BE IT REMEMBERED that the Special Work Session of the Hattiesburg City Council was held at 4:30 p.m. Thursday, January 5, 2017, in Council Chambers at City Hall.

Those present included members of the City Council Kim Bradley, Ward 1; Deborah Delgado, Ward 2; Carter Carroll, Ward 3; and Mary Dryden, Ward 4. Others in attendance included Director of Administration/City Clerk, Kermas Eaton; Chief Financial Officer, Sharon Waits; Director of Federal and State Programs, La'Keylah White; Director of Urban Development, Pattie Brantley; Planning Administrator, Ginger Maddox; City Attorney, Annie Amos; Clerk of Council, Debbie Bernardo; and the public.

The MEETING was called to order by Council President Carroll.

1. Carroll - Update from IPR Consulting Group, Tax Credits, Public Safety Complex

Council President Carroll stated that this is a work session and does not require a quorum. He introduced David Altman of IPR Consulting Group and said he is in town to discuss new market tax credits available for the public safety complex. Mr. Altman introduced Connie Everett, the city's former Chief Financial Officer, as an IPR associate and Kim Smith of Butler Snow as an attorney specializing in new market tax credits.

Mr. Altman presented a slide show to explain the new market tax credits. He said the program provides incentives for private money to help communities that have lower than average incomes; he said no government money goes into the program. He described the mechanics of the process and the criteria for qualifying for the program; Ms. Smith then discussed financing, including the net profit of investors and net benefit for the city.

Mr. Altman discussed construction requirements for this funding and potential lenders, and provided sources for additional information. He asked Ms. Everett to discuss development projects in terms of costs, timelines and funding; Mr. Altman said a portion of funding will be with new market tax credits and the remainder with tax-exempt bonding.

Ms. Everett discussed a list of projects that she said represents the total package of everything is trying to fund, including the lease purchase through the South Mississippi Planning and Development District of the temporary police department site on Klondyke Street and the just-completed parks and recreation administration building; the temporary court facility, which is a county-owned building; the cost of renovation of the temporary police facility; and the main police department site on Edwards Street (sic) including renovation of the 1927 historic structure and demolition of the later building to make way for construction of new offices and for the police department. Ms. Everett said some of these projects are already complete but can be used in this funding scenario and a reimbursement situation because they fall within the window of projects that are eligible in figuring how many tax credits for which can apply; she said the constraint is that the law requires construction to be complete within a year, so some portion of the public safety project cannot be funded with new market tax credits because, though it is part of the overall project, construction will take three or four years. Therefore, Ms. Everett said, the development district will be used as the alternative funding avenue for that part of the project.

She said the pieces of the project that can be done in a year or less include renovation of the old building at police headquarters for roughly $4 million; demolition of the wing at a cost of $600,000; the fire department administration building at a cost of $2.6 million; rehabbing of the crime scene investigation building and the vehicle maintenance will be building; and parking for the public. She said the cost of new construction goes into the overall calculations. Ms. Everett said also that architectural and engineering fees associated with construction costs can be covered, as can phase one development of the arts center at a cost of $2.5 million and the architectural and engineering fees associated with that.

Ms. Everett said the total is $43.9 million for everything, and that the Council has authorized $32 million. Ms. Everett said knew there was a shortage, even before there was talk of an arts center, and started looking for other sources of funding and began looking at new market tax credits; she said that funding can make up the difference, but that whether has tax credit funding or not, there is a gap. She said $32 million will not quite cover what is needed for the public safety complex; she said that according to calculations, a commitment of $38 million could cover and could pair with tax credits.
She asked for the Council's input and said she knows that is not what they wanted to hear, but that is the way it worked out to be.

Mr. Altman said there are moving components to the program. He said the options are to stay within the authorization at the level it is, in which case the project cannot be put together, or to have a little more authorization for bond money. He said interest rates now are historically low and that this is an investment that will pay dividends for the city and surrounding area for a long time to come. Mr. Altman said all he does is new market tax work and that he only represents sponsors; he said this is an important project to keep the central part of Hattiesburg alive and to encourage other investments.

Council member Delgado asked what costs the arts center will add to the project; Ms. Everett stated that the total cost is about $6.5 million, but that the focus is on Phase 1, which is $2.5 million ($2.7 million with architectural and engineering fees).

Council member Bradley stated that if all of the project is to be done, will need to raise from $32 to $38 million.

Ms. Everett stated that the original intent, before new market tax credits, was to phase funding through the development district in three phases. She suggested raising the funding level as not to exceed $38 million; she said there are a lot of unknowns and the full $38 million may not be needed, but the "not to exceed $38 million" is that could work and would allow for funds to be borrowed in phases as originally planned. She stated that she, Mr. Altman and Ms. Smith feel pretty confident that $32 million will not satisfy everything that is on the list.

Subsequent discussion related to the one-year construction requirement for new market tax credit funding. Ms. Everett stated that the $38 million now will include the arts center, in addition to the public safety complex, to serve the community; she said with this program authorized through 2019, there is always the possibility of doing this again for other projects, such as the next phase of the arts center.

Council Vice President Dryden stated that the program allows a 24-month look back at expenditures. Mr. Altman said that is a new rule that allows dollars that have already been spent to be shifted over into the structure and leveraged for reimbursement. Ms. Everett noted that renovation of the temporary police department site has been that was not known in advance and was not originally factored into the cost of building a public safety complex, but had to be addressed.

Council member Delgado asked why specific street addresses are not used; Ms. Everett verified that the structure to which Council member Delgado referred is to the Hattiesburg American building.

Council President Carroll asked if there is a deadline by which the application for the tax credits must be submitted. Mr. Altman said the Treasury doubled the allocation to $7 billion in November, but not the staffing to handle. He recommended January 25 as the date for the city to have decisions made so term sheets can be completed. Subsequent discussion related to the Council's next meeting and to future discussion of this matter, and to the costs of construction and the possibility of increases in costs.

2017-227 IPR Consulting Group, Tax Credits, Public Safety Complex Documents, 1-5-17

Attachments: New Market Tax Credit Powerpoint
COH Development Projects with Cost Analysis

Council President Carroll closed the Agenda Review at 5:20 p.m., this the 5th day of January, A.D., 2017.

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