

## *Summary of Minutes*

**ECONOMIC DEVELOPMENT COMMISSION MEETING HELD ON FRIDAY, FEBRUARY 25, 2011 AT 12:00 PM IN THE HOOKER CONFERENCE ROOM OF CITY HALL AT SHOWERS, 401 NORTH MORTON STREET, BLOOMINGTON, INDIANA**

### **Call to Order**

The meeting of the EDC was called to order by Dick McGarvey at 12:02 PM.

### **Roll Call**

Members present: Dick McGarvey, Mike Satterfield, Amanda Nickey, Malcolm Webb.

Staff present: Danise Alano-Martin, Economic and Sustainable Development Director; Adam Wason, Economic and Sustainable Development Assistant Director; Dan Sherman, City Council Attorney; Margie Rice, City of Bloomington Legal Department; Shazia Davis, Intern.

Members of the public present: Denise Lessow, Pinnacle School; Karl Sturbaum, Bond Council for Pinnacle School

### **Approval of Minutes**

In response to the motion on January 28, 2011 to continue with the current officers for the year of 2011, Dick McGarvey stated that he would be willing to continue as President. Danise Alano-Martin commented that the adopted motion from the January 28 meeting would then stand and officers for the EDC would remain the same.

Mike Satterfield moved to approve the January 28, 2011 minutes. Motion approved by general consensus.

### **New Business**

#### **Resolution 11-2, Amending Resolution 10-8 Pinnacle School Economic Development 501c3 Bond**

Adam Wason explained that there was approval granted for Pinnacle School to receive American Reinvestment Recovery Act (ARRA) bonds in October of 2010. Unfortunately the federal provisions of those bonds expired on December 31, 2010 before the Pinnacle School was able to execute the bonds. They have now redefined their project and scaled it back some. Now Pinnacle School is moving forward to obtain economic development 501c3 bonds for the project.

Mr. Wason continued that there is a new scope to the bond. The original bond for \$2.1 million has been reduced to \$1.5 million. This will require no obligation from the City.

The City will simply serve as a pass-through. The Resolution 11-2 has been updated in that regard.

Karl Sturbaum, bond council for the Pinnacle School explained that from the City's perspective, the main difference between the Resolution approved in October 2010 and this one is the name of the bond and base amount of the bond. It is still an economic development bond. The tax exemption is what is different. The bond was originally structured under the stimulus bill before, which it allowed ongoing obligations to preserve the tax exemption and provided an easier process than for qualified 501c3 bonds. 501c3 bonds entail complicated rules as to what constitutes proceeds these bonds for federal tax purposes, how to treat endowment funds, etc. However these bonds qualify as tax exempt bonds under Section 145 of the Indiana Code, which is the 501c3 section. From the City and State law and process perspective, this is the same transaction that was approved in October.

Dick McGarvey asked if the project was revised due to a different interest rate. Mr. Sturbaum explained that the project was revised because the stimulus bill expired on December 31, 2010, eliminating the ability to use recovery bonds. The project was down-sized due to coverages and various negotiations with the bank. Mr. McGarvey asked if down-sizing would alter the effectiveness of the project. Mr. Sturbaum responded that he would hate to speak for Denise but from his understanding there are some things that will be delayed. However, this project is much more efficient. A curved wall was removed from the plan.

Mike Satterfield asked for clarification regarding the tax exemption. Mr. Sturbaum responded that the main difference occurs from his perspective because he will have to get the tax exemption, thus requiring him to look into many more details.

Denise Lessow clarified differences. The original ARRA bond required \$2 million as an initial threshold, therefore everything for the master plan was wrapped into one lump sum. However, in stepping back and analyzing what they absolutely need for the first phase it was decided that the classrooms, the multi-purpose space and the gymnasium would be kept. Some office space was removed but is still available in the other building. Storage space and the lobby size were reduced. Rather than building a hallway through the classrooms on the other side, the gym was extended by 12 feet and a corridor will cut through the gym to save construction costs. The other \$420,000 in savings came from not having a façade side curving wall and moving the driveway by about 25 feet. Additional trees will be retained. Computers will be put inside of the classrooms rather than in a separate technology room. In total, 300,000 square feet was reduced from the building. The largest chunk of savings was from the driveway and curved wall. A slightly sloped roof rather than a curved roof on the gymnasium is saving \$85,000.

Malcolm Webb asked where this falls into the overall total project budget. Mr. McGarvey asked the amount of the total project budget. Ms. Lessow responded that the hard-costs and site work is about \$1.22 million. Incidentals are about \$100,000; equalling about \$1.4 million. Considering the old mortgage as well the total is \$1.8

million. Mr. McGarvey clarified that the bond is for \$1.5 million. Ms. Lessow responded that the remaining costs will be covered through private pledges and donations that are already secured.

Mr. Satterfield asked about landscaping and parking. Ms. Lessow said that the driveway and parking lot are reduced from before, but they are ok with that. The only thing they are not doing right now is the sidewalk requirement because of the round-about design going on right now. The City is waiving the sidewalk construction requirement until the round-about construction starts.

Ms. Lessow continued to provide more explanations. The original project was going to be put on the other side of the driveway. This way it is more of an infill project that will eliminate a significant amount of tree removal. A 3,000 foot prairie and other landscaping will provide buffering. The only initial concern is the parking lots and three more spaces have been added which should be ok. The linear model is better than the diffused model. Considering the residential character of the neighborhood the expansion is a much better profile, lower profile. There will be more environmental benefits and aesthetically better off.

Mr. Webb asked about the public policy implication of this approval? He stated that his understanding is that the EDC is advancing a recommendation that would allow Pinnacle to issue revenue bonds that would be repaid by the revenues generated by the activities of the school. Because of the public good of the school these would be tax-free municipal bonds. Is our function here to “bless, if you will” the public interest in providing for the tax-free issue of these bonds? Or are there other public policy issues that we should be considering?

Margie Rice responded that this might be a good time to review the resolution that members of the EDC will sign. Danise Alano-Martin responded that it is not necessarily the case that the EDC would only be interested in approving bonds for not-for-profit organizations. In October the Southern Indiana Medical Group received ARRA bonds while providing a very different type of service. Economic revenue bonds allow organizations to buy down the interest rate, allowing for economic development projects to be initiated. She reminded the Commissioners that the bonds are not an obligation for the City and it doesn't impact the City's bond rating.

Ms. Lessow explained that one of the requirements with ARRA bonds was the use of local contractors and improving the economic environment through the project. Although this is no longer required of Pinnacle School through the 501c3 bonds, they will continue to use local contractors as planned and do what they can to generate the most jobs possible locally.

Five to seven teaching jobs will be generated by the project.

Mr. Webb asked if they would be borrowing a lower amount at a slightly higher rate to which Ms. Lessow responded hopefully not.

Mr. Wason read the Resolution that the EDC members will sign. Mr. Sturbaum summarized that the original resolution adopted approved \$2.1 million in ARRA bonds. Since the ARRA expired before execution, the project scope has been revised and the old Resolution 10-8 will be amended by Resolution 11-2, permitting the issuance of the new 501c3 revenue bonds for \$1.5 million.

Issuance of the bonds is approved by the City in this document.

Mr. McGarvey asked if there are any questions. Public comment period was officially opened. Mr. Webb moved the adoption of the aforementioned resolution. Mr. Satterfield seconded. There were no comments from the public. All members present voted unanimously in favor of the motion. Resolutions were signed.

### **Staff Report**

Mr. Wason explained that all loans are current and payments are being received on time. The interest rate has dropped to 0.3% interest rate now. Mr. McGarvey clarified that this is the rate for all City funds to which Ms. Alano-Martin responded yes.

After clarification that the funds are invested in money market accounts, Mr. Webb went on to explain that there are ways to increase those returns but all of those ways require incurring a certain amount of risk that we may not want to incur right now. In the environment right now that is just the rate that is earned.

Mr. McGarvey said that is why we need to give fewer grants because we are not making money. Mr. Webb agreed that we're not making money the way it is invested, he never expects it to make more than two to four percent. One conversation from a policy perspective that may be interesting to have, is whether making something like an endowment where the investment portfolio could consist partly of long-term growth, if the law permits and the City Council is not willing to replenish the BIIF funds. Mr. Webb said this is a policy decision that would have to be approved with City. Mr. McGarvey said that may not be our role and we may not be authorized to do that. Ms. Alano-Martin said Staff would be interested in EDC guidance and the final investment decision is that of the City Controller. Mr. McGarvey said that he would like to have Kurt Zorn present during a conversation such as this.

Mr. Webb explained further that perhaps a long-term growth portfolio could allow a greater amount of grants than could be received through the current structure and approval from the City Council. He pointed out that there may be an additional function that these funds serve by showing up on the City's books. This may be an equity, credit, or other function. However, if only looking at the relation of this fund to the purpose of this fund, there may be a way to handle the fund more aggressively.

Mr. Sturbaum and Ms. Rice said that it could be helpful to review the statutory functions of the commission and clarify the commission versus the controller's role. We can't

gamble the taxpayer money so there is a limit to aggressiveness. Mr. Satterfield added that reviewing statutory roles and functions is a good thing to do, especially before asking City Council to recapitalize the fund. When the EDC goes to the City Council, the Council is likely to ask what other recapitalization techniques could be considered and explored. Ms. Rice continued to point out the importance of commissions and boards to understand what the Code allows them to do.

Mr. Webb said he would not be surprised if this large quantity of cash serves a valuable function of protecting the bond rating, equity, being a source of emergency funds for the City. It would be good for the EDC to know what the situation is. Then, the EDC will know that they have not wasted an opportunity. Mr. Webb continued that how much is kept in cash represents the security of the organization for investment. Mr. McGarvey said this is a good discussion however he would like to continue it when the Controller and a full complement of the EDC are present.

Mr. Satterfield made a motion to adjourn the meeting. Mr. Webb seconded. The meeting was adjourned at 12:45 PM.