

SPECIAL COUNCIL MEETING
FEBRUARY 25, 2020

The Euclid City Council meeting was held on Tuesday, February 25, 2020 at 7:00 p.m. in the Euclid Municipal Center Council Chamber. President Mancuso presided.

Good evening and welcome to a Special Council meeting, on this Tuesday, February 25, 2020 if able please rise and join me in the pledge of allegiance.

Thank you.

Madame Clerk, would you call the roll of the Council members?

Members Present: Caviness, Moore, Jarosz, McIntosh, Jukic, Gorshe, Mancuso

Could I have a motion to excuse Councilman Epps and Councilman Wojtila? So moved by Councilman Jarosz; seconded by Councilwoman McIntosh.

All in favor

Yeas: Unanimous

Others Present: Mayor Kirsten Holzheimer Gail, Law Director Sweeney, Planning and Development Director Holody, and Council Clerk Allen.

Thank you, I'd also like to welcome President Donna Sudar and all the School Board Members and our Superintendent, very nice to have you here, welcome to our development team for being here with us tonight. As we get started because we don't hold Special Council Meetings very often I'd like to spend a few minutes just going over the process that we're going to follow this evening for ourselves, for our council members, for the audience that is here and for those that maybe watching us at home. At a Special Council meeting the agenda will be a bit different, there will be no Administrative Reports given, there will be no documentation summaries heard there is one committee of the whole for legislative matters only and it will be at the beginning of the meeting, there will be discussion of the listed agenda items only, there will be no second committee of the whole and no councilman's comments before adjournment. Special Council meetings have to be compliant with our City Charter article two section three which states special meetings of council shall be held in council chambers, no business shall be transacted in any special meeting of council accepted the particular business for which the special meeting was called, and the notice required by article two section three of the Charter shall contain a statement of the business for the transaction for which special meeting is called. We must also be in compliance with our Euclid Ordinance 125.01 which also states no business shall be transacted in any special meeting of council except the particular business for which a special council meeting was called and finally we need to be in compliance with the Ohio Sunshine Law which states in order to not violate open meetings act when a public body holds a special meeting the statement of the meeting's purpose must specifically indicate those issues to be discussed at the meeting. Discussing matters at a special meeting that were not disclosed in the notice a purpose is a violation of the open's meeting act. So before we begin with our first committee of the whole I'd like to turn this over to Mayor Gail for opening remarks.....

Mayor Holzheimer Gail – Thank you Madame Chair, President of the School Board Sudar, members of council and school board member superintendent and to our development team, thank you all for being here tonight, this is an exciting project that we've been discussing since, I think midsummer last year so a lot of, a lot of meetings, a lot of work have gone into the point that we are here today, and I know we're here today to talk about the TIF, so I do want to just you know, talk about that in general, I'm really excited about this project and what it can do for the city, a TIF is an economic development tool so it really is a vehicle provided by the Ohio Revised Code to assist in financing new development or redevelopment and really why, why, why does it exist, to provide a tool but really the purpose is to provide additional, to spur additional redevelopment or investment. The reality of the market that we're you know facing here in Northeast Ohio is that almost every development project includes some sort of public

subsidy. Now, I know that's difficult for the public sometimes to understand as are we giving up something, what do we have to do to make this project happen, the reality is every project that has happened not even just in Euclid but in Cleveland and Cleveland Heights and Shaker Heights and Avon and Westlake includes some sort of public subsidy. So council and the school board of course part of our jobs is to be stewards of the public resources and also to provide a vision for where we want our community to be, so you have to make the decision is this project, is the potential economic development worth the public involvement. What is the benefit to the community and, you know in this case I, you know, there's a tremendous benefit to the community, a project that includes \$160,000,000 investment in our community, a project that would help to retain current residences that attract new residents to new market rate housing options. It brings new jobs through temporary construction jobs, permanent jobs in the healthcare market as well as operating the facility, it's a project that in my mind would be transformative it could be a catalytic project for the south side of Euclid, and really do what a TIF is supposed to do and serve as an economic stimulus to the surrounding area again by attracting that investment by attracting additional retail and restaurants to the Euclid corridor and then really having a positive impact on our property values, you know we've utilized TIF's in the past, it is necessary to help spur other development, our Waterfront Improvement project is being funded primarily through a TIF, we have a Downtown Euclid TIF, we have a Bennington Hamlett TIF, we have Clay Matthews TIF among others. We've considered that we've done these projects in the past and so you know I know yes it's a decision that the public has to make, the public bodies have to make for the betterment of the community I really appreciate the vision of this project the willingness in the interest in investing in our community, I appreciate the hard work and the commitment that the development team has and patience that they've had with us while we continue to talk about this but, so I'm trying to stick with the TIF, conversation, I appreciate everybody coming together to talk about the TIF again, and look forward to the conversation.

President Mancuso – Thank you.

Mayor Holzheimer Gail – Thank you Madame Chair.

COMMITTEE OF THE WHOLE FOR LEGISLATIVE MATTERS ONLY

President Mancuso – Okay, as we began anybody who wishes to ask questions or comment would come to the center podium, make sure the green light is on please give us your name and address, please understand questions or commentary must pertain to the stated agenda item listed only. Other topics or items raised not related to the stated agenda will be called out-of-order. No persons shall speak for more than 5 minutes, persons speaking shall remain polite and courteous respecting the office being addressed and the decorum of the meeting. Any questions raised by the public pertaining to the specific agenda item will be addressed at the time the specific agenda item is discussed. So with that we will open the floor to speakers.....

Put your microphone on sir, put your microphone on. Is it on? We're all on.

Mr. Goodman - Oh there it is, sorry. Victor Goodman, Glen Russ Lane. Only due to the comments of the Mayor did I decide to at least say something. When we have talked TIF, we have always talked about a proportional TIF, like 50% TIF or 20% TIF. This is not that kind of a TIF, this is a 100% on the backs of the people of Euclid for the next 30 years, 100% TIF will decimate the school because they'll find it hard to pass levy's when they have turned down 30 years of tax abatement. This is not a simple TIF of the rest of the way EUCLID has run, this is 100% and it will at the end of 30 years which I would love to say I'll be here to see but I probably won't. At the end of 30 years the people of the City of Euclid, if Euclid still exists, the people of the City of Euclid will have built Celebration Village on their back not the back of anybody else. Think about that. Thank you.

President Mancuso – Thank you sir. Next speaker.....

Mr. Anderson – Good Evening, my name is Gregory Anderson, I stay on Chardon Road and I've been to a couple of these meeting about approving this TIF, that property over there with the old K-Mart used to be, right now, it's been vacant for years. My wife and I we live on Chardon Road and we bought our house in 1994 and the way I see it, right

now the property is not doing anything and it's not helping the city at all, like the Mayor was saying it's going to create a stimulus, to this city where the construction of the project and then after the, I think everybody's concern about tax abatement and maybe tax abatement for a while you won't be getting 100% of the tax dollars, but eventually okay, once the project is up and running and the senior citizen complex is in place okay, those tax dollars will start coming, more income tax with the people, more jobs for the people working in the facility, more property tax, and hopefully bring in more business opportunity to the City of Euclid and you know we're a small city maybe 40.....

President Mancuso – Sir, let me ask you to, let me ask you to confine your comments to the TIF that is on the agenda tonight.

Mr. Anderson – Okay

President Mancuso – Thank you

Mr. Anderson – But Euclid needs to find ways to bring more businesses in and I, I think this is a great opportunity, to bring you know a business in and bring some more you know stimulus to the City of Euclid. Thank you.

President Mancuso – Thank you. Next speaker please.....

Mr. Martin – Hello, my name is Ivory Martin, and I live at 19050 Shawnee, Euclid, Ohio 44117. Indian Hills section of town and I stand to say basically the same thing in approving this TIF, I think it's a, it's a tremendous opportunity and I think it says goes a long, we got to take the best opportunity that come before us and we'd hate to lose out and look back and say, if, you know and so this is a, to me is a win situation when we look at it because know as he said the jobs immediately and they just go right on down if it be approved be constructed, you got construction jobs, you also have job that going to be for good, those that operate and run the facility. And I that's my opinion. Thank you.

President Mancuso – Thank you sir. Next speaker please.....

Ms. Scarniench – Madeline Scarniench, 1511 East 221. I can't believe we're still talking about this. The few meetings that I did attend and I did attend a lot of them, we talked about wetlands and I've never heard what we're gonna do about the wetlands, a survey that they do doesn't mean.....

President Mancuso – Ma'am, please confine yourself to the TIF please. Okay....

Ms. Scarniench – I'm getting to that, this 100% TIF isn't gonna do anything for the city, the money is supposed to go back into their project, if I remember that correctly. All the other TIF's that we have in this city have helped the city to do development and to do the things that we needed to do like the Lakefront and Wastewater Treatment Plant, if I remember correctly they want this money to just go to them. That's not going to help anything. It, it is when we talk about this and theirs so many different things seniors aren't going to be paying, income tax there, they're not going to be able to help the city. We're gonna lose a great deal of money, both for the schools and for the city and, and there is no way in good conscience that I think that anybody sitting up here should be voting for this because it's wrong. When, when they talked in the beginning it was the deadline was December 15 and now it keeps getting moved. Why such desperation? We don't need to do that, I know the, the church wants to sell the property but this TIF, 30 years, 100%. It just doesn't fit with what the people in this city are trying to do. Thank you.

President Mancuso – Thank you. Next speaker please.....

Mr. Beck - Jeffrey Beck, 25540 Chatworth. This 30 year TIF, if this company that's developing this project decides let's say in five years to sell it, will that TIF be given to the new owners of the property and if so will the new owners be able, be made to hold to the same conditions that they're saying now which is high end not subsidized senior living? If it isn't then I think we're just wasting our time. Thank you.

President Mancuso – Thank you. Next speaker please.....

Ms. Pasko – Good evening my name is Linda Pasko I live on Shoreview Avenue. I would like to express my support for the TIF, I think this is a worthwhile project that would bring new construction and employment opportunities to the City of Euclid and to the Euclid City School District. Draw new business from neighboring cities which will benefit the Euclid City School District and have a positive economic impact on the City of Euclid and the Euclid City School District. Thank you.

President Mancuso – Thank you. Next speaker please.....

Ms. Keys – Hi, I'm Kelly Keys, 22200 Hadden Road. I guess I have more of a question than a statement, I'd like to know what the church has to do with this? That's the only thing holding me back here from wanting to support this, is what is the church's involvement and why are we like, like Madeline said why are we still talking about this?

President Mancuso – Thank you Ma'am, next speaker please.....

Ms. Brown – Good afternoon, Margaret Brown, Arms Avenue, Euclid Ohio 44123. I am in agreement with the TIF. I feel as if it would be a great opportunity for revitalization for the City of Euclid, Ohio. I just feel like it's time for the city to be able to take a risk. That's it.

President Mancuso – Thank you. Next speaker please, seeing none, we will now move forward, oh, we have someone, come sir.....

Mr. Forest – My name is Howard Forest, 699 Birch Avenue, that's Euclid, Ohio 44132. I'd like to voice my opinion against this project, I do not believe that this area can support high, a higher priced type of retirement facility for people, I do not believe that the project is gonna, although it started that way may end up section 8 housing in short order.

President Mancuso – Sir, I'm going to ask you to confine your remarks or questions to the TIF that's going to be discussed tonight.

Mr. Forest – Alright, that's all I have to say. Thank you.

President Mancuso – Thank you. Any other speakers? Thank you everybody we will now move on to the agenda item which is the discussion of the TIF for Celebration Village at Providence Park and at this time I will turn it over to our development team and Mr. LoPresti.....

DISSUSSION OF TIF FOR CELEBRATION VILLAGE AT PROVIDENCE PARK

Mr. LoPresti – Yeah we'd like to say thank you to Mayor Gail and her team, and, to President Mancuso, President Sudar for giving us the opportunity to talk a little bit more about a very exciting project and we think it's gonna be a win/win for both the city and for the school's, thank you to council, to the school board for allowing us to, to make this presentation. Our focus tonight, of course is on the TIF and so we have with us tonight, Jeff Rinke who is the Managing Director of the Capital Market Group with Key Bank and Jeff is one of the foremost experts in the State of Ohio and in the whole Midwest region on TIF's and so we thought it would be really important for Jeff to take some time to just explain what a TIF is, help you to understand how the TIF is used, how it would be used in this project and, and how it interrelates to the city and to the school boards. So I'm going to turn it over at this time to Jeff.....

Mr. Rink – Okay, good evening, good evening Mayor, City Council's, School Board and residents, as Michael said my name is Jeff Rink, I'm the Managing Director with Key Bank. Really I think my role is to clarify facts and really just provide information because at the end of the day, this is and I mean this, this is your wonderful community, you have great leaders in place and you all I think should have all the information at your disposal, to make a good decision. And that's for the school and, and for the city certainly. On this particular project right, at the end of the day, it's a policy decision on what the leaders of the community believe is best for, for the city. Again my role is really to clarify so that we're just dealing with facts, right, especially in this day and age facts sometimes get skewed sometimes purposely, other times accidentally, right and so this is a big ask of the city, there's no doubt about that. I don't think anybody should shy

away from that, it's a big request, but it's also for a big and a meaningful project that I think is worthwhile to have these kinds of meetings and to deliberate over an extended period of time. When we talk about a TIF, just to be very, very clear, right the property right now, it is essentially vacant or, or certainly not heavily developed and so there are a certain amount of taxes being paid on the property right now, right. Property taxes there's not much and I'll mention what they are in a moment, but whether you approve this TIF or not the property taxes that are being paid at the site right now will continue to be paid, right. So I don't want to try to play that up and say that's a big number, but I just want clarify and just make sure when you put a TIF in place, the taxes that are being paid at the time you put a TIF in place will always remain in place and will always be paid to the normal taxing entities you're not gonna lose that amount of money. Again not a large amount so I don't want to overstate that, but I think it's important to note that. The, the other piece, and, and there are absolutely good points when folks are talking about are you, or asking the question are you giving up something? What are we giving up, are we making a good decision potentially and, and giving potential tax revenue up? I think the question comes down to, in this case this development team and we'll talk about some of the reasons this development team cannot proceed with this development, if, if, if folks are against the development that's one thing, right, everyone has an opinion how it might work, is it appropriate for the area, is it appropriate for the community, but I think what is not, what is not in question here is for a couple of reasons without the TIF, the project can't go forward, right. The TIF is going to fill a gap in the capital stack between equity right the own money, the dollars of the development company the construction loan that gets put in place, and then a gap that's necessary to be filled to build the project. So I think the decision right just to, just to sort of clarify the facts I think the decision and the discussion that you want to have is not whether you're gonna give up all this tax revenue because if you turn down the TIF, you've essentially turned down the project and that's everyone's prerogative to do that, absolutely but it's not like if you turn down the project all that tax revenue right, that we're talking about in the TIF is going to be there, right. The TIF only generates tax revenue if the project goes forward and its built and so instead of maybe focusing on the property tax revenue that would be diverted in order to build the project, I think also, I think light needs to be shed on what are, what are the, the ways that the community both the City and schools can receive revenue from the project, if you move forward, but to very clear the tax revenue that would be so called given up through the use of the TIF won't be there right, if you turn down the TIF, because the project won't be built. So we just want to be I think honest about that in terms of what's really, really at play here. When we talk about a TIF, essentially what we're talking about right, TIF stands for Tax Increment Financing. So it basically takes the incremental property tax from a new project right so a project has to be built if this project is built the incremental property tax is taken in its diverted to a special fund to pay debt that is issued to help fill that capital gap that I talked about earlier, to build the project. It would be done over a 30 year period and I, I, I, I think the question of 100% TIF is certainly valid, there are examples absolutely of a 100 percent TIF's being done around Ohio, there are as the gentleman pointed out absolutely correctly Incremental TIF's done at a lower percentage. There are some real reasons why this in this particular project needs all of the particular TIF components to move forward, one is to help make the project, and the developers can certainly speak to this better than I can but to help make the project, affordable to seniors in and outside of the community but to maintain right this equally important, to maintain the quality of the type of projects that the current developer does, has done right. So whether it's been our due diligence, on my team at Key or others, the developer that's responsible for the actual development of the Celebration Village concept, has done this before right. It can work but the question on whether it's appropriate for the City of Euclid is obviously up to, to city council and the school board, but you have an experienced developer that can build what they are saying there going to build and they have examples that they can show us all and in order to maintain that quality but also make it affordable for this region and comparable in the market that's I think one, one of the big reasons why the TIF is being requested. Another reason is certainly is the significant costs in terms of the topography out there. I think Michael LoPresti has commented on that a couple of times in terms of the additional cost that's needed to prepare the property just to be constructed on and, the final reason, and the developers can certainly add to this the final reason as I understand too, are sort of the market risk, and the, the capital returns that are necessary to fill out the full investor team, right, as the developers have talked about it's going to be a team of investors that team up on the project, and this type of incentives is needed to sort of fill out that team in order to participate in this area which is also an economic opportunities zone location. So those are sort of the major reasons

why this particular TIF, why 100%, I would as we move to the next slide point out the benefits. One of the reasons I think it's reasonable again this is a policy decision of the city and of the schools right but one of the reasons I think it's at least reasonable to have this type of discussion around 100% TIF is Euclid is one of the few cities right that certainly of all cities in Ohio collect income tax. Euclid's one of the few cities in Ohio where the schools also receive a portion of income tax, right. So a lot of times you will see a TIF being done at a lower percentage than 100% because that incremental difference is being paid to the schools in order to compensate them, what is being and we'll start if I could with the schools what, what is being offered and certainly what can be discussed further with the schools, is a couple forms of benefit, right. One would be an upfront payment out of the debt that is issued for the project, they're, they're could be an upfront payment made to the schools that would be subject obviously to a discussion between the schools and the development team. So that would be a dollar amount, another point would be, even though it, a TIF would be put in place you could actually put controls around the TIF so that if new levies pass in the future from the schools that new levy dollars right, because this project even though the TIF would be put in place it would add about \$100 million dollars of value to your tax roll right and so one of the, one of the benefits of doing a TIF for, for schools whether it's 100% or not, is that in this case it's 100% because it's 100% any new tax levied at the school's would pass in the future would get the new tax levy dollars, the new levy that's passed would indeed receive revenue from this project, and would receive tax revenue from this project above and beyond what is currently being generated and then finally from a revenue standpoint, I mean on the income tax side, right, there's a slide that we'll go over in a moment that projects the jobs right, and certainly that can be called into question so I'm going to mention a couple of numbers I think we should all certainly realize that those numbers could end up being a little higher, they could end up being a little lower right, but we certainly know that they're going to be meaningful cause we're gonna have a project that employ's a lot of people. And so from an income tax standpoint the estimates, that are coming from, a third party it's not Key Bank, it's not the development team or the third party that put together a report for the team indicates that once the project fully constructed and stabilized right so it's fully filled, that the income taxes not so much off the residences absolutely a validate and good point but off of the workers, right the construction workers folks have commented on would be paying income tax early on what I'm referring to though is once the projects fully built and stabilized and up and running, the estimated income tax that would go to the schools would be about \$350,000 a year so over the life of the TIF, that ends up turning into \$9 Million dollars. So I know that we're talking big numbers as far as the TIF, but again I think for you to make a good decision whether you're on the school board, whether you're on the city council, whether your, you're a citizen that deserves access to this information, I think it's important to have that. So you can feel like you're making a good decision on whether you should move forward or not. As far as the city goes, actually I'll make one last comment on the schools, my original comment about the property taxes that are being paid today, today by the property to the schools is right around \$88,000 right and that's actually the exact number that's being paid this year by the property. Again, as we've said not a big number, one could argue that that number sort of is an impetus for looking into doing a project like this because you're not getting much off of the property right now, but that \$88,000 would never go away. So we're not talking about taking away anything that's existed this is only new future money and as I pointed out, there are other ways the schools can be compensated. And happy to get into more detail around that when we get to the question and answers or, or now, certainly Council President if it's appropriate.....

President Mancuso – Sure go ahead.

Mr. Rink – From a city's standpoint some of the benefits are certainly the same way. Cities generally receive less property tax on a property than the schools do, thanks to our my only kind of public comment because I'm a public school person, is thanks to our wonderful funding system that the state has so eloquently put in place. Schools have to rely on property taxes, right and there's a whole other discussion on that I think we all realize the city receives less property taxes than schools in this case \$11,000 off of the current site again, not trying to overstate that but the city would remain it, receiving those dollars just like the school's would. Whether you do this project or not, whether you do a TIF or not, that, that dollar amount would continue to flow to the city. The other thing that developers have looked at and said that they will talk with the city about is, in order to issue debt for that's back buy a TIF there needs to be some coverage, some, some calculation that says we're gonna issued a little bit less debt that we are

bringing in or we're projecting for the TIF. And so as a result there should be, there should be excess revenue from the TIF every year, right, not a lot, not a large amount but there should be a meaningful amount of excess revenue every year the developers are certainly willing I think they've expressed this previously to talk to the city about what an appropriate shear off some of that excess revenue is. So that if the project happens as planned that the developers don't receive more than what they're really needing to get the project built and that the city should share in some of that benefit too with the idea that it helps probably wrong choice of words, makes the city whole or brings the city closer to receiving the similar income tax amount that the school like the similar to what the schools are receiving. So that's on the table to talk to the city about, and then from an income tax perspective right, the city obviously receives income tax in this case a little less percentage than the schools so while the schools would receive about \$350,000 a year once the project is fully constructed and stabilized the city would receive about \$250,000 a year over the life of the TIF that would be over about over, over approximately \$6.5 million dollars. So again, a meaningful number that I think just is necessary for folks to be aware of so you have the information to make a decision that you feel is best for your community. The last two remaining slides related to the TIF simply give the detail around I know it's a little small, I apologies, all this does it shows all the of the current parcels where the project is going to be constructed and that \$88,000 for the schools and property tax revenues and the \$11,000 for the city in property tax revenues that are currently being paid, this is, this page is just calculates that and shows exactly where those numbers come from just to back up the source of revenue for that. The bottom line again is you know you'll continue to receive the current revenue you're getting off of the site and the last slide again I think this has been shared and shown before is an estimate from that third party report of jobs that are going to be created and by year, right so again I know small, type, I apologies the top of the page talks about construction jobs so I know you can't see the specific numbers but you can see there are numbers in the first three years. Those are jobs related to construction then you can see those jobs go away, and they're replaced by permanent fulltime jobs at the site, and then as you get a little further out remember I think a nice component of this project if it were to move forward is not just the senior living development, but the fact that one of the reasons this site is attractive to them is that medical office building and there would be a resources and funds put into the medical office building to refurbish that and, and start to get that building more viable for businesses and taxpaying entities that would move into that so there would be jobs created by that development as well. All leading to that estimate of \$350,000 a year in income tax for the schools and \$250,000 a year for the city as I mentioned previously. So happy to answer any questions, appreciate the time, and again, if, if anything is unclear I just would, would ask that you allow us to clarify that just give you the factual information so you can make a decision right on either side of this with all the information. Thank you.

President Mancuso – Thank you. Some of the residents asked 100% of the TIF money is going back into the project vs to the city or the schools. How can we respond to that?

Mr. Rink – Sure, so there's, there's probably four/five different statutes in Ohio for different kinds of TIF's when, when this was an I would say I think in an earlier meeting I mentioned all but two states in, in this country allows some, some type of TIF financing the vast majority of those states like Ohio have multiple TIF statutes because it was recognized early on that in some instances you're gonna have a city use a TIF for a city project, right, the resident that brought that scenario up is absolutely correct that that's a common use of TIF, another very common use of TIF, is for and, and you can do this in Ohio and many states is for the TIF revenue to be put into economic development and the project itself so again this is why this is a big ask, I don't think anyone is shying away from that. The TIF revenues in this case would be used to fill a gap in the, in the construction budget to build the project. Again and I think that makes it very clear that without the TIF the project can't go forward and doesn't get built and so that's why it's such a meaningful, discussion around that so it would be used for legal and lawful purposes under a specific, statue much of which would go into the project keeping in mind that, I think there's a significant portion of the project, that would be maintained as green space and park type land, all of which is included in sort of the overall project budget.

President Mancuso – Thank you. Another resident asked what if it is sold in five years who gets the TIF money and will new owners be held to the same standards and development agreement?

Mr. Rink – Sure, that’s a great question. So remember the way the TIF works right its we’re gonna, we’re gonna have debt issued that fills that gap in the construction budget so the TIF is gonna be used to build the project, right. So whether the developer this developer ends up being there long-term or not the benefit of having the TIF is gonna be realized up front by the project getting constructed and all the, the benefits that we’ve just gone over. So when the questions asked does the new owner receive the TIF at that point there’s really not anything to receive rights because the project the TIF been, been utilized to help build the project. The new owner if there is one that would come in in the future would be under the same, and Lee you can probably correct me if I’m wrong but would be under the same legal requirements of the development agreement I would assume and also would be required to pay the, the taxes and the fees associated with the annual TIF payments that come due. So anyone that would come in and buy this property would assume the, the obligation to the developer and I think that's just one critical point and I'll, I'm sorry I'll move on but one critical point is there are some communities and this is not the case here, some communities actually want a project so bad that they see you know what, what you're describing Jeff sounds a little risky to sell this kind of TIF yet, right, because what if the project, you know, decreases in value, is sold, is redeveloped, what, what happens then. Some cities actually say we want the project so bad we will issue the debt and we will actually back the bonds. We will actually put the city's credit online that’s a whole different discussion and not being discussed here at all, the entire risk of this TIF, right, when we talk about risk, the entire risk is on the development team if something goes and ultimately, ultimately the risk for the TIF is on the investors that buy the TIF debt right but the project goes bad doesn't happen the city is not at risk at all to make any payments to the TIF out of its own dollars or tax dollars in the future and just want to make that very clear to folks because that always since day one was the Mayor and Councils absolute position that, this is not appropriate and I certainly agree with that, not appropriate for a city to have to back that.

President Mancuso – Okay. Thank you. I'll turn it over to council or school board members anybody have questions? Mrs. Lisy.....

Mrs. Lisy – Thank you Council President. So I just wanted to go back to the pre, not this slide but the I think two slides before this one where you were discussing the benefits to the city and then the benefits to the school district. You use the word stabilization, meaning that new income taxes will be realized or projected upon fully built and stabilized, so what does that mean, what is stabilization mean?

Mr. Rink – Sure, great questions, and actually if you want to go to the last slide, if you don’t mind, so what I mean by stabilization, right, again I know you probably can’t see the, the exact numbers I can barely can right, but this is 2020, 21, 22, 23, 24 and so on. The first three years are, are the income taxes that would be generated through the, through the construction, construction workers, right. Then as I said earlier it’s starts a transition over to this middle row of permanent full time constructions jobs so when I say stabilization, we’re referring to when the project is fully built out of the construction phase and everything is ramped up and fully open. So you’re talking about 2024 when we reach that. Now that doesn’t mean that no income tax flows in before 2024 but what I mean by stabilization 2024 and I say 350,000 making the assumption that that will never grow over time it will just stay level. An argument can be made that it might grow overtime, but leading up to the 350,000 you have about a 100,000, 120,000, 140,000 overtime leading up to that stabilized year in 2024.

Mrs. Lisy – Okay, and then the last, the last benefit that you had mentioned was a new project on a long vacant parcel of land providing employment opportunities, additional housing alternatives to residents, as well as ancillary benefits. Could you name a few of those benefits?

Mr. Rink – Sure, I think, I think with that is, is, and, and I think it’s, it’s at the bottom of the list and it’s saying ancillary benefits because I don’t think you can sell a project based on that, you know sort of potential, but I think what that means, and I think a couple of people have commented on it, I think even the Mayor in your opening remarks. The ancillary benefits would be the potential of if you have that type of development with all those new residents there, the ancillary benefits are what’s happening then to the properties right around that right, you would think that there would be a demand for example the office building right, you would think that that would provide not only the

capital that the developers are going to put into the office building, the medical office building but the fact that you have a captive audience of new residents right there, one ancillary benefit would assume to be a much higher, not, a much higher occupancy rate above the office building for example next door. Which translates into more jobs and more income tax revenue. But I think it was important to stay away from that kind of stuff because you can sort of argue how do you quantify that exactly so that's what that meant and that's why we left it.....

Mrs. Lisy – And I'm glad you mention that because I think your very, very good at your job, you use language such as projected to be, potential, upon, if, you would think, assume to be, so you know which you can never project exactly what those numbers are going to be.....

Mr. Rink – Absolutely, right.

Mrs. Lisy – So you have to talk in terms of possibilities and not absolutes.

Mr. Rink – Absolutely, I agree, I agree.

Mrs. Lisy – Okay, thank you.

President Mancuso – Other questions? Councilman Jarosz.....

Councilman Jarosz – Thank you. You know mentioning that the TIF revenue is used to essentially to fund debt within the capital sec, is that debt is the underwriter of that debt Key Bank?

Mr. Rink – Very fair question, no, no the owner would not be Key Bank and likely would not be any bank, the bonds would actually be sold to special instructional type funds that buy this type of debt all across the country. So it would likely be a fund or a, an insurance type company, but not, not a financial institution like Key or any other bank.

Councilman Jarosz – But who's selling it to those people.....

Mr. Rink – Yup, so we're in, we would be involved in selling the

Councilman Jarosz - Okay

Mr. Rink - Debt to investors that buy that particular type of debt

Councilman Jarosz – Okay. And you mentioned percentage of any excess TIF revenue, do we have any sort of financial projections or thoughts on what we mean by excess and how much it could be understanding that you know, nothings written in stone?

Mr. Rink – Yeah, I mean, I, I don't, yeah I it, it maybe in some of the information that but that there's a lot of information, I realize that out there so a very fair question. I think that the intent of that right, although that can still be discussed, I think that the intent of that is to try to make the city whole in terms of the amount of revenue that they would be receiving below from your income tax the amount of revenue you'd be receiving below what the schools are receiving. So the impact would be to try to bring you back up so that you and the schools are receiving the same amount of overall annual revenue. So whatever that percent would end up being to make that two hundred and fifty thousand up to three hundred and fifty thousand to make you whole with the school.

Councilman Jarosz – Okay. Thank you.

Mr. LoPresti - I, I think Chris that there was in the TIF packet that you as a council received, there was some information in there about some of those numbers. I believe.

President Mancuso – Hang on, Mr. Papouras.....

Mr. Papouras – that's nice, the, in the, and I apologize last time we were here you may, you may have answered this question but you had talked about affordability range for senior living in this area. What is the rent affordability range?

Mr. Aase - The, we did a market study, we hired a third party group to do a market study and they surveyed different communities, different senior communities that are in the area, they estimated the demand from residents that are already here, that might move here and so with that information we were able to build our projects based on what we thought a market rent was for this community. I can't get into specifics on the numbers, exact numbers in a public forum but I can tell you our projects in Atlanta the rent that we would get for this same project in Atlanta is significantly more than we can get from this location, it's just a matter of, of the whole demographic profile. But we have to be careful using the terms because they can get misconstrued very quickly affordable housing. Because when you say that then people start thinking of all sorts of different things and when we talk about housing that's affordable for the seniors in this community that's based off market studies that are already being charged in the community so it's not, it's not a great deal higher, it's not a great deal less, we're trying to target right in that range because if we try and do a project that we would have to get rents that are 1 ½ times what the market is currently paying then the residents can't afford it and they won't lease the space and the project will not work.

Mr. Papouras – With, with the thanks I appreciate the understand that it's the Cleveland market it's not the Atlanta market,

Mr. LoPresti - And Chris just as a, I don't mean to interrupt but the, those numbers are in your packet.

Mr. Papouras – Okay

Mr. LoPresti - That we sent to the, the school board so because it's part of a, of a business model that's proprietary only the school board and the city council has access to that information but you have those in packet.

Mr. Papouras – Oh, I have, I have that number with me. Okay, thank you I appreciate that and maybe I have this number too, but I'm going to ask anyhow, without the schools portion of the TIF, how high what percentage if you can share does that drive up that, that market range, does it go up 30%, 20%, 10%. Do we know that number or is that?

Mr. Aase - Right, if I understand correctly, if we didn't have the TIF what we would have to charge.....

Mr. Papouras – Right, the school portion of it? Yeah.

Mr. Rink – Right, so and as you well know right, the school portion is the majority of the property tax right, so I, I think just to sort of keep it over all simple I would say the school board share, yeah the school board share is I don't have it right in front of me but typically the school board share is gonna be, yeah but not from a dollar standpoint, your percentage of the property tax, which is the TIF.....

Mr. Papouras – I'm actually curious what it would do to the rent.

Mr. Rink – Right but to get to that.....

Mr. Papouras – Oh, okay

Mr. Rink – We gotta figure out okay, what's the school board percentage of taxes, right and so the school, cause you're asking just if you eliminate the schools tax right?

Mr. Papouras– Correct, you got it, that's exactly it.

Mr. Rink – Everyone else fine, right. So if you eliminate the schools that's probably again I can get this exact number I don't have it in front of me but I'm going to say that's probably 65 to 70% of the tax bill and so just sort of extrapolating that, what that's gonna do to the rents is it's going to approximate 70% of what the rents are that they have in Atlanta which would never be fundable here because they need, they need to drive down the rents and use the schools portion to do that.

Mr. Papouras – Okay so that would make the rents 70% of what is being changed in Atlanta, so its set.

Mr. Rink – and, and 70% more than what they would propose to charge here and that’s, again that’s a dumb banker answer for the question

Mr. Papouras – No, no, no, no, that’s, right, right

Mr. Rink – that right, but it’s going to be approximately in that range just because you’re you know, if the city’s portion came out it would be a lower percentage just because they don’t have a bigger percentage.

Mr. Papouras – Right, right

Mr. Rink – but absolutely a fair question.

Mr. Papouras – Okay thank you.

President Mancuso – Hang on, let me do Councilman Epps and then we’ll get back to Mrs. Lisy.

Councilman Epps – Thank you Madame Chair. Thank you guys again for coming out, but I just have a couple of questions and I want to address a couple of things from residents as well, the first question for Cliff if don’t mind answering and this is just for the sake of the folks and for clarity Providence Church for folks who are concerned about Providence and their roll in this project, you own the property but, oh I thought someone said something sorry.

President Mancuso – Yup, we’re not supposed to be talking about that.

Councilman Epps – But Providence Church has, they’ve always you’ve always paid that \$88,000 in taxes, it’s current, it’s been consistent there’s never been any issues just wanted to make sure of that.

President Mancuso – Councilman Epps, Councilman Epps. Let’s respond simply because we have to stick with the TIF, that’s why we’re here. We have to stay with the TIF as the agenda.

Councilman Epps – That’s the amount of the taxes.

Reverend Cliff Watson – Yeah, all taxes are paid clear and we’re only selling them the property in this case here.

Councilman Epps – Correct and I only asked that question from the standpoint of people who are concerned about the church, you guys have been good community partners, you’ve been consistent and on time with that stuff. The Mayor mentioned in her comments and Ms. Lisy you were as eloquent as you always are on the subject and pointing out the fact that we talk a lot about possibilities and the Mayor in her comments also mention the word could and we all know that, that’s the elephant in the room, that it is a possibly and I heard the one resident address the fact that we needed to take a chance, and I’ve mentioned before about being torn for that same reason. But if you could talk to us a little bit about the incremental TIF that you talked about since we’re talking about possibilities and what or how would that be something that would be entertained, how I imagine being close to \$0.5 million in now on this project that you guys have thought about some of the other alternatives. Do, can you talk about what that looks like when there’s an incremental TIF and what or how that would benefit us?

Mr. Rink – I, I guess maybe I’ll start and maybe you could jump in if I don’t sound like I know what I’m talking about right. I think from a, from an incremental TIF right, so not a 100% TIF, but a lower percentage TIF, I, I think from the standpoint of when, when they first started looking at the site and the project, we had to value, we had to come up with a value in order to size what the TIF could potentially generate, right. And initially because this is really a unique project and there’s not really good comparable properties in the, in the area we had to use the cost basis right to sort of say okay, if you go off of what it’s going to cost to build, here’s what it can generate in taxes, right but we didn’t know initially was ultimately what it’s going to be valued at right and part of the process is working with the county to get a good sense of what the value would be. So I’m, I’m, I’m getting honestly to your answer, and so early on the cost, the cost is far greater than what we’re understanding the county would value this property at, right. Cause the

county's been a nice partner in terms of just being able to give guidance right, they can't assess a property that's not built but they've been a good partner to give guidance on what they think it would be assessed at and so the developing team had a pro forma based on a TIF that had a value based on the cost that it would take to build the project over time as we gotten a better sense of what the value for this might and that's a fair exercise cause it's not easy, there's not a comparable property that we could've known right from the start that value based on cost it is probably is, is, is a good 50 to 60,000,000 dollars lower, in value, right not in taxes but in value, that though, that, that fact is really crucial and I think why the development team has to have the 100% TIF, like I, I don't see any room for them to move off of the 100% TIF and still do the project.

Councilman Epps – With all due respect, I appreciate that, but I'd like to hear from the developers if possible, thank you.

Mr. Aase- Right and so, so Jeff is correct and so just in, in real general numbers, this project is approximately \$160,000,000 project that's the total project cost.

Councilman Epps – Correct.

Mr. Aase- The estimated TIF proceeds that we will receive which is after, after it goes to a the reserve account to pay interest while it's under construction and so forth until the property taxes get up and running. So the estimated proceeds we would receive are \$45,000,000. So that means as the development team we're responsible for \$115,000,000 of our own capital and that capital will be a combination of cash equity and private debt, market debt from a traditional construction lender. But something to remember is just because we're getting that loan from a bank doesn't mean that we're not responsible for that capital. It's all construction debt comes with guarantee's, personal guarantee's so and then as Jeff was saying so we'll have \$115 and these are all estimates until we get final, final numbers but so we'll have that much capital invested into the deal and as Jeff said, when we were originally working with this we were going off those larger estimates of what the county was going to value the property at and instead of valuing it at \$160 million, they're now coming in closer to \$100 million. And we.....

Councilman Epps – After construction you're saying.....

Mr. Aase - Yes, that's, that's when you're done and stabilized.

Councilman Epps – Okay.

Mr. Aase - And we never thought that they would get to the full 160, but we thought they we're gonna get a lot closer than they did and so the original TIF proceeds where about \$58 million dollars that we were going to receive and so, so and we thought the values we're going to be somewhere between those, between what the county valued it at and what our construction costs we're going to be so any reasonable person would say well why would you build a property for \$160 million and it's only gonna be worth \$100 or \$120, well that's because that's what the market, this market will generate the revenue and the income which is what drives the value and because these rents are less there's less income so the value of this property is going to be less than what it would be in another market. So by having that, that TIF slice come in that helps lower the total, total project cost responsibility to the developer. So that when, when it's ultimately up and it's valued and then one day will be sold, we don't know when that is, but, but everything is sold at some point, we have a much better chance of, of generating a profit to do that which, which, I mean that's our business is that, is that we, we are passionate about what we do and, and who we do it for, but ultimately we are, we are we have to run our business and feed our families to do that.

Councilman Epps – Correct, I.....

Mr. Aase - The other, the other thing that's real key in this whole, this whole situation is that this property is in an opportunity zone and so the opportunity zone and TIF together are really what are helping drive and offset what would appear to be the negative economics of this deal and so since the county has lowered that which lowers the amount of the TIF that we get, there's really no more cushion left which is why it has to be the 100% TIF.

Councilman Epps – Thank you and I appreciate that, so and just to follow-up with that are you, you really sitting here today and going to hold strong that and affirm that 10 or 15 million, you're talking about \$45,000,000 that would be committed here, are you saying that \$10 or \$15 million because your evaluation changed by 10 or 15 million dollars and it hasn't changed your interest, you're still here today, and we're still moving forward if this TIF was something that looked more around \$25 or 30 for you, you're saying that 10 or 15 million dollars on that end would make or break this deal?

Mr. Aase - yes it would.

Councilman Epps – So and, so then so then my question to you is can you and you explained it a little bit but can you then go in a little further as to why the evaluation doesn't affect you at all are you changing the rents based on that evaluation I mean.....

Mr. Aase - No, and, and remember this is the, the county assessor that is valuing the property to make an assessment to pay property taxes. So that's not necessarily what a third party, private company would pay for the project. So county assessed value is not necessarily equal market value, correct.

Councilman Epps - I get that.

Mr. Aase - So typically in may it may not usually it's a bit less and so we, we understand that part of it, but when they, when the county dropped that value from what we thought it was gonna be to where they came in at the \$104 then that really, really decimated, we already took, we already took a \$15,000,000 hit just from that and to do another one, another 10 or 15 I know it sound like we're, we're talking a lot of big numbers well what's that on this project, well, we're already very close to, to none economic feasibility and an additional cut to the TIF would put us into economic unfeasible.

Councilman Epps – And, and I appreciate that but I just for folks, residents and I think for some of us as well and I speak for myself and said when somebody comes to a negotiating table and you're not willing to bend at all, it kind of feels forced and it kind of makes you question the individual you're sitting at the table with you, you've been in business, you're doing a 160 million dollar projects, I have done some research and had conversations about you're the property you have in Atlanta, fantastic property even though those are individually owned as opposed to these being rented, but to sit here and not be willing to move at all it, it just makes me question all the good vibes that I have and all the good feelings I have about this that make me want to move forward here when you're not willing to move at all. And that, that doesn't sit well with people. So and then my last question I would ask and at this point is if you could explain what happens if somebody could explain the process if they decide that they do want to sell these individual units, what does that look like, is that something you can't do at all because of the consent decree or if somebody could explain that as well I'd appreciate that.

President Mancuso – We need to stick with the TIF please. Okay, Mrs. Lisy you had your hand up.

Mrs. Lisy – Yes thank you, I just wanted to look at these numbers again and I'm sorry but I'm kind of stuck on the stabilization. I'm assuming that the projected income revenues through 2025 are due to a full labor force, meaning maximum occupancy correct.

Mr. Aase - yes ma'am

Mrs. Lisy – Okay

Mr. LoPresti - Not in the, not in the office building.

Mrs. Lisy – No, no, no, I'm talking about the, the celebration, the rentals or the housing, okay, and are you confident that you're gonna reach full occupancy by 2025 or 2024?

Mr. Aase - I cannot predict the future.

Mrs. Lisy – I know.

Mr. Aase – Obviously, but.....

Mrs. Lisy – and so I guess my question would be then, if you don't meet full occupancy or maximum occupancy would you be willing to continue to give us the projected revenues or is that all based on, I mean that's all gonna be based on what if's so will there be adjustments to that? Or could you, or would you be willing to offset those numbers to.....

Mr. Rink – Sure, I, I, that's a fair, right, I think the question is in, and I think based on the tenner of the discussion I think it would be very difficult to do but the question is if the projection is 350, and hence I don't see why 350,000 per year at stabilization and keep in mind full occupancy is at 100%, I'm sure you can speak to what your Performa has for occupancy to produce 200 jobs, right, cause it's not the residents, it's the jobs the workers.

Mrs. Lisy – Correct and I'm assuming

Mr. Aase - 90%

Mrs. Lisy - if you have all of the residents or 90% of the residents in that would dictate the number of jobs you would need

Mr. Rink - Sure

Mrs. Lisy – to accommodate that.

Mr. Rink – if that, if that 200 jobs becomes you know 190, the impact on the \$350,000 in that case would be fairly manageable

Mrs. Lisy – Okay

Mr. Rink - we could show you that right

Mrs. Lisy – Right

Mr. Rink – Where it would become problematic is if you know that 90% occupancy becomes 30% occupancy right then, than they may have a much bigger issue than trying to pay a couple hundred thousand in income tax, right, there likely to you know potentially face some tough decisions in that right, so and keep in mind they have every economic, incentive for this to work because there gonna have all this construction debt that their gonna have guaranteed by the parties as well as equity that they've either actually brought in or, or put in themselves so, I think it's a very fair question for you to ask and that's obviously for the developer to answer it but I think it would be very tough because they're going to be facing even more hardships than trying to make up you know \$50 or \$100,000 in income tax, keeping in mind that I think to be fair, trying to be fair, we, there was no sort of statement or estimate that that's 350,000 ten years from now when we wages just naturally rise.....

Ms. Lisy – Sure

Mr. Rink – Income taxes should be higher than 350,000 for you right but we're not even attempting to try to you know bank on that right, so just and I think that's how you do fair projections you don't, you don't talk about the upside in any great way and you have to be willing to take a little risk on some of the downside right but if things go as planned, I think it's reasonable to expect that \$350,000 ten years from now, 15 years from now to be higher than \$350,000 so fair question and you all should answer.

Mr. LoPresti - Yeah and, and there's another factor in here that I think is really important and that's that we didn't put in the projections that if you have 800 to 1,000 seniors on a site, that many of those seniors still work, 55 and over community so you have 30 – 35% maybe 40% of those seniors are working and that's a whole nother tax base that if we attempted to project would be another set of numbers for the city and the schools, certainly you know especially in the cottages and the independent living

you're going to have people in their 50's, 60's, 70's that are still working in the community and so Euclid and the schools will still benefit from that.

Mrs. Lisy – Okay, thank you.

President Mancuso – Questions, other questions. Councilwoman Gorshe.....

Councilwoman Gorshe – Thank you Madame Chair. To the Celebration Village folks, thank you very much for coming, school board welcome and we've been trying to get this meeting since probably December so thank you for making it happen and the residents obviously thank you for the change in venue, so we all kind of stretch out instead of being squished so, welcome and thank you very much. So my, my concern about this TIF is that you know, you're asking a lot, it's a very, very rick ask and yes a lot of you are doing some capital investments and putting personal guarantees on the loan documents which is standard operating procedure, but my thought was if, if the TIF isn't we don't have an appetite for that TIF here, then perhaps maybe you'd need to bring in some more private debt or some more people to the table to take out some more of that loan because it's, it's asking a lot even though you've offered an upfront one lump sum payment to the schools and you've offered a yearly payment of "X" to the city, where does that money that you're offering up front to sweeten the pot come from? Does it come from the TIF, does it come from private investment, does it come from a loan, where does it come from?

Mr. Aase – Yeah, so we'll have that in our development budget, so that will as part of total, full project cost so it, it would come from a combination of all three things if you look at each dollar that's in the development is broken out as a percentage of the TIF proceeds of percentage of the, of the cash equity and a percentage of the construction debt.

Councilwoman Gorshe – So with this project going you had mentioned that the project in whole would happen with the opportunities zone that's already in place, the TIF and the private investment. What else is coming into play in this construction project?

Mr. Aase - That is the capital stock.

Councilwoman Gorshe - That's it?

Mr. Aase – The debt equity and the TIF.

President Mancuso – Did you have other questions, councilwoman?

Councilwoman Gorshe – I am looking thank you.

President Mancuso – Okay

Councilwoman Gorshe – At this time I may have some later, but thank you.

President Mancuso – Sure. Other questions? Discussion. Sir, Mr. Johnson.....

Mr. Johnson – Thank you Madame President, I apologize I was late coming from school and you may have already answered this question, as I was doing my research, and anybody that can answer this, please do, is it true that if the school does not consent to the TIF, that you can move forward as a city for up to 75% of the tax without, without the schools consent. Is that true?

Mr. Rink – So, that, that's true but along with that you're limited to only doing it over a 10 year period.

Mr. Johnson – Right

Mr. Rink – So that would, that would make the deal non-feasible. You wouldn't be able to go the 30 years at 75%.

Mr. Johnson – Okay, so I guess my question is my follow-up question is again if you already answered it, I, I apologize, where initially the evaluation of the project was about \$164/65 million.

Mr. Rink – Right

Mr. Johnson – The county now has lowered that to what, \$104? Is that what I'm hearing?

Mr. Rink – Yeah, just to be clear, just to be fair right, the, the county's a wonderful partner and they're just giving input on what they believe the value would be they never.....

Mr. Johnson – I understand, there's, there's always.....

Mr. Rink – So they haven't lowered it right

Mr. Johnson – Sure

Mr. Rink – They gave, they've given one number and it's what, but, but by the time that we were able to gather that initial estimates we had to go off a cost because we just didn't have any comparables to know how much lower it might be, but, but so you're ideas right I just want to make sure we're okay.....

Mr. Johnson – Okay fine, so based on that is your opinion or estimation that the county's off by and if you already answered this I apologize, 10%, 20% because based on those numbers that's a 62% drop, that is huge, so my question is, is it even still feasible and what kind of profit where you making that you could absorb a 62% drop from.....

President Mancuso – Please, decorum, thank you.

Mr. Rink – Yeah, I think it's, I mean if you just go off of round numbers it's \$160,000,000 original construction budget and now it's around \$110, it's closer to a 1/3 not, not 60 but maybe 30% drop in, in value, right, but point still well taken, well taken. And the developer can speak to this too, I would also suggest that that's not a 30% drop like that's a drop in value.....

Mr. Johnson – Sure

Mr. Rink – not a drop in TIF proceeds, so the drop, the drop in TIF proceeds ended up being around \$12,000,000 in terms of actual value, right cause the TIF is determined on the value.....

Mr. Johnson – Right

Mr. Rink – So the value, the drop in value was around 30% that lowered the TIF proceeds about \$12,000,000 and what it really did was forced the development team to say can we move forward or not and, and, and now unfortunately I think too you're very good questions Councilman, it became really difficult to try to negotiate more of it away because you've already lost \$12 million.

Mr. Johnson - That's still a significant amount and I'll finish with this, would that big of a gap in our last meeting that we had you guys were very adamant that it is all or nothing and, and like Councilman Epps when you're approaching negotiation with an all or nothing my default is nothing. So the question is you know this huge, this impacts our community again we all want what's best for you Euclid, my first priority what's best for kids but you know I appreciate the council you know, having us here and all the room but, this you know, the numbers just don't add up for me, I mean, I'm.....

Mr. Aase – Let me, I did want, I did want to clarify one thing, that we have not had a necessary drop in value of 30%, so we, we were estimating what the county was going to value the property as which values the TIF, which creates the property taxes to pay the bonds. So and that number ended up being quite a bit different than what we originally thought.....

Mr. Johnson – Why?

Mr. Aase – I, I can't answer that cause the, cause the county appraiser is going to appraise it based on, on their methodology, which is not necessarily a market value that you go to the market with to sell a property. They're, they're not they don't have the same objectives.

Mr. Johnson – So, okay, let's talk about objective. If you are again you're in the business to make a profit, and if your using numbers you know you were going to have to go before them so if I'm building a house in Euclid per say, and if my mind I'm going to build a 3,000 square foot home, basement, garage, whatever and I'm thinking this is going to appraise for \$10,000,000 million dollars when I know that the comps are nowhere near it, I don't care if it's on the lake, then you guys are the professionals this is what you do, how could you be that far off? Or how could the county be that far off?

Mr. Aase – Well for one there, there isn't a comparable property talking about what we're doing in Euclid, or in this area and if we made a mistake it was looking at this from our own development experience where we have the most experience in the southeast, that we were assuming and I use my same methodologies with the same expense ratios, everything else to come up with these values in, in as I said my earlier statement I, our development costs is \$160 million. I was assuming that the market value of this project when complete, stabilized, done, was going to be less than that.

Mr. Johnson – Okay

Mr. Aase – I knew it was going to be less than that, no one knows how much less than that. Now do I think it's it would sell and be worth \$100 million like the county says, no. I think it's worth more than that. So it, so I think the real value is somewhere between those two numbers. And what the TIF does, is, is that, that slice that the TIF comes in for, the property pays that back through paying property taxes which in those property taxes get paid to, to the servicing agent who then pays off the bonds. So, so those bonds get paid through the property but unlike a traditional bank loan, there's not a balloon at the end. So, so the property pays, pays that debt and pays that interest over 30 years but there's not a balloon payment at the end, so, so that's why the TIF works and that's why it helps and I hadn't, so it's not that it's not paid back, there's just not a big \$44 million dollar, \$45 million dollar payment at the end. And so essentially that capital stack comes out in of, of what we would have to pay back to investors or to bank and instead it's paid to property taxes.

Mr. Johnson – So, and I'll finish, I don't want to belabor this but what I'm hearing is again, you miscalculated and it could be because you guys are from Atlanta so you're lack of understanding of our region and our market and all the things that would go along with that and now the TIF that will impact my children is your insurance for your miscalculation.

Mr. Aase – And, and let me.....

Mr. Rink – Yeah, so again I think when I started and I realize you weren't here when I started I, I, I think it's very important that people understand the facts so I think that that the fact that's missing in this discussion is I don't think there's, there's either the project is either gonna get built or it's not, right. That's right, if it doesn't get built, you're not gonna get all the tax revenues right, because nothing built. So it's not, the decision you have is, is this deal and the project they're proposing and revenue that you would receive cause there's no doubt you're gonna receive some revenue we can argue is it gonna be more than we're showing you, is it gonna be less. The schools are gonna receive some revenue from a property that's been you know, undeveloped for you know over a decade, right and there's not another project behind this project right to be built at this site. So I think, I think you're, you're as you look at it your decision is if you turn it down you're getting zero revenue, right from that, you're just gonna get what it's currently being generated on that site right if you approve it then you're gonna get some amount of revenue that we're projecting off of the income taxes, plus an upfront payment that would be generated, at the start of the project and start of the TIF. So it's, its, I think it's fair to look at it from a standpoint of if we turn it down there is no revenue period. We're not, we're not we don't that the ability to turn it down and still get the revenue, so it's not like we're taking away from existing revenue that you're receiving right now off the site, you will always receive that small dollar amount. This project is for a difficult sight, a difficult sight to be developed with not a lot of other projects behind it, no other projects behind it that you can kind of choose from so but you have the

ability to do is choose , do I want to go forward with this project, get the revenue that I can, which is income tax revenue which is I think significant, I think it's fair to say it's gonna be in that \$7 to \$10,000,000 million dollar range over the life of the TIF. I think that's meaningful for the schools, and then the upfront payment that can be talked about between the developer and the schools. If you choose not to do it then then you get you get a 100% percentage of zero, right, because there's nothing built.

President Mancuso – Other questions? Let me make sure if anybody else, did anybody else have questions before we go back to Councilwoman Gorshe? No, okay.....

Councilwoman Gorshe – So Jeff, I have a couple of questions about the TIF. So you're saying that you represent Key Bank, and you're gonna sell these TIF's, TIF on the open market in bonds or whatever, so we all know that bonds are inexpensive ways to raise revenue, right, they're inexpensive. So you, your saying that Key is not holding the servicing of this so you're kind of out of it, once it's sold on the market, explain how Key's involvement goes on, going forward.

Mr. Rink – Sure, yea and it's, it's I think you have said about something else sort of standard practice, this is very standard practice, right. Key Bank or if they choose another bank to come in would sell the debt to investors, right to institutional type funds and they would buy the debt and then there would be a trustee right and there's probably a hand full of banks in the country that do corporate trust work right, Key doesn't do that, if we did that we would be the trustee, we don't handle that type of work as a bank as I said there's probably only a handful of banks that would do that but there would be a bank trustee, the bank trustee would be in charge of receiving the revenue, paying the bond holders, and when necessary billing the property owners, right but at no time would there be risk for the city to ever have to make any kind of payments. The city would be removed from that transaction whether it works or not in the long run, the city would be removed from that, from that transaction.

Councilwoman Gorshe – So when the bonds were transferred then you're saying that it would be sold to a maybe one of the big five to be the trustee of it and Key would be out of it. Is that what you're saying?

Mr. Rink – Well the bonds wouldn't be sold, so the bonds would be sold, I, I would tell you the normal practices are probably be 20 different bondholders, right 20 different funds in this country that would buy a portion of these bonds and they would hold it as an investment and then a corporate trustee, a bank trustee would administer the payments to them, but wouldn't hold the bonds.

Councilwoman Gorshe – So who would that trustee be?

Mr. Rink – It could be the banks that handle that work in this country would be U.S. Bank for example, Huntington Bank handles that, Bank of New York it's a very administrative ministerial type job and so there's probably three or four others that could do that, type of work but they're not holding the debt, they don't have any input on what happens on the project or anything like that. All they're doing is receiving the tax money that gets paid, right, the county will collect the money the same way, they'll give the money on the TIF side to the trustee, the trustee will then send the money to the bondholders. The funds that hold the bonds. So it's not, I don't want to over play the, the roll of the trustee, it's not overly complicated or you know overly critical to how you sell the bonds, it's an important role you have to fill it, but it's not going to impact how you sell the bonds, or if people are interested or the quality of the project or anything like that.

Councilwoman Gorshe – Okay, well as school board member Mr. Johnson mentioned you know, hopefully everybody will do what's in the best interest of the city, this is asking a lot an absolute lot, I hope all of you realize that this is a huge asking and this is why we're here today. Yeah, thank you.

President Mancuso – Your welcome. Any other comments, questions? Mr. Epps.....

Councilman Epps – Thank you Madame Chair. With all due respect, I just want to ask and I know we've talked about this before about this conversation being strictly about the TIF, and I get it and we do need to keep it to that, however when, even when there, I feel like it's stifling the conversation to a certain extent, so I'm asking there, some of

these things when you talk about the TIF we talk about what were given up and then they can respond and then say and talk about all the insularly development and all these other things that we get that are not per your standard percent pertaining to that TIF, I mean all of these things I think weigh into the decision we make what else we get and I have a couple other questions but I am concerned that you'll say that they're not pertaining to the TIF, when I'm sorry they do directly.....

President Mancuso – If it does not, you were not here at the beginning when I read the procedure but legally we have to at a special council meeting only speak to the agenda item.

Councilman Epps – No I get that

President Mancuso – So you can ask the developers that should not stop you from asking the developers your questions at another point and time. Or getting them to them or having a discussion with them after the meeting, I cannot get into all, we could talk about a million things that have to do with this project tonight it is for the purpose of looking at the TIF and how it impacts the project.

Councilman Epps - Correct and again when I'm, when speaking to the TIF, I'm going to ask the question and then you can determine if you feel it is not, but when speaking to the project in particular when I'd like a lot of residents have expressed concerns, one of the biggest things that we know about what if this doesn't work? Again and we keep saying this and so I'd like to know again, the same question that I asked you about the numbers I'm sure you have sat around the table about what are your worst case scenarios with this I mean, when if this does not work then what, you know, are you aware that conditions of the area now and all of these other things that play into this you know, what happens if it doesn't work at the numbers, even though the numbers are significantly lower than your numbers in Atlanta, what if it's still too high for folks in this area, for folks to live in that area, what then happens to you then and I think it goes directly to the TIF, because then if that does not happen then now we've put this out there, we've lost this, we're locked in for 30 years and now we're stuck with an eyesore, I mean so what happens if, what does that look like for you if you're not getting those numbers? Do you then decide that you're going to sell individual units or what?

Mr. LoPresti – Yeah, so let's again we'll try to staying focused on the TIF side of it.

President Mancuso – Thank you.

Mr. LoPresti – So I can say this that it is a big ask and it's because the risk is big, right so you're asking a group of people, you've got a development group who has a proven record, number one you have a group of investors outside of the area and in the area that are going to participate and you're gonna have a group of banks. So you have three separate entities looking at this saying this is a high risk project, we're willing to be involved in it because number one there's an economic opportunity zone to the credit of Mayor Gail and her team they did their due diligence and got many of the properties in Euclid economically zoned for that kind of incentive and number two because of the TIF. So we have site risk, we have location risk and one of the residents brought that up that how can we do a project like this in this area. Well it's because of the size of the project being a gated community and having those incentives makes it possible. How do you get a group of bank, investors and developers to come in and do that kind of project here in this site because those incentives and so that's what makes you know America a great country is that you can take risks but it's a calculated risk. These groups of individuals do this, we've done market studies and so you have banks, developers and investors looking at this very carefully not recklessly.

Mr. Epps – Yeah

Mr. LoPresti - Because again, \$160,000,000 project that's a lot of money and that's a big capital stack and so you know that's not something that any group of individuals are gonna recklessly approach, so I appreciate those are good questions Marcus but I think, I think there you have to look at the, the group of people that are involved in putting this together and looking at the risk and so you know that's what we do, right, people start business's they do developments, there's risk involved in it, but there is no guarantee that, that any of that works but we do the best we can with the information and to Jeff's points the facts that we gather and we take calculated risks and so I think

it's important for the council and board to understand we've got, we've got banks that are financing this, we have development teams that have do this and we have investors who are putting.....

Councilman Epps – Their money.

Mr. LoPresti – their equity in and those individuals who are not foolish people, these are sophisticated people who do this and their certainly not gonna just through that kind of money into a project unless they believe that the potential is there for everybody to benefit.

Councilman Epps – And I appreciate that and being respectful to that, I will leave that alone, I will say that when you there are bright people that did the project develop the project at Indian Hills as well. I mean these things happen and they do still go south so and, and so I'll leave that alone but I will say also you when you come again to the table, to the negotiating table and you say that you're not willing to move at all, and then we watch movement happen and your still at the negotiating table and obviously it's a good strategy to say you know we're firmer when we're walking away again but you're saying the exact same thing you said before the movement happened before to say that you're not willing to move at all, and I get what you're saying about all the risk and everything until you all's credit I'll also say that there are a lot of ancillary developers who are interested in building around this particular project and those conversations are going to continue as well, but there are developers and I've had these conversations in these meetings scheduled I mean, there is development that potentially will come around this and so even with that being said, I'll say that to your point you're right, all these bright people that are involved, but also remember that on the risk side yes there are a lot of risks being taken but this is \$45,000,000 I am sure we can find a way for \$45,000,000 for our young people over the next 30 years so that's a lost and risk on our part as well as if it doesn't go well the risk of all the folks who are here who own properties near that property as well. So it, there's a lot of risk on our part too to let's not ask for so much and have such a large ask and keep talking about the risk on one side because there is risk on our end as well.

Mr. LoPresti - We certainly will continue our conversation on that and I do want to mention that just recently there was an adjacent property owner that contacted us that just bought a property adjacent to our property that wants to talk because their excited about the potential project and its incentivizing them to consider doing a certain kind of development on that property and that just came and Jonathan can testify to that because he sent that information to us and so that's part of the ancillary is that when a development comes in that it attracts other development and it begins to multiply and those people on that site spend money in the community, gas stations, restaurants, pharmacies, benefit from the seniors cause they still buy groceries, they still go out and do service, many of them still drive so there's a big, there's a spinoff to that you know and we'll continue to communicate that with you as, you know that information comes to us.

Councilman Epps – Thank you.

President Mancuso – Thank you. Any other commentary? I want to thank everybody for being here, development team, thank you very much. School board colleagues, thank you for taking time to be here with us and asked some very pointed questions. My council colleagues this is a meeting that we needed to have as far as the TIF was concerned, if there are no other issues to come before us tonight, I will take a motion to adjourn. So moved by Councilman Epps; seconded by Councilman Jarosz.

All in favor
Yeas: Unanimous

We are adjourned.

ADJOURNMENT

Attest:


Clerk of Council


President of Council