

Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
May 6, 2013

Members: Carol Klinger, Chair
Jerry James
Vince Rubino

Mrs. Klinger called the meeting to order at 6:30 p.m. All members were present.

Legislation Discussed:

Temp. Ord. B-25
Temp. Ord. B-26
Temp. Ord. A-113

Discussion

Temp. Ord. B-25

An ordinance authorizing payment of the Moral Claim of Violet Leathers and the Estate of Noel Leathers as approved by the Claims Commission, and declaring an emergency.

Mr. Janis stated the Moral Claims Commission approved this claim in the amount of \$1,104 at its April meeting. Any claim in excess of \$500 must be approved by Council. Mrs. Pyke stated she has sat in on several moral claims meetings, and she has never seen as much compassion shown to a resident as was shown by Mr. Janis during this meeting. She admired how he took the time to work with her. Mrs. Klinger echoed Mrs. Pyke's comments.

Mr. Rubino moved to bring out Temp. Ord. B-25 with a favorable recommendation, second by Mr. James. Motion passed (3-0).

Temp. Ord. B-26

An ordinance approving the issuance of bonds by Franklin County, Ohio in relation to certain hospital facilities located within the City of Cuyahoga Falls, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended, and declaring an emergency.

Mr. Janis stated that a few years ago the City entered into an agreement with Franklin County where Franklin County issues tax-exempt hospital facility bonds and then facilities located in Cuyahoga Falls can take advantage of them. Provisions of the agreement state that that the City must approve the issuance of bonds to any facility located within the City even though the bonds are not entered into by us and the issuance does not count against us. The entity in this legislation is Traditions at Bath Road. Mrs. Klinger stated we have done this before. Traditions is undergoing a huge renovation. Mr. Walters asked if this legislation required a formal public hearing. Mr. Janis confirmed that it did and added that the public hearing is scheduled for next week. Mrs. Klinger stated that Council will hold next week's public hearing and then proceed with whatever the Committee decides tonight. They are looking for passage next week.

Mr. James moved to bring out Temp. Ord. B-26 with a favorable recommendation, second by Mr. Rubino. Motion passed (3-0).

Temp. Ord. A-113

An ordinance authorizing an amendment to the amended and restated contract for sale of land for private redevelopment with Portage Crossing, LLC (Contract No. 6779), and declaring an emergency.

Mrs. Truby stated a presentation was given on April 22. She provided Council with a letter on April 20 outlining the status of what they are working on. The deed restriction on the BP property was completed and finalized on Friday. The letter outlined changes to the contract. It also provided a site plan comparison of the contract in 2012 and the current agreement. In the last two weeks, she provided four additional documents to City Council and a final version of the agreement, an updated summary spreadsheet, revenue and expenditures, including TIF projections and important dates, projections of the State Road Shopping Center TIF which expires in 2032, an electric usage breakdown into various retailers, a chart on developer investment, and a site plan showing the build-out times on each parcel. In the first ten years, the City gets \$0 for the admissions tax. That is being reimbursed to the developer for half of the purchase of the BP property. Portage Crossings will enable the City to pay off the initial debt, increase revenue flow to the City and school district, create jobs, increase property values, and entice future development along the State Road corridor. Mrs. Klinger asked what the lease term was on the movie theater. Mr. Rubin stated he could not remember exactly but it was either 10 or 15 years. There were renewals every five years. Mrs. Klinger stated that if the theater left after ten years, then the \$1.3 million listed on the chart is questionable. She asked for an explanation on the electric. Mr. Brodzinski stated they came up with that figure by taking the difference the City has on purchase power used for personal services to run operations, which is \$103,700. Purchase power on \$50,000 is \$37,000, so it takes \$103,700 minus \$37,000. Mrs. Klinger stated that the City also invested almost \$300,000 in Electric Department infrastructure. Mr. Brodzinski stated that debt is no different than doing cost of business. Mrs. Klinger pointed out there are no other businesses asking for \$50,000 in free electric so the \$7.4 million could be challenged. In Section 5 of the contract regarding free electric, the contract does not specify when that starts. She asked if it started immediately or when the meter is turned on. Pam Hanover of Squire, Sanders & Dempsey stated it starts immediately. Mrs. Klinger asked for the timing of when things will be built after the groundbreaking in August. Mr. Rubin stated they will start with site work, which will take some time. They will coordinate delivery of the Giant Eagle pad with the time it will take Stark to build the street and the time it will take for the theater to be built. Building is expected to occur for simultaneous openings. Site work will take approximately five to six months. Giant Eagle's construction timeframe is 9 to 12 months. They can build and open within nine months but reserve 12 months. They are still hoping to achieve an opening in the Fall of 2014 of the project. Opening will depend on the two anchors.

Mrs. Klinger had questions on the breakeven of the project. Mr. Brodzinski stated that Mrs. Truby's numbers were on the conservative side. Chances are TIF payoff could be pushed to 2033. They did not factor in any increases on real estate. 2033 is still nine years earlier than the TIF expires. Mrs. Klinger stated the City would not receive the income tax money until 2014-15. Mr. Brodzinski stated they included income tax on the construction part of the project. Mrs. Klinger stated that Mrs. Truby's worksheet showed payroll on construction jobs at \$4.6 million. We are already halfway through the year so we will not have a full construction year. She felt the revenue projections are starting way too early. Also, the outboxes have no timeline on when they have to be built. Mrs. Klinger felt the numbers were not as conservative as the Administration was saying. The City will have \$20 million in this project. Mrs. Truby stated she is keeping the purchase of the shopping center separate. It is a cost of doing business so one can make an argument to include that into this project or not.

Mrs. Snyder stated she is eager for this project and wants it to be successful. Everyone in the City is an investor. She does not support the give-aways in the agreement and feels it is an affront to the taxpayers. She pointed out that Mrs. Truby had stated that if not for this project, the City would not be getting the

admissions tax in year 11. Mrs. Snyder's issue is that no one knows what additional costs to the City the theater will bring as far as police, fire and emergency services.

Mr. Walters asked if this will be going to the Planning Commission before it proceeds. Mrs. Truby replied there are many time schedules. They have been working on the Planning Commission since early last fall. The goal is to have it all come together at the same time. Public improvements are different. They applied for a grant and time stipulates how they will proceed. Mr. Walters stated the City owns the property but it is going off the Developer's intentions when the Developer doesn't even own it yet. He felt that undermined Council's authority that this is a done deal when, in fact, it is not. It had been his understanding that the reason for the electric subsidy and admissions tax was due to something environmental and also due to Menards not coming. He pointed out that Menards was never part of the original purchase. Mrs. Truby stated that the original project had a main street flowing north and south. That was to be a public improvement the City would be building for \$11.5 million. When that went away, it reverts to the developer. No one knew a vapor barrier would be required for \$382,000. When the Developer got the theater, it was an extra \$1 million stipend. There is some water quality work for \$575,000. Also, four houses towards Whitehouse Chicken were purchased to square up the site for an additional \$1.2 million, which totals \$4.2 to \$4.3 million that was not originally discussed. This is a moving target on both the Developer and City side. It will continue to fluctuate. The electric and admissions tax is less than 50% of that \$4.2 to \$4.3 million. Mr. Walters asked if a business that Stark thought was going to sign didn't, would Stark want more of a subsidy to make up for the loss. Mrs. Truby stated this is the final deal from the City's side. Mr. Walters asked what percentage of the total anticipated jobs are transferred from an existing location, such as Giant Eagle and the nails business. Mrs. Truby stated that most of the anticipated jobs are new. They discounted Giant Eagle, even though Giant Eagle will be increasing jobs from the old worksite to the new one. Mr. Walters asked if any of the retail qualified for the anti-poaching. Mrs. Truby indicated they did not. Mr. Walters asked what would happen if this ordinance should fail. Mrs. Truby stated they have been working on this for years. They renegotiated with the developer many times. Council has the very best project in front of them. The numbers are estimates but it is better than zero or negative zero. If this is not approved, the City will write the Developer a check for \$500,000 and the City will be left with the site as it is today. It could then leave the site alone and figure out how to retire the debt or the process could be started over. There has been a lot of time spent on this. Mr. Walters stated no one wants to be left with a grassy area but Council was not involved in the negotiation process. It is very tough for them. Mrs. Truby pointed out that the Administration negotiates all deals. They bring in the best people and have worked very hard on this. This will be the best deal the City can get and best deal the Developer can get.

Mr. Mader appreciated all the details and questions that have been raised but it was now to the point where things are getting redundant. This is the last part of the deal so we can finally go forward to see the site change. We can debate from now until D-Day and never come up with an answer whether we have all the money we can get. He believed in good faith based on other City projects such as the Natatorium and the Sheraton. No one in the City has a crystal ball but neither does the Developer. The Developer's record is good. He does not want to see grass anymore and wants to see construction start. He is in support of this legislation.

Mrs. Klinger had asked Mrs. Truby for some protection to be put into the contract on the City's behalf but Mrs. Truby told her that will not happen. These are projections and the City has to pay the debt. There will be no guaranties. This agreement is asking all users of the City to pay for free electric. She also does not agree with what is proposed on the admissions tax.

Kathy Hummel, 2551 Berk St., agreed that everyone in the community wants to see redevelopment of the State Road Shopping Center. Everyone wants it to be successful including her. She felt it is important that the community understands the magnitude of the City's investment in the public-private partnership

of Portage Crossing. She stated that given all payments in lieu of taxes as well as income taxes being projected, she also included the revenues from 2008, 2009 and 2010, which were about \$300,000 to \$350,000 if 2032 is the payback year, for a total of \$19.7 million. Mr. Brodzinski stated it is not \$19.7 but rather \$15.7 to \$16 million. Interest payments on debt would be included. He is factoring in interest on the money he has already paid off on the project. The City can recover on money already spent. Mayor Robart pointed out that the five minute time limit was up. Mrs. Klinger asked the Finance Committee members if they had an objection to Mrs. Hummel continuing to speak. The Committee members did not have an objection. Mrs. Hummel hoped she would get the opportunity to make her remarks tonight. She asked if the \$19.7 million included the CORF grant or CDGB money or the Public Works grant the City expended. Mayor Robart again objected to the five-minutes being exceeded. Mr. Janis stated that Council Rules required approval by Council to exceed the five-minutes. Again, no objection to exceeding the five minutes was made by any Finance Committee member. Mrs. Hummel continued to state that the \$19.7 million also did not include revenue from the electric subsidy which is \$500,000 over ten years. She reminded everyone there was a billing error in 2009 for purchase power. She and Mrs. Colavecchio spoke with Mrs. Carr on that matter and Mrs. Carr convinced them it was necessary for the customers to repay those bills for the integrity of the fund balance and future borrowing. This \$500,000 over ten years is not appropriate. Now we are going to give money away to someone while everyone else has to pay their bills without receiving a subsidy.

Jacob Gradette, 3444 Atterbury St., asked what the City was going to get out of this. Will the City own anything or will it be counting on the Developer to make the money. Mrs. Klinger stated that once the City sells this property to the Developer, it will own nothing. Mr. Gradette stated there are a lot of community colleges that students have to drive far to. He did not see why this property could not be used for a City-owned community college. Mrs. Klinger replied that the Administration feels it is too late in the game for that.

Karen Nelsch, 2515 North Haven, stated the Developer is putting \$40 million into the project. He does not want it to fail. His other projects are successful. As far as the electric rebate, if you look at other public parking areas and the parking decks in the City, those are all lit. What is wrong with paying for lighting in this parking lot. The City pays for the lighting of the decks. As far as the admissions tax, the City did not have it before but it is getting it now so why not.

Joe Albrecht of the Albrecht Company stated they own the Acme property on State Road and also the Marcs plaza across from Portage Crossing. The Developer is actually paying less than \$0 per acre for the property because of the subsidies galore. The Cuyahoga Falls taxpayers are being asked to pay Portage Crossings to take the property. He felt the City could do better than \$0 per acre plus subsidies. There are other developers that could develop this project. He wondered about the future of the movie theater. People do not really go to movies anymore now that there is Netflix, Hulu and others. If the City is relying on income from the theater for ten to 20 years out, he cautioned them to be careful because it might not be there that long. A theater is a single purpose business. If it moves out, the City would have to find another theater to go into the building or spend money to retain it. As far as the deed restrictions for BP, he asked what types of uses would the City not like to see on the property. One would be a fitness facility. He has a vested interest and wants to see the best for the community. His feeling is that the City can do better. Tax revenue is not unique to Portage Crossing. If something else gets developed here, the revenue would be there. Mrs. Klinger stated there are several restrictions on the types of retailers that can come into this project so that point is covered.

Kim Hoover stated that the City got rid of the blight of the Tally Hotel, and a bank built on the property however, that bank now sits empty. The City has \$20 million invested in this project. He feels Stark is a fine developer but the Administration is asking 50,000 people to reach into their pockets and throw out \$400 each to get to that \$20 million. This project has morphed into something you never thought it would

get into. In the beginning, the project was described as another Crocker Park and now they are talking about a grocery store and a movie theater. If the movie theater is rock solid, then let the Developer get the admissions taxes in year 11. He agreed with Mr. Albrecht about the future of movie theaters. The \$500,000 is not to pay for that common use of electric because they are still going to charge the tenants a subsidy to pay the bill. He will do everything he can to support development with one exception—he will drive past the Pittsburgh-based Giant Eagle to go to Acme, which is locally owned. He asked what the City was doing for Acme. Will the City pay for Acme's outdoor lighting?

Joel Testa, 2335 2nd Street, stated from a developer's standpoint, if this project does not go forward, future developers will think twice about coming in. People are gun shy about developing senior living in Cuyahoga Falls because of the lawsuit. Right or wrong, he felt everyone should get behind this project and support it.

Mrs. Truby stated the City is banking that the developer will take a \$16 million risk. Regarding debt, this is how it is done. On the breakeven point, if there is no project, there is no breakeven point. The City still makes a profit even with the \$500,000 of electric over ten years, even if that profit is only \$100,000. She heard on the news that Ironman grossed \$380 million. Someone is going to movies. There is an empty bank sitting on the former Tally-Ho property but the City is close to closing a deal with Dunkin Donuts for that site. There are some things the Developer has but cannot yet divulge. The Developer needs to have years 1 through 10 on admissions tax in order to go to the bank.

Kathy Hummel stated she is not speaking against this project. Her goal is to make sure everyone knows what they are investing in the project. The contract establishes a State Road account and if the Developer completes his private improvements, he is allowed to draw down the money, but the Developer is getting the land for free. In Section 3 of the April 19 draft being considered this evening, the project budget is \$16 million on the Developer's side and language excludes cost of construction of the movie theater and anchor tenant building. She asked who was building the theater. Mrs. Klinger replied that Stark was building the theater. Mr. Rubin added they are building the site work and writing a check to the theater's contractor. Mrs. Hummel thanked the Councilmembers who had given their due diligence on details of the contract. No one in the community wants the project to fail. Everyone just has different views on how the money is coming together and how it is being spent. It is important that people know what they are investing.

Hugh Kleasen, 1947 18th St., has lived in the City for 52 years. He did not realize what was going on with some of these giveaways until he read it in the paper. Giving away electric and the admissions tax stunned him. He talked to people about this and they agreed. He is not for or against the project and wants to see it succeed but the giveaways stunned him.

Mr. Rubin stated they have been respectful of the local politics. There were a lot of comments made he does not agree with but that is not the issue. They promised the City their best effort. They are probably being criticized the most for how long it is taking and why the stores aren't better. It is taking long because they went to everyone who is a player in the market. They exhausted everything to solicit those people. He is confident that in the retail world as it sits today, Stark has put together the very best project. They worked hard at spending a lot of time and money and put together a sustainable project everyone can be proud of. They have one of the top three movie theaters in the area Bob Stark will personally sign a \$16 million loan. They have never walked away from a project. If a tenant should walk away from the deal, they will re-tenant the property. They did their best and will leave it to Council whether Council feels this project is in the City's best interest.

Mayor Robart apologized for his earlier outburst. He is very passionate about this project. 25 years ago, the Administration promoted the Sheraton and there were a couple of Councilmembers who tried to derail

the project. Where would the City be today if that had happened? It is all about image. Portage Crossing will bring \$500,000 to City income and property tax, \$213,000 to the schools, which equals to \$750,000 each year. If this project does not go forward, the City is looking at another five years of no development on the property. Everyone wants a guarantee but there are no guarantees in life.

Mr. Brodzinski replied to the comment that residents and ratepayers are subsidizing the developer. We are talking about asking a developer to invest his money and use his major connections to bring in tenants to bring in \$400,000 of electric revenue. Of that, they would look for \$50,000 of common space for free for ten years. That is .125%. To someone with a \$100 electric bill, that is 12.5¢. Residents' rates will not change or go up. As far as the admissions tax, the City is not writing a check. That does not make or break us because he is not writing that check now. The project in front of Council gets what everyone wanted in the beginning. The TIF will be paid off eight to ten years earlier. The residents' rates will not be affected nor will the electric fund be broken over \$50,000.

Mrs. Klinger stated that Council passed this contract in February, 2010. This is the fourth time it came up for an extension. So when she starts questioning things, she doesn't buy it. Some out lots may not be built for years. When you look at the whole project and what the City is paying, she feels all we are doing is shuffling retailers. It is going to be beautiful but at what cost. The City is giving away 25 acres of land. In addition, the City did the environmental work and the infrastructure improvements, and now it is offering \$50,000 in free electric. Every year, the City's budget projects the City spending more in the General Fund than what it is taking in. She is concerned about the City's long-term financing liability. The City continues to put more money into the project each time the project comes before Council.

Mr. Rubino moved to bring out Temp. Ord. B-21 without a recommendation, second by Mr. James. Motion passed (3-0).

Mrs. Klinger stated that the Committee would be discussing Report 21 next. One area of concern is that the Mayor's Court revenue continues to be down 25% compared to the prior year. The Chief of Police emailed her that they are stepping up traffic enforcement. She asked if they are doing overtime. Mr. Brodzinski stated there has been some overtime with enforcement. Revenues are down and expenditures are up but the numbers are forecasted to turn around. We have a three-day difference from 2012 to 2013, which has an effect on different funds. Through the first three months, there is nothing alarming. There are timing issues. For example, the County has reduced its staff, which means the City receives its money later. Mrs. Klinger stated that income tax is up and asked if that was expected to continue. Mr. Brodzinski confirmed that it is. Mrs. Klinger commented that the Nat revenue continues to trend down. Mr. Brodzinski agreed and added that, as a result, expenditures will be held back. Mrs. Klinger commented there is also a 27th pay. Mr. Brodzinski stated that has been budgeted for. There is nothing in the first three months he would consider alarming in this fund either. He is watching the numbers on a daily and weekly basis.

Kim Hoover, a Judge in the Stow Municipal Court, stated he was shocked to have heard that officers were told they would lose their overtime if they did not write 12 tickets. Mr. Brodzinski stated he did not hear that was something that was in place. Judge Hoover stated the program has already started. If it is not true, he apologized.

The meeting adjourned at 8:14 p.m.