

City of Crossville

392 N. Main
Crossville, TN 38555



Minutes

Wednesday, March 27, 2019

4:30 PM

Conference Room 317

Call for Special Meeting

Call to Order

The City Council for the City of Crossville met in special session on March 27, 2019. Mayor James Mayberry was present and presiding. He called the meeting to order at 4:30 p.m.

Rollcall

Present 4 - Council Member J. H. Graham, Council Member Rob Harrison, Mayor Pro-tem Art Gernt, and Mayor James Mayberry
Absent 1 - Council Member Scot Shanks

Others present were City Manager Greg Wood, City Attorney Will Ridley, City Clerk Valerie Hale, Assistant City Clerk Malena Fisher, Ed Camera, Rita Reali, Jim Young, Heather Mullinix, Jeff Johnson, and Jessie Brooks.

1. Consent Agenda

A motion was made by Mayor James Mayberry, seconded by Council Member Rob Harrison, to approve all items on the consent agenda. The motion carried by the following vote:

Aye: 4 - Council Member J. H. Graham, Council Member Rob Harrison, Mayor Pro-tem Art Gernt and Mayor James Mayberry

Absent: 1 - Council Member Scot Shanks

Ordinances on Second Reading

a. Ordinance Amending FY18-19 Budget-Pickleball Courts

Bids were received for the conversion of 2 existing tennis courts to 8 pickleball courts. Currently, there is \$40,000 budgeted, and the bid came in for \$41,857.00. There was only one bid received, which was from Baseline Sports. The Parks & Rec Supervisor request approval of bid and budget amendment for additional \$2,000.

This Ordinance was approved on second reading.

b. Ordinance amending FY18-19 Budget 10th Street Drainage

The storm sewer on Crossville Community Church property is collapsing and causing storm water to overtop the roadway. The section of the storm sewer collapsing is property of the Church. The Church does not have the funds to replace and upsize the sewer line to a 48 inch pipe. The City Manager, Street Department Superintendent and the Director of Engineer have met with a group from the Church. They have requested that the City purchase the pipe and the church will purchase the stone for backfill and pay for the installation as described in the attached letter. The cost of 190 feet of 48 inch pipe is \$8,521.50. If the City Council approves the purchase of the pipe, the Street Department will rebuild the catch basin near the road and inspect the remaining City storm sewer for replacement.

This portion of the storm sewer has been failing for more than ten years and it has finally collapsed. In the past, different City Managers have given the Street Department authorization to add stone to the parking area as the area has washed during large storm events. City Staff recommends the purchase of the pipe. A budget amendment is required.

This Ordinance was approved on second reading.

c. Ordinance amending FY18-19 Budget Garrison Park #2

Due to the recent change order for excavation quantities, a budget amendment in the amount of \$40,000 is required.

This Ordinance was approved on second reading.

2. Other Business

Discussion and action on matters relative to economic development

The City Attorney related that a local non-profit agency, Hilltoppers, Inc. has been approached about selling their property to a company that is interested in opening in Crossville. Hilltoppers has requested that the City consider the possibility of giving the 501(c)(3) organization a parcel of property to relocate its facility.

Council member Graham read aloud a resolution he drafted for consideration, which would offer technical assistance, agree to donate 3.90 acres, and waive all permits and fees associated with the Hilltoppers' subsequent building project.

The City Attorney advised that the resolution is just the intent and will of the Council if the land exchange is necessary. He also pointed out that the property will still have to be properly advertised. At the appropriate time, the Council can vote to start the public notice period for the donation of the property. A legal description of the property will be available at that time.

A motion was made by Council Member J. H. Graham, seconded by Mayor James Mayberry, to approve the proposed resolution. The motion carried by the following vote:

Aye: 4 - Council Member J. H. Graham, Council Member Rob Harrison, Mayor Pro-tem Art Gernt and Mayor James Mayberry

Absent: 1 - Council Member Scot Shanks

The City has also been approached by the company that recently purchased the "old KMart" shopping center (Cumberland Square) about waiving building fees involved with the renovation of the property formerly known as KMart. According to building inspector, Danny Thurman, the cost is approximately \$2,600.

A motion was made by Mayor James Mayberry, seconded by Council Member Rob Harrison, to waive permit fees for the renovation of the building. The motion carried by the following vote:

Aye: 4 - Council Member J. H. Graham, Council Member Rob Harrison, Mayor Pro-tem Art Gernt and Mayor James Mayberry

Absent: 1 - Council Member Scot Shanks

The company has also requested a \$300,000 grant for renovation of the property to be paid back over a 4 year period once the store is in operation. Based on the estimated annual sales tax to be generated by the proposed new store, using an effective rate of 30% of the stores sales taxes could help to offset this grant to the company. (Effective rate: Assumption that 60% of store sales are new to City, using taxes from 50% of the new sales to generate annual grant value).

Council member Graham explained that the property taxes are split into two sections. One is the Kmart building only and the other is the rest of the shopping center. The taxes for the Kmart building are \$5,800 and the rest of the shopping center is \$5,100.

Council member Graham explained that the company estimates that its payroll will be \$1.3 million and 65 jobs. According to economists, the payroll turns over 5-7 times before it leaves community. Assuming half of the payroll is subject to sales tax, this equates to \$3.2 million of sales over 5 years at 1.73 percent, which would be \$44,525 of "new" sales tax. Mr. Graham proposed that the City gives the company a PILOT at 50% on the property they will occupy in the KMart building over 15 years. He reminded the Council that this has to have approval from the County as well. There was a general discussion regarding PILOTS and it would allow the property to be given to the Industrial Development Board, making it tax exempt and instead of paying taxes, the company would make a payment in lieu of taxes. In this case the amount would be \$2,500 per year for 15 years.

Council member Graham related that instead of a loan for \$300,000 and it being paid back with sales tax as suggested by the Company, it would be cleaner and more beneficial for the City to loan the money to the Company and charge interest of 1.5% below prime over a 5-10 year period.

Mayor Mayberry explained that the TIF as suggested by the company is illegal and that a (sales tax) TIF cannot be created by a City alone.

Mayor Mayberry expressed that other businesses that would compete with this Company, didn't get any incentives from the City and that he only supports waiving of permit fees associated with the renovation.

Mayor Pro Tem Gernt expressed the same feelings as the Mayor.

Council member Graham reiterated that the projections are on new sales, not cannibalization sales. Expecting \$100,000 new sales tax to be created.

City Attorney Ridley advised that this is the same company that approached the City about the sewer line currently under the building. They requested that if there's ever an issue with the sewer line, that the City would cap off the sewer line and go around the building. The Council voted to do so and gave a sewer easement for the line under the building.

Mr. Ridley also related that he talked to Industrial Development Board Attorney Pete Ezell. Mr. Ezell says all options can be reviewed (a loan, PILOT based on property tax, or TIF based on property tax) and that he can assist with the transactions.

Mr. Ridley stated that due to low property tax rate, the incentive is very low. A huge

increase in property taxes is not anticipated.

Mr. Wood suggested discussing the matter at the next work session so that the options can be carefully reviewed by the Council members.

Council member Graham explained a loan has to be done through the Industrial Development Board. He prefers that the Company pay the Industrial Development Board plus interest.

Council member Harrison stated that although he agrees with the Mayor, he would like more time to consider the options.

Council member Graham discussed total market area, it's at least counties that touch Cumberland County so the market area is a 30-45 mile radius.

Council member Harrison asked if loaning money below prime rate is legal. City Attorney advised that he had discussed with Mr. Ezell and that Mr. Ezell needs to be the one that guides the process with the Industrial Development Board.

It was agreed to postpone the item until the next meeting. The meeting adjourned at 5:01 p.m.

Adjournment