Legislation Details (With Text)

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Title:	*Consideration of Resolution No. 2015-81 entitled, "A Resolution to approve a PILOT (Payment in Lieu of Taxes) Program for the Lampo Group, Incorporated, as requested by the Industrial Development Board of Williamson County, Tennessee (10/13/15 WS)				
Sponsors:	Eric Stuckey				
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Date	Ver.	Action By	Action	Result
10/13/2015	1	Board of Mayor & Aldermen	approved	Pass
10/13/2015	1	Work Session	acknowledged	

DATE: September 30, 2015

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, Assistant City Administrator/CFO
Vernon Gerth, Assistant City Administrator - Community/Economic Development

SUBJECT:
*Consideration of Resolution No. 2015-81 entitled, "A Resolution to approve a PILOT (Payment in Lieu of Taxes) Program for the Lampo Group, Incorporated, as requested by the Industrial Development Board of Williamson County, Tennessee (10/13/15 WS)

Purpose

The purpose of this memorandum is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning entering into a PILOT Program for the Lampo Group, Incorporated, related to investment and expansion of their business within the City of Franklin.

Background

The Lampo Group is the financial services company formed by Dave Ramsey that currently employs approximately 450 people in the Franklin/Brentwood area. The company is moving forward with a significant expansion of their operations in Franklin. Specifically, the Lampo Group is looking to consolidate and expand its operations into a campus environment within the Berry Farms development. The Lampo Group campus would be in the southernmost portion (47 acres) of the Reams Fleming tract (the southeast quadrant near the

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I-65-Peytonsville/Goose Creek interchange). Lampo is looking to add 398 new full-time jobs by 2020 and make a capital investment of at least $50 million.

Through their site selection process, Lampo approached the State of Tennessee, Williamson County, and the City of Franklin about possible development incentives. In response, the City and County jointly proposed local incentives that could be taken to the respective elected bodies (County Commission and BOMA) for consideration. The County has offered and will consider a property tax abatement of approximately 42% of the annual taxes for 10 years. This abatement level would "hold harmless" the amount of property tax currently dedicated to the funding of public education (WCS). [Note: this property is outside the Franklin Special School District.] Over 10 years, the proposed County property tax abatement would be "capped" at a total abatement of $1.87 million. The City would match (with proper Board approval) the abatement level (42%) which equates to a 10-year property tax abatement of up to $360,000. In the case of both the County and City, job creation and capital investment targets must be met in order to receive the property tax abatement.

The County and City have provided similar abatements for a defined period of time, a cap on total abatement provided, and with the portion of property tax for schools excluded from the abatement. Development assistance of this nature was provided to projects such as the Community Health System (CHS) corporate headquarters, Healthways corporate headquarters, and Verizon regional operations center. The County also provided a property tax abatement for the Jackson National Life corporate office development. The City did not provide a property tax abatement for the Jackson National Life development due to its location within the existing McEwen area economic development district (tax increment financing district). Instead, the City provided the match to a State of Tennessee infrastructure grant which resulted in an upgraded, dual electrical feed to the area.

In anticipation of future expansion on the Lampo Group site, a Phase II abatement proposal is also included in the resolution. Phase II would include a second building of roughly equal size to the Phase I building, with the prospect of an additional 398 new full-time jobs. The formula for the abatement of property taxes (42% of the annual total) would be identical, as would the requirement for meeting job creation targets. Similarly, the cap on total abatement over the ten year period would be $360,000 for City taxes, adjusted for inflation during the period prior to construction. Because the Phase II office building would be constructed on the same site as Phase I and the land cost would already be included in Phase I, it is unlikely that the abatement granted in Phase II would reach the proposed cap.

In addition to the property tax abatement being considered for the Lampo Group development, the City indicated that it would be open to exploring public infrastructure improvements that would assist with the development project. City staff has identified a specific need near the Lampo campus site. This infrastructure improvement would involve the replacement of an aging, undersized bridge on Pratt Lane adjacent to the Berry Farms/Reams Fleming development area. Staff estimates that this bridge replacement could cost $400-500,000. The timing of this investment would need to be identified by the City in the future. Until the bridge and other improvements are made along Pratt Lane, Lampo's primary access would be through the spine road being constructed in the Reams-Fleming section by the developer, Boyle Investments. In the meantime, access points off Pratt Lane to the Lampo site would be emergency-only access. These infrastructure components are not part of the resolution being considered by the Board at this time, but are part of the broader infrastructure development in the southeast portion of Franklin.

Financial Impact

The property tax abatement provided through this agreement would be approximately 42% of property taxes paid on the subject property for 10 years. The total abatement is capped at $360,000 to be provided annually over a period of not more than 10 years. The property tax abatement is subject to meeting targets for job creation (398 new jobs) and capital investment (a minimum of $40 million). During the course of the abatement period for Phase I, the City would receive additional property taxes of $739.631.

An additional abatement for Phase II would have a similar cap, with an estimated abatement of $284,127. The City would collect $562,409 during the abatement period. If both Phase I and Phase II are fully developed, the City abatement of property taxes would be $644,127 and the amount of property tax collected would be $1.3 million. The abatement formula would apply only to land and buildings; no fixtures, equipment or other personal property is included in the proposal.

Recommendation

Approval of the proposed resolution and PILOT program for the Lampo Group is recommended.