSA for the operation, maintenance, and improvement of the property. HYSA will be responsible for all maintenance of the property and utility costs, and is required to maintain liability insurance in the amount of \$1,000,000 naming the state and Metro as additional insured.

The agreements may be cancelled by the state, Metro, or HYSA with 60 days written notice. Future amendments to the leases may be approved by resolution of the council. These agreements have been approved by the planning commission and the board of parks and recreation.

ORDINANCE NO. BL2012-288 (MATTHEWS & GILMORE) – This ordinance authorizes the construction and maintenance of wetland mitigation projects in Bells Bend Park and authorizes the execution and filing of notice of land use restrictions regarding the projects. The parks board and the Friends of Bells Bend Park are working to implement the recommendations of a master plan that includes wetland enhancements in the park. In October 2011, the council approved an amended memorandum of understanding between the Metropolitan Government, the board of parks and recreation, the Metropolitan Nashville airport authority, the federal aviation administration (FAA), and the Friends of Bells Bend related to the construction of a 1.2 acre wetland in Bells Bend Park. The purpose of this wetland is to provide a compensatory mitigation site as a result of the extension of the runway safety area at John C. Tune Airport, which is being funded by the FAA.

Subsequently, the state department of transportation (TDOT) entered into a contract with Friends of Bells Bend Park to provide for the purchase of wetland restoration services for 10 acres in the park. TDOT has agreed to pay \$300,000 for these wetland restoration services, but is not actually purchasing the property. The 10-acre wetland project is a requirement of the state department of environment and conservation (TDEC) as a result of a TDOT road construction project in another part of the state. The proposed wetland restoration and enhancements will include the construction of two berms, removing invasive vegetation, and the construction of a water control system to create a feature dominated by wetland species. Metro is a party to the transaction simply because the parks department had land available in Bells Bend Park that can be used for wetland mitigation. There is no direct cost to Metro as a result of the project.

This ordinance approves the construction and maintenance of the wetland restoration project, approves an agreement with the Friends of Bells Bend for the project, and authorizes the execution and filing of the notice of land use restrictions required by the U.S. Army Corps of Engineers and TDEC. All contractors retained by the Friends of Bells Bend for the project must maintain liability insurance in the amount of \$1,000,000 per occurrence naming Metro as an additional insured. The land use restrictions will prohibit any future commercial or industrial activity, road construction, or motor vehicle operation on the property. These restrictions will run with the land in perpetuity unless cancelled by TDEC.

Amendments to the agreement and notice of land use restrictions may be approved by resolution. This ordinance has been approved by the parks board and the planning commission.

ORDINANCE NO. BL2012-290 (GILMORE) – This ordinance abandons a portion of Music Circle East right-of-way behind the sidewalk at the corner of Division Street and Music Circle East. The abandonment of the 2,266 square foot portion of right-of-way has been requested by Littlejohn Engineering Associates on behalf of the adjoining property owners. The ordinance retains all existing utility easements. Consent of the affected property owners is attached to the legislation.

This ordinance has been approved by the planning commission and traffic and parking commission.

ANALYSIS OF HCA ECONOMIC DEVELOPMENT INCENTIVES

The mayor has proposed an economic development legislative package for consideration by the council for the benefit of HCA to incentivize the construction of two office buildings for the corporate relocation of several HCA affiliates. The incentives would consist of a property tax abatement for up to 20 years, a \$1 million one-time payment to cover relocation costs, and an annual payment of \$500 per employee, all of which could result in a potential benefit of \$65.9 million to HCA. In addition to the Metro incentives, the state will be providing an incentive grant of \$2.1 million.

West End Summit Development, LLC, plans to act as the developer of an office complex consisting of two separate towers and a 2,500 space multi-deck parking garage on 3.93 acres of property located at 1600 West End Avenue. In addition to the estimated 750,000 to 900,000 square feet of office space and the parking garage, the development is to include a 5,000 square foot fitness center, 35,000 square feet of retail, and a possible separate hotel. It is anticipated that HCA affiliates will initially occupy 500,000 square feet of office space in the new buildings.

HCA was founded in Nashville in 1968 and is the largest non-governmental hospital operator in the United States. HCA operates 163 hospitals and 110 freestanding surgery centers in 20 states and England, and employs close to 200,000 people. In 2011, HCA generated revenues of approximately \$30 billion and had a net income of \$2.465 billion.

The HCA affiliates involved in the corporate headquarters relocation include Parallon Business Solutions, LLC, Health Trust Purchasing Group, LP, and Sarah Cannon Research Institute, LLC (the "HCA company entities"). Parallon is a wholly-owned subsidiary of HCA whose five business units provide revenue cycle and business process expertise, workforce management solutions, supply chain services, information technology services, and purchasing power for healthcare providers. Parallon is currently headquartered in Williamson County. Health Trust Purchasing Group is a partially-owned subsidiary of HCA that functions as a group purchasing organization utilized by hospitals and other healthcare providers. Health Trust Purchasing Group provides its services in connection with Parallon. Sarah Cannon Research Institute is also a partially-owned subsidiary of HCA headquartered in Davidson County that provides oncology research services and serves 75,000 new patients per year. Parallon will be relocating 750 existing jobs from Williamson County and Sarah Cannon will be moving 200 jobs from its existing Davidson County location. It is anticipated that the relocation and expansion of the HCA company entities will create over 1,000 additional jobs within five years of the relocation, with an average salary in the \$80,000 to \$85,000 range.

Ordinance No. BL2012-297 (Matthews & Langster) authorizes the industrial development board of the Metropolitan Government (IDB) to negotiate and accept payments in lieu of ad valorem taxes for the benefit of West End Summit Development, LLC, and the HCA company entities. Pursuant to this ordinance, the council is delegating the authority to the IDB to negotiate and accept payments in lieu of real property taxes for the development over a 15-20 year period. State law permits local governments to delegate the authority to industrial development boards to enter into payment-in-lieu-of-tax (PILOT) agreements provided that the payments are in furtherance of the public purpose of the board. PILOT agreements essentially

provide tax abatements for real and/or personal property taxes the company would otherwise be required to pay to the Metropolitan Government. PILOT programs have been used by Metro in the past to provide incentives to large employers to create more job opportunities, and are subject to approval by the council. Some of the PILOT agreements from previous years include the 1995 relocation of Columbia/HCA Healthcare Corporation, Inc., Dell Computer Corporation, Omni Hotel (for the convention center headquarters hotel), LifePoint, and HCA-Information & Technology Services. The amount of tax abatements over the life of the existing PILOT agreements total approximately \$100 million. This does not include any economic incentive grants approved by the council.

According to the PILOT agreement incorporated into the ordinance, the developer will enter into an agreement with the IDB to lease the property who will in turn sublease 475,000 to 500,000 square feet of the space to the company entities. The agreement provides for a 100% real property tax abatement up to \$3 million per year for 15 years, with an additional five year extension as long as a company entity continues to occupy the office space. If extended for five years, the total potential amount of the tax abatement would be \$60 million over the life of the agreement. The tax abatement would take effect upon the execution of the PILOT lease with the IDB at the time the IDB issues bonds to finance the costs associated with the project, which is expected to be in 2015. The justification for the \$3,000,000 annual abatement is that this is the additional amount required for the construction of the new parking garage that would not be required if the companies built a new headquarters in Williamson County.

The property at 1600 West End Avenue currently generates property taxes in the amount of \$127,639.25 per year. If tax rates and property values remained the same, and the property remained undeveloped for 20 years, this property as-is would generate \$2,552,785 in property taxes over the next 20 years. Assuming the new buildings are a total of 850,000 square feet at a value of \$200 per square foot (\$170 million), the property taxes that would otherwise be owed on the project absent the PILOT would be \$3,168,800 at today's tax rates. Adding the 2,500 car parking garage at an estimated cost of \$45 million would generate an additional \$838,800 in property taxes for a total estimated annual tax bill of \$4,007,600, or \$80,152,000 over 20 years. Thus, Metro would still net \$17,599,215 in new real property taxes over the life of the PILOT after accounting for the \$60 million abatement, plus approximately \$2 million in additional personal property taxes.

If for some reason the property taxes that would otherwise be owed fall below \$3 million in a given year, HCA will have the ability to "bank" the difference and apply it against PILOT payments in future years. This means that HCA company entities would get the benefit of the full \$3 million abatement per year even if the property value falls or the tax rate is lowered.

The ordinance and agreement include provisions requiring that a certain number of employees work in Davidson County as a result of the project in order for the company entities to receive the full amount of the abatement. The job benchmarks are 1,000 FTEs (full-time equivalents) in 2016, 1,300 FTEs in 2017, and 1,500 FTEs in 2018 and subsequent years. Failure to meet these benchmarks would result in a \$300,000 reduction in the amount of the abatement for every shortfall of 100 incremental positions. Project-based employee positions and independent contract personnel of the company entities would count toward the benchmark as long as their exclusive responsibility is to work with and support the activities of the company entities. However, those company employees that are currently working in Davidson County would not count toward the benchmark.

This is the first time a PILOT ordinance would require the creation and implementation of a small, minority, and disadvantaged business (DBE) program that would basically mirror the Music City Center DBE program. The program must have a DBE participation target of at least 20% of the project's hard construction costs. The developer will be required to make periodic reports regarding the DBE program to the council and the minority caucus.

The council approved a previous PILOT agreement for HCA in 1995, which was amended in 1997, after the merger of Columbia/HCA and HealthTrust, Inc. for the HCA headquarters property, as well as for Summit and Skyline hospitals. The previous PILOT agreement has expired and Metro is receiving the full amount of property taxes. HCA company entities collectively pay approximately \$7.5 million in taxes annually to Metro for their other properties in Davidson County, plus personal property taxes of approximately \$2.5 million. The council also approved a PILOT in April 2012 for the benefit of HCA – Information Technology & Services, Inc., to incentivize the construction of a new regional data center. The value of the April 2012 PILOT is anticipated to be \$3 million over the seven year term of the agreement. In addition, the contract between Metro and HCA for the transfer of the Lentz Health Center property and the construction of a new health center on HCA property approved by the council May 2011 contemplates HCA obtaining a 100% tax abatement in the form of A PILOT agreement for the first five years, and a 50% abatement for the next five years. The IDB authority to negotiate a PILOT agreement with HCA would be subject to approval of the council by ordinance.

Resolution No. RS2012-488 (Langster & Matthews) approves an economic and community development incentive grant to the industrial development board (IDB) for the benefit of HCA and its affiliates. In February 2011, the council enacted Substitute Ordinance No. BL2010-806 to allow incentive grants to be provided as a result of a corporate headquarters or technology firm relocation/expansion that will create at least 500 jobs over a five year period. This was an extension of the program enacted in 1999 for the benefit of Dell Corporation.

This resolution approves an economic and community development incentive grant in an amount of \$500 per FTE position (termed "incremental company entity positions") and approves the corresponding grant contract among Metro, the IDB, and the HCA company entities. The agreement spells out the types of qualifying employees in the same manner as the PILOT ordinance (BL2012-297). The term of the contract is for seven years, and HCA has the right to specify the date on which the grant period commences. HCA will be required to submit annual settlement statements to the department of finance for the grant.

Both the resolution and the grant agreement provide that the grant is contingent upon the annual appropriation of funds for this purpose by the council. However, the grant agreement also provides that the payment of the grant is a "legal requirement of the Metropolitan Government" and that the promised grant operated as an inducement to the HCA company entities to relocate their corporate headquarters to Nashville.

If HCA meets its estimated hiring set forth in the PILOT agreement, the annual grant amount paid by Metro would be:

2016	\$500,000
2017	\$650,000
2018	\$750,000
2019	\$750,000
2020	\$750,000
2021	\$750,000
<u>2022</u>	<u>\$750,000</u>
Total	\$4,900,000

Resolution No. RS2012-489 (Langster & Matthews) appropriates \$1 million in urban development action grant (UDAG) funds to the metropolitan development and housing agency (MDHA) for the benefit of the HCA company entities. Under the federal UDAG program, funds were loaned to developers and repaid to MDHA instead of the federal government. MDHA is required by federal law to use the UDAG loan repayments in the “pocket of poverty” areas of the Metropolitan Government. In 1990, the council, by ordinance, authorized the use of the Capitol Mall UDAG funds for affordable housing and economic development activities, “all to be of benefit to the residents of the UDAG Pocket of Poverty in accordance with federal regulations.” The Midtown area is technically within the pocket of poverty as identified in the Capitol Mall redevelopment plan.

This resolution appropriating the funds to MDHA for the benefit of HCA expressly provides that many of the anticipated jobs resulting from the corporate relocation of the HCA company entities are likely to be filled by individuals residing in the pocket of poverty.

The council has approved the use of UDAG funds for several other economic development projects in the past three years: \$310,000 for the Loews Hotels shared services center; \$300,000 for ServiceSource; and \$300,000 for the Nashville Entrepreneur Center.