MINUTES OF A SPECIAL MEETING OF COUNCIL

CITY OF GARFIELD HEIGHTS, OHIO

Wednesday, July 16, 2008

MEETING CALLED TO ORDER AT 6:00 P.M. by President Frank J. Wagner

ROLL CALL:	**PRESENT:**	President Frank J. Wagner Council Members Dudley, Marincic, Liotta, Sarnowski, Suster, Mahoney
	ABSENT:	Council Member Abella

PRESIDENT WAGNER: Will the Clerk please read the purpose of the meeting?

CLERK: The purpose of the meeting will be to consider Ordinance 26-2008, which was placed before the Finance Committee on July 14, 2008.
(AN ORDINANCE AUTHORIZING AND APPROVING A COOPERATIVE AGREEMENT BY AND AMONG THE CITY, THE CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY, SNIDER-CANNATA INTERESTS, LLC AND U.S. BANK NATIONAL ASSOCIATION PROVIDING FOR THE CONSTRUCTION AND FINANCING OF PUBLIC IMPROVEMENTS IN THE GRANGER/I-480 AREA AND RELATED IMPROVEMENTS AND AUTHORIZING AND APPROVING RELATED AGREEMENTS AND DECLARING AN EMERGENCY. (*Not read)*)

CLMN SUSTER: Mr. Chairman I'd like to make a motion that we remove Ordinance 26-2008 from the Finance Committee.

CLWN MARINCIC: I had hoped that we would have a Finance Committee Meeting regarding this. I have a lot of questions regarding it and I haven't been able to get all the answers satisfactorily yet. So because of that I am requesting that Clmn Suster does hold a Finance Committee Meeting regarding this so that I can get answers to all of my questions and have a more educated vote when voting on this piece of legislation, but this does not mean in any way that I am not in favor of this project because I am and I want to say go forth. It's just I have so many questions that I really feel that this is not the time or the place to get them and I would like to hold the Finance Committee Meeting to do that.

MAYOR THOMAS LONGO: Just one comment. That's why I asked Pam Hanover here. Because there's nothing that you're going to have at a Finance Meeting unless this lady or Barry Keefe is at that meeting so if there's any questions …

CLWN MARINCIC: I'm going to have to go on and on, page by page, through this. Even the blank spaces that are left …

PRESIDENT WAGNER: We can't get into that this evening. Let's complete the roll call.

CLWN MARINCIC: I'm behind the project wholeheartedly. I just feel I cannot make an educated vote on it at this point in time. I have to vote No to taking it out of the Finance Committee.

CLWN SARNOWSKI: I concur with Ms. Marincic. I vote No.
AYES: 4
NAYS: 2
ABSENT: 1

PRESIDENT WAGNER: It only needs four votes to come out of the Finance Committee, according to the Rules of Council as I read them so therefore Ordinance 26-2008 is removed from the Finance Committee and before the Council. Is that correct, Clmn Suster? You need four votes to take it out?

CLMN SUSTER: Yes.

PRESIDENT WAGNER: So the matter is before the Council. There are some questions. If anybody wants to ask questions I think now is the appropriate time to ask your questions. You may not get all your answers but you'll have to vote accordingly.

CLWN MARINCIC: I will ask them when it's my time to vote.

PRESIDENT WAGNER: Are there any questions regarding this ordinance that Pan Hanover from Squires can answer for us?

CLWN MAHONEY: On page 44 in Section 8.1 under the terms of the agreement it has a date in there--December 31, 2048. What is it referring to?

Ms. Pam Hanover: It was referring to the fact that although the bonds would not be outstanding as long as that, their maintenance responsibilities by the developer for some of the public improvements would last that long. We have since talked with the Bond Council to the Port Authority about it and frankly, I think the better date in there would be the bond maturity date as we determine what that is, which will be approximately 10 years earlier, and the maintenance responsibility. The reason for that being fine is we started off with the bonds funding a number of parking facilities. That's not the case any longer. There were a lot of maintenance responsibilities with respect to the parking facilities. The only maintenance responsibility that remains and what is being funded with the bonds is in connection with some detention facilities. So we felt that the best place to put those maintenance responsibilities would be in an easement that is received. There would be an easement to the City and a sub-easement to the Port Authority. The maintenance responsibilities would be in that easement. You will see they're not in there. So it's fine to leave this date as it is.

CLWN MAHONEY: It would be earlier for us to amend this to December 31, 2038?

MS. HANOVER: You don't really need to amend it because the legislation approves this agreement. It's substantially the form on file and that date will change to be the maturity date, but you don't have to do any specific amendment of your ordinance, etc.

PRESIDENT WAGNER: If I could interrupt one second, Councilwoman? You said that we don't need to amend it because? Rephrase that again.

MS. HANOVER: First of all, let me say the date says "the earlier of" that date or such time as all the payments in lieu of taxes. It currently says if that date were the earlier of such date that the payments in lieu of taxes had all been transferred over, which is a 30-year timeframe. So it works OK as it is. Since questions have been raised I think it's probably cleaner to put the maturity date of the bonds there.

PRESIDENT WAGNER: My question was if that agreement is not changed and goes into effect with that date?

MS. HANOVER: It would not have any different interpretation because right now it says the earlier of that date of such date as the service payments have all been transferred to the trustee under this agreement. That's a 30-year timeframe.

PRESIDENT WAGNER: That's a 30-year timeframe?

MS. HANOVER: Exactly.

PRESIDENT WAGNER: So that's what Ordinance 25 did?

MS. HANOVER: Exactly. Ordinance 25 did that coupled with the agreement under which …

PRESIDENT WAGNER: The ordinance is not saying that though. The agreement says earlier of or if there is not an earlier date it could be 2048.

MS. HANOVER: This agreement has the requirement that the City transfer the payments in lieu of taxes to the trustee. The earlier ordinance that has been passed establishes the 30-year timeframe so it's a combination of the two. You're right.

CLWN MAHONEY: If we amend this to say 2038 and you mention that the agreement will be on file. Will that also be changed? Because they should know we are voting on this and it's amended so it should be done on their level also.

MS. HANOVER: The only reason I didn't want to change it to a fixed date yet is we don't really know what the bond maturity date will be. We have an expected date right now, but until this has gone through the rating agencies and the sale, we have not yet sold these bonds; we don't really know with certainty the maturity date. It might be February.

MAYOR THOMAS LONGO: A construction interval plays into it.

MS. HANOVER: Right. I mean it is very, very normal for these documents to have blanks in them that are related to matters that won't be determined until you have the bond sale. This is one of them.

MAYOR THOMAS LONGO: Once you get involved with a project like this, you have a construction interval and God only knows what could happen to push it back so if that happens the property taxes are delayed because they're always a year later so that's why you have the flexibility. You can't be specific at this time right down to the nth degree and that's the way these agreements are.

MS. HANOVER: It's not likely to shift more than a month or two, but it could shift.

CLWN MAHONEY: On page 40, and this may be me, Section 7.1, article C, could you explain that to me please?

MS. HANOVER: I have a different copy of this so it's not on the same page as yours. 7.1, C?

CLWN MAHONEY: Yes.

MS. HANOVER: There would be a fault here if the City were in the unlikely situation of bankruptcy. It's just a time period of deciding what to do, basically. Will the City still be able to collect payments and taxes? But there is no painful consequence as a result of that. The primary purpose of the agreement, as it affects the City, is that the City has the obligation here to collect when it receives the payments in lieu of taxes to transfer to the trustee. When it receives any, if any, special assessments to transfer to the trustee so if the City's unable to pay (that's difficult to imagine) they have to deal with someone stepping in and who would that be? Will it be the trustee acting on behalf of the City or what?

CLWN MAHONEY: I had a question about the repayment schedule which does not have to do with this piece. Why was it such a minimal amount and then it elevated to $9 million as of … What was the purpose and how would one market something like that?

MS. HANOVER: The large payment at the end is almost exclusively because there is a reserve fund that is held for the life of the bonds that is then used to make the last year's payment. It's a combination of payments and taxes that would be expected to be received at that point plus the emptying of the reserve. The reserve fund is held by the trustee and is, in fact, part of what's borrowed upfront as part of the bond process.

CLWN MAHONEY: Is that customary that it's like that?

MS. HANOVER: It's customary on these types of bond issues.

CLWN MAHONEY: It doesn't make a lot of sense to me.

MS. HANOVER: There have been 10 of these types of bonds issued and that has not been a problem. It's a changing world. Credit is tightening a little. Anything's possible. The reason they haven't been that difficult to sell or have been able to be sold is they are rated and they're not sold unless they receive a rating, which is some comfort. The rating agencies are evaluating the credit worthiness of it. That process we're just getting ready to go through now.

CLWN MAHONEY: That's all I have at the moment. I reserve my right if I have more questions.

PRESIDENT WAGNER: You always have that right.

CLWN SARNOWSKI: Going through the definitions, there's something called "indenture" which refers to a lot of the articles. This is something that goes through August 1, 2008. What is it? Page 7.

MS. HANOVER: You're asking the definition itself of trust indenture?

CLWN SARNOWSKI: Throughout the whole article it was referring back to this piece of paper.

MS. HANOVER: That is a trust indenture. I want to be sure to understand the question. I'm sorry.

CLWN SARNOWSKI: On page 7 it's the definition.

MS. HANOVER: The indenture is not attached only because the City's not a party to it. It is the security for the bonds. It's an agreement between the Port Authority and the trustee only. It's not an agreement with the City and not an agreement with the developer. It's under that agreement where the proceeds of the bonds are its determined that the proceeds of the bonds are in funds that provide security for bonds. For example, you can have a fund that I just referred to and that's set up as a trustee account for the benefit of bondholders. You also have your project fund. Your project fund is then used for the disbursement of monies for the project. And you have your disbursement request form, etc. It's called a trust indenture because it is the security document for the bonds. So again, by what example, when the City pays receives payments in lieu of taxes you don't pay them over to the developer. You pay them over to the Port Authority. You actually pay them directly to a bank that gives them to the trustee. The trustee then holds that and they hold that for the benefit of the bond holders. Then they make the period payments on the bonds from that.

CLWN SARNOWSKI: Those bonds are good for 30 years?

MS. HANOVER: That's right. Just short of 30 years, but yes.

CLWN SARNOWSKI: Nowhere is it listed what date that it could be longer.

MS. HANOVER: It's in fact limited. The special assessments would be in place for a 27 year period. so you would have 27 years of principal payments and the first principal payment would be delayed a little bit and your tax incremental financing payments would come in for 30 years so there's nothing for beyond 30 years because there is not a payment source beyond 30 years.

CLWN SARNOWSKI: Then after 30 years we are getting taxes on the whole project?

MS. HANOVER: That's right. It would be taxable property.

CLWN SARNOWSKI: You said it's common to have this agreement with a lot of empty spaces like in the definitions?

MS. HANOVER: That's right. It would revert back to taxable property. This is because a lot of these definitions are shared with the trust indenture and as I said we have not sold .. The City where it sold is owned by the Ohio something called the certificate of award where all of the terms your ordinance might set forth your parameters but all of the terms of the bonds including some of the security of the bonds is not really determined finely until you've gone through the rating process and you've actually marketed the bonds. This applies to the City because what you're providing to the bonds is determined. It's whatever the service payments are. Whatever the special asset payments are. It is conceivable that there would be additional security added to this other than that that is currently contemplated. Not from the City it would have to come from the developer or the Port Authority.

CLWN SARNOWSKI: Some of the definitions I don't think have anything to do with the bonds, like manager means what; organized under the laws of … Even when we passed the ordinance regarding the TIF those spaces should be filled in because they have already been passed. They have nothing to do with the bonds.

MS. HANOVER: You just passed that on Monday and we put this on file …

CLWN SARNOWSKI: No, they were passed in July. A lot of these things were passed before that.

MS. HANOVER: No, no this was just passed on Monday.

MAYOR THOMAS LONGO: You rescinded that old piece of legislation.

CLWN SARNOWSKI: The bond is rescinded?

MAYOR THOMAS LONGO: No you just passed that Monday and rescinded the old TIF legislation. With ten properties that were added.

PRESIDENT WAGNER: If I can indulge you and ask you a few more questions? In regards to who appoints the trustee? Who is the actual trustee?

MS. HANOVER: The Trustee is appointed by the Port Authority.

PRESIDENT WAGNER: OK, so the Port Authority will appoint the trustee. My next question is either to you or Mr. Obert? Which bank is he from?

MS. HANOVER: It is US Bank.

PRESIDENT WAGNER: So it's US Bank. I know that up front. The whole purpose of the TIF is to front the infrastructures, is my understanding, correct? It can only be used for the infrastructure? OK. The TIF is a $37 million TIF, correct?

MS. HANOVER: Estimated.

PRESIDENT WAGNER: The estimated cost of the infrastructure, to my understanding from the developers, is $55 million. So who is going to pay the remainder of that?

MS. HANOVER: He does and it depends on what you include in costs. They definitely do. There are provisions in here that the bond proceeds will fully fund the Transportation/Granger project, just to make sure that there are enough funds for that even though there is some grant money available for that. They will gross fund the Granger/Transportation project so we know those monies are available. Even if there's not enough money for Transportation/Granger even though we've gross funded it, the developer has to pay the shortfall. On all the other costs of the project the developer will be entering into contracts. He'll be going through a competitive bidding process, but they'll enter into the contracts and they will be obligated to pay any shortfall that is not available from the proceeds of the bonds.

PRESIDENT WAGNER: I have two more questions. If for some reason (and I don't expect this to ever happen) but I just want to know the City's liability that we're getting into and be very definitive on that point. If the developer gets into the project, he starts the infrastructure, runs out of money, doesn't complete it, what if any liability falls back on the City? What happens to the TIF funds that have already been collected?

MS. HANOVER: Right now the security that is anticipated here is what's required here. You might see reference to a letter of credit. The developer is required to put up a letter of credit that covers the construction period risk of the construction of the private developer so that the letter of credit is required to stay in place until certain evaluations occur upon what has been built as part of their private development. If you had a situation where ultimately they failed to complete the project or that evaluation otherwise was short of the anticipated amount, ultimately that letter of credit is drawn on and it's in the full amount necessary to pay the bonds.

PRESIDENT WAGNER: If this holding company goes bankrupt is that letter of credit still any good?

MS. HANOVER: Yes. The letter of credit is drawn on a bank and the credit of that is the credit of the bank. In fact, as I understand, it's expected that Huntington would be providing the letter of credit. I have heard orally that they agreed to provide that letter of credit. No matter what you'd like to know that the bonds you are selling are involved with have some security behind them but the City's liability for repayment is very clearly and consistently limited to what you receive.

CLWN MAHONEY: That would include infrastructure? Correct? If there would be some situation where Mr. Snider could not make, goes default or whatever prior to the infrastructure being done then we would be responsible for a portion of the TIF? Is that my understanding?

MS. HANOVER: No. When I'm looking at it the risks that we are most worried about and that we've protected you from as best as you can really here is that Transportation/Granger, which is being funded through here is an estimated project cost right now. It's not done. You don't know what its costs are and the developer has to pay shortfalls but what if the developer isn't around in six months? That's the worst situation. So what has happened with that is we said that you are going to have to have the trustee retain the estimated amount of money to pay for the Transportation/Granger even though the developer is required to pay the shortfall. Believe me that's not something they wanted to do. You're going to gross fund the Transportation/Granger project for the estimated cost even though you have in hand a grant for about $2.1 million for that project. So when the grant money comes in the City will turn that money over to the trustee and that money is then available for other public improvement costs, but not until the grant's actually reviewed. Say you have sort of that contingency amount or protection amount. It's really the grant which is quite a meaningful contingency.

CLWN SARNOWSKI: We have two banks involved then?

MS. HANOVER: You have the trustee from the bonds which is US Bank and another bank would be providing the letter of credit that has been obtained by the developer at the developer's cost and credit.

PRESIDENT WAGNER: Have you seen that letter of credit?

MS. HANOVER: We have not.

PRESIDENT WAGNER: How do you know it exists?

MS. HANOVER: We've been told that the underwriter talked with Huntington and Huntington said they've approved it. It won't exist until we actually close, but it won't actually be delivered until the bonds are closed but there should be a commitment for it that should be available shortly. If it's not available the bonds are not going to sell.

PRESIDENT WAGNER: You said that you've been able to develop this much limited liability for the City? What liability do you see at all for the City on this? From a legal perspective? My understanding is you're representing the City and only the City's interest. I want to make that clear for everyone.

MS. HANOVER: Only the City. There's two issues you would look at. One is is the City obligated to repay the debt service on the bonds? The obligation in these documents limits the City's obligation to repay bonds to monies that are received by the City. To the extent that you receive payments in lieu of taxes and that you receive special assessments. How from any other City monies that is written up is in every way consistent with that. That is the understanding not only of us but also of the people who buy the debt, the rating agency that's rating the data. They're not rating it on the basis of their creditworthiness of the City of Garfield Heights. OK? Is it conceivable because you have entered into contracts that if things go sour there would be litigation and you're named as a party? Yes, we can't stop that, but you're not obligated to repay the debt. You have a very, very broad indemnity for a limited liability company.

The second issue is the one I was just talking about. It's are there any risks in connection with the fact that there's going to be construction of public improvements? The public improvements that are being constructed interior to the development are those contracts will actually be entered into by the developer. OK? It will be for some City streets and the detention facilities but those will not be contracts the City's entering into so there is a lesser concern about what happens at cost overruns because your name isn't even on those contracts. The Transportation/Granger improvements, on the other hand, are City contracts. You will be entering into those contracts and the construction of those. If ultimately the cost of Transportation/Granger doubles and the developer goes under, might you be facing a situation of concern of finishing the project? Maybe? You might be able to finish it but not totally. Cut your losses, etc. We have protected that by the amount of the $2.1 million grant amount which is very in addition to normal contingency amounts. It's a pretty meaningful protection.

CLWN MARINCIC: With regards to if anyone would default on this and the City would have to take legal action, who would pay those legal fees?

MS. HANOVER: Your legal fees are part of the administrative costs that can be paid through these payments. You're identified by this law firm on the one hand including legal fees and also they can be paid from the revenue flows and the payment in lieu of taxes. Ultimately, if the developer would exit and he didn't build the project and there were payments in lieu of taxes and you levied special assessments and the special assessments are delinquent and defaulted upon, yes, you can see the situation where you may be in a total meltdown situation and you may be incurring some legal fees seeking reimbursement and not having anybody there to pay them.

CLWN MARINCIC: What would be the City's responsibility then?

MS. HANOVER: Not the responsibility under the documents but if you're asked to pay? Is there some risk of that? I think so.

CLWN MARINCIC: OK. Also regarding where it says 2048? Can't we just amend that?

MS. HANOVER: To what? You can amend it to a blank.

CLWN MARINCIC: How about 2038? I'd feel a lot more comfortable if we did.

MS. HANOVER: That's fine but we'd amend it again. That's going to be dictated by what the maturity schedule is for the bonds which is subject to change right now.

CLWN MARINCIC: Mr. Obert, when the agreement came through for City View did we give them 40 years?

FINANCE DIRECTOR RICHARD OBERT: No. I think it was for 15 and the issue only got 13. It got delayed by the State of Ohio with the Ohio Department of Taxation because we got hung up. In that one the developer actually had to make the first bond payment because the money was not received.

MS. HANOVER: It was delayed. It was 30 years.

FINANCE DIRECTOR RICHARD OBERT: No, it was 18.

MS. HANOVER: You're right.

CLWN MARINCIC: It was much lower than this.

MS. HANOVER: There are some, as I said, that 40 years if you have something that is a public improvement like a detention pond but that you don't want to have it as a public improvement forever. I'm not talking about the streets now because the streets will be a permanent easement or right of way. You typically here, I mean the City's position here is we would rather not treat the detention ponds as public improvements forever but in order to fund them through bonds they have to be funded through their useful life. So their useful life would be 40 years. So you do see sometimes reference to 40 years does not mean you have 40 years of bonds. You have some improvements out there that have useful lives that have lives longer than 30 years. Your streets would be given a 20 year useful life, but the utilities – 40.

CLWN MARINCIC: But this isn't just on the streets. It's on buildings, etc., right?

MS. HANOVER: No, no. You mean what we're funding? It's just the streets and the detention, right. No parking. No buildings.

CLWN MARINCIC: OK. Great.

PRESIDENT WAGNER: Any other questions?

CLWN SARNOWSKI: On page 31 it states , "The Developer agrees that it shall take no affirmative steps to cause or induce the County Auditor … to cause the true value in money assigned by the County Auditor to the Development pursuant to … the Revised Code to be reduced below $ __________ ." Why should there even be a blank there? Why should they want to change what the property is worth?

MS. HANOVER: What that has to do with now is the issue of the combination of the sizing of the bond principle. When I said the bond principle now is subject to change, there will become a point in time and that point in time will probably be very close to now, but after you go through the rating process and just as you're getting ready to market the bonds where you'll take a snapshot of what is the expected evaluation of this they have an appraisal. What is the expected evaluation of the private development to be? Exactly what are the payments in lieu of taxes expected to be produced from that value? As a result what is the letter of credit supposed to be? What amount? And what is the principle amount of the bonds precisely going to be? Taking into account the interest rate at that time exactly at what it will be. All of those decisions kind of ripple through and are related to then what that number will be. That number has to be sufficient so that it would be producing enough payments in lieu of taxes to repay the debt service on the bonds.

CLWN SARNOWSKI: Doesn't the County Auditor give us that number?

MS. HANOVER: Yes, but this would just be saying that the developer is not permitted to take steps to try to reduce it. The County Auditor might take steps. He might reduce it if there's a vacancy.

CLWN SARNOWSKI: That's what was done with the previous property. He reduced the taxes.

MS. HANOVER: There is no guarantee that an evaluation will stay at a certain level. The only thing you can control is that the developer will try to reduce value. We can't control the County Auditor's evaluation.

PRESIDENT WAGNER: He can file a request with the Board of Review 10 years from now saying that property's no longer worth this amount and want it reduced.

MS. HANOVER: Exactly. He can file but not below a certain level and that level would be. And this would be determined. This number doesn't relate to some policy that the City has. It relates to the security for the bonds.

CLWN SARNOWSKI: So when this is in and this is signed, it can't be changed?

MS. HANOVER: Correct.

PRESIDENT WAGNER: Any other questions?

CLWN MARINCIC: “Section 5.17, Reduction and Release of Construction Letter of Credit.” Could you explain that to me? Page 35. I think it says that once he has signed leases he could reduce the letter of credit, but I’m not sure.

MS. HANOVER: This goes back to what I was describing a little bit earlier. There is a construction letter of credit. There is a letter of credit that is expected to only be in place for a given period of time. And that period of time as described in here again is actually something that will be required by the rating agency. That is in place until there’s enough comfort and I’m not saying that decision is made in the future and the grammar is dictated here that there will be enough payments in lieu of taxes and the projects standing alone (the project, not the letter of credit) to repay the debt service on the bonds. So there’s a letter of credit that is provided by the developer that is in place until he’s fulfilled his obligations, basically or he has built what he says he’s going to build and there are a certain number of tenants full. But at that point he’s no longer required to have a letter of credit and that’s what is called a construction letter of credit and it is a temporary letter.

CLWN MARINCIC: So it’s at least until the buildings are built and leases signed?

MS. HANOVER: Yes.

CLWN MARINCIC: Do you know if there are any signed leases on any of these?

MS. HANOVER: I know that there are a number of letters of intent. I’m not sure. If there’s an answer to that I don’t know.

MAYOR THOMAS LONGO: There is an answer. I can tell you Third Federal signed and Aldi’s but we’re not privy to the signed agreements.

CLMN SUSTER: Mr. Chairman, I think if anybody wants to get hold of David Snider he has a complete list of the stores that he has already signed in. I have a list at home but I don’t know if it’s been updated, etc.

CLWN MARINCIC: How old is your list?

CLMN SUSTER: Probably about four months old. I don’t know if it still holds or not.

CLWN MARINCIC: Could you send us what you have?

CLMN SUSTER: Sure.

(Inaudible)

CLWN MARINCIC: Could you forward a copy of that to all of Council?

MS. HANOVER: I’d be happy to.

CLWN MARINCIC: Thank you.

MS. HANOVER: You’re welcome.

PRESIDENT WAGNER: Any other questions? I have one more quick question either to you or the Finance Director. Or the Mayor--you may even know the answer to this. The economic forecast for the region doesn’t look favorable over the next few years and there’s a major concern about the reduction of property values, especially throughout this area. What happens? I’ve seen projections anywhere from 13% – 42% reduction in property values within this area depending on where the information is coming from. So my question is if there is a reduction of property values in this area, even a 20% - 25% reduction, that’s going to affect the amount of money that’s going to be generated for the TIF. So what happens if at that point in time, who makes up this shortfall?

MS. HANOVER: That is the purpose of the special assessments where the special assessments are actually a fixed amount and they will be filed before the bonds are issued on the properties and ultimately to the extent there is not enough, what say we get past the construction period so our letter of credit is now gone and it's 10 years later or whatever, then the values start to decline. The special assessments actually start to be imposed or a part of them start to be imposed. That's not a desirable. That's not the goal. That's not expected, but that's certainly normal for a property to have special assessments imposed against them. If that situation that you just mentioned with the 20% devaluation is not as much of a concern as a total meltdown situation where the entire complex is vacant and they walk away and the special assessments are delinquent and the property eventually goes into foreclosure and that the type of thing could happen. All we can say is the City's not responsible to repay the debt if it does.

PRESIDENT WAGNER: If that should happen.

MS. HANOVER: Correct.

PRESIDENT WAGNER: A total meltdown. We walk away. There's no liability to the City?

MS. HANOVER: That's correct.

MAYOR THOMAS LONGO: Let me just interject something. There's a difference between residential and commercial. We wound up with this same situation with City View. A portion of City View was sold for $100 million and then the person who bought it wanted to pay taxes on $100 million. They paid $100 million. It was the same thing with Turneytown. It was just sold. So there's a complete difference in if this was a residential project we're in a different ball game because that's just a mess. But the commercial side and the industrial side, you know, these are real live situations and when you pay $100 million for a property you pay $9.5 million for a small strip mall, that's the price and we're talking recent. We're not talking 10 years ago. We're talking within the past six months to a year.

MS. HANOVER: The other thing that is built into this somewhat like the City View project and fortunately, to date, the City View project has been producing more than enough to meet the debt service payments. Some of the property that's not to be developed now, the development of that is not contemplated in these numbers. So if it is developed, some of that far back land, that money would also come in to provide sort of a cushion for adequacy of payment so that if some of the other values declined you have this also unexpected additional amount. I mean no one knows what will happen in the future but that's helpful to have on the bonds.

PRESIDENT WAGNER: Just one more confirmation. I just want to hear it one more time from you that if the infrastructure costs are actually $55 million as the developer's projecting, OK? And the actual TIF is only going to generate the $37,035,000.00, the developer, outside of that Granger the actual thing that the City's going to bid and do the developer's going to bear those costs regardless?

MS. HANOVER: That is correct. In fact they're supposed to pay any shortfall on Transportation/Granger too but we've just sort of secured that in an extra way because you'll be doing their contracting for them.

PRESIDENT WAGNER: Just one quick question. Not to put the Mayor on the spot, but Mayor, one more for you. In this whole agreement, I know we talked the other day on the phone about the labor agreement, there is no labor agreement in place, but the only non-Union store that's going up is Aldi's?

MAYOR THOMAS LONGO: Right.

Ms. Suzanne De Gennaro *(in audience): (Inaudible.)*

PRESIDENT WAGNER: You are representing David Snider and Cannata? Do you know any different than that all the other construction will be Union labor?

MS. De GENNARO: Yes, I believe so.

PRESIDENT WAGNER: Are you sure? You say you believe so?

MS. De GENNARO: *(Inaudible.)*

PRESIDENT WAGNER: OK. Any other questions? If someone wants to make a motion, make a motion. Now's the time to make a motion, if there's a motion to make an amendment the time would be now, otherwise we'll lead into the suspension of rule requiring three readings? Is it Council's desire to make that amendment? Clmn Suster is Chairman of the Finance Committee. Is that amendment to be proffered? Since it's been discussed? Or what are we going to do?

CLMN SUSTER: I do not have an amendment.

PRESIDENT WAGNER: OK. Anyone else? *(none)* OK, then we shall move on to the suspension of rule requiring threee readings.

Motion to SUSPEND THREE READING RULE:
AYES: 6
ABSENT: 1

VOTE ON ADOPTION:
CLMN DUDLEY: I had a ton of questions before I vote, but probably 90% of them was answered by everybody else asking so I'm pretty well satisfied at this point and with that I vote Yes.

CLWN MARINCIC: My questions, too, have been answered and I vote Yes.

AYES: 6
ABSENT: 1

PRESIDENT WAGNER: Ordinance 26-2008 stands adopted with six Yes votes.

CLWN MAHONEY: Mr. Chairman, I'd like to entertain a motion that we dismiss.

PRESIDENT WAGNER: We have a motion on the floor to adjourn. Could we have a roll, please?
AYES: 6
ABSENT: 1

MEETING ADJOURNED AT 6:45 p.m.

APPROVED:

Frank J. Wagner
President of Council

RESPECTFULLY SUBMITTED:

Barbara Molin
Clerk of Council