

ECONOMIC DEVELOPMENT AUTHORITY MINUTES (EDA)

ADJOURNED SPECIAL MEETING MINUTES

Friday, May 14, 2010

4:00 P.M.

Conference Room 218 (Second Floor)

City Hall, 715 Princess Anne Street

Dana Herlong, Chair

The Economic Development Authority of the City of Fredericksburg, Virginia met in a special session (continued from May 10, 2010) on Friday, May 14, 2010, beginning at 4:00 p.m. in Conference Room 218 (Second Floor) City Hall, 715 Princess Anne Street.

Present. Dana Herlong, Joe Wilson, Mary Jane O'Neill, Rick Pullen, Chris Hornung, Amy LaMarca, and Michael Colangelo.

Absent. None

Also Present: Beatrice Paolucci, **Granite Global Partners:** Jullian Grante; Charlie McDaniel; Charlie Rowe, Jr.; **City of Fredericksburg: Councilman,** Matthew Kelly; **City Manager,** Beverly Cameron; **Troutman Sanders:** Chuck Shimer, **Attorney:** Blanton Massey, **The Free Lance-Star:** Emily Battle; **Department of Economic Development and Tourism: Interim Director,** Karen Hedelt; **Economic Development Manager,** Richard Tremblay; **Marketing and Information Specialist,** JoAnn Locklair.

Chair Herlong called the adjourned meeting continued from May 10, 2010, back to order at 4:00 p.m.

Determination of Quorum.

Ms. O'Neill, Secretary, determined that a quorum was present.

Approval of Agenda.

There being no objection, the Board continued with the same approved agenda from the May 10th meeting. Chair Herlong asked for changes, additions, or deletions to the agenda. Introduction of a new member was added.

New EDA Member: Chair Herlong introduced and welcomed Michael Colangelo, the new member to the Board. She stated Mr. Colangelo is a local businessman who was appointed on May 11, 2010 by City Council. He is taking the place of Chris Limbrick whose term has expired.

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Kalahari Project – Chair Herlong summarized the issue for the adjourned special meeting. She stated that a special meeting was called on Monday, May 10, 2010, to consider the proposed taxable bond issuance for the Kalahari Resorts. Since there was no decision on the May 10, 2010, Special Meeting, the meeting was adjourned and rescheduled for today. She noted the following:

- Approximately \$240 million taxable municipal bonds are being considered to augment up to \$35 million Recovery Zone (RZ) Facility bonds to finance the Kalahari project.
(RZ) Facility bonds need to be financed.
- No application for the taxable bonds has been submitted to the EDA.
- The Performance Agreement has to be modified between the City and Kalahari.
- The Board has agreed to be the conduit for the RZ Facility bonds, and is scheduled to finalize the resolution at our May 24, 2010 meeting.
- Members, staff and Kalahari were encouraged to propose alternative fee structures for consideration.
- Kalahari has told staff that no alternatives to the City Manager's proposal will be considered.
- The EDA is to consider the City's Manager proposal dated April 29, 2010, for the EDA to receive a fee of \$125,000 per year for 10 years for the taxable bond issuance, in lieu of the standard 1/8 of 1% of principal balance over the full 20-year term.

Chair Herlong allowed Kalahari to summarize the meeting and to provide updates. No representatives were present.

Chair Herlong allowed the Silver Companies to summarize the meeting and to provide updates. No representatives were present.

Chair Herlong recognized Mr. Tremblay, City Economic Development Manager, who gave an update since the EDA meeting on Monday, May 10, 2010. He explained the reason the fee for the taxable bonds is before the EDA at the same time of the tax-exempt bonds. He stated the application for the taxable bonds would likely formally come before the EDA in June or July. As part of Kalahari plan of financing, they need to know what the fee structure would be before the official application is made. He informed the Board that Kalahari does have other options for the issuance of the bonds. The Silver Company, on behalf of Kalahari, has approached the Spotsylvania County EDA. There is an informal agreement with Spotsylvania County to issue the bonds at a fee comparable to the Kalahari portion of the fees that would be in effect in the City Manager's proposal. Also, the Virginia Municipal League and the Virginia Association of Counties has a

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program statewide that is carried out through various local IDAs to be conduit issuers for bonds. Stafford and the City of Staunton have a joint IDA to be a conduit bond issuer. They are also interested in being an issuer for this project at a fee that would be less than the Kalahari portion of the fee in the City Manager's proposal.

Mr. Tremblay addressed the issue of general funding to the EDAs that was discussed at the meeting on May 10, 2010. Mr. Tremblay informed the Board that other EDAs in the region do get general funding from the counties.

He mentioned that the EDA is a party to the incentive agreement between Kalahari and the City. The tax revenue sharing will flow through the EDA once the resort is opened and generating taxes.

Mr. Tremblay reiterated the City Manager's proposal. He stated the room tax would pay the EDA's fee in a total of \$1.25 million for 10 years.

Mr. Tremblay stated that Kalahari would not consider increasing its portion of the fee and that their letter of May 7, 2010 is still on the table.

Chair Herlong recognized EDA Member, Joe Wilson. Mr. Wilson distributed and discussed a fact sheet that he prepared after discussions with staff and other members of the EDA (see attachment).

Mr. Wilson made a motion that the EDA accept the proposal for funding as proposed by Beverly Cameron, City Manager, in his April 29, 2010 spreadsheet. For 10 years, Kalahari will pay the EDA \$59,375 per year and the City would pay \$65,625 per year, the total coming into the EDA would be \$1.25 million over a 10-year period. Those fees would begin when Kalahari opens its doors for revenues. It was seconded by Mr. Pullen.

Chair Herlong recognized Mr. Hornung, requesting he state whether he had a potential conflict of interest in the Motion. Mr. Hornung informed the Board that he did contact the Commonwealth Attorney about whether or not there was conflict of interest for him to vote on the matter. Since she could not give him anything in writing, Mr. Hornung stated for that reason, he would not be participating in the vote. However, he does reserve the right to participate in the discussion.

Discussion followed, then Ms. O'Neill called for the previous question. It was seconded by Ms. LaMarca. Ayes (3). Mary Jane O'Neill, Joe Wilson, and Michael Colangelo. Nays (3). Dana Herlong, Amy LaMarca, and Rick Pullen. Chris Hornung abstained. Motion failed.

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Mr. Wilson offered a motion that the EDA accept the City Manager's proposal minus the City's contribution portion. It was seconded by Ms O'Neill.

Chair Herlong asked for Mr. Wilson to define the motion. Mr. Wilson moved that the EDA accept the City Manager's proposal as presented on the spreadsheet less the City's contribution portion of \$65,625 per year.

Ms. Herlong stated clarification that the borrower would be paying \$59,375 per year for 10-year period and would be based upon the performance of Kalahari and the occupancy taxes.

Motion is on the table and is in order.

Discussion followed.

Ms. LaMarca made a motion to table the motion until the May 24th meeting in order to get final numbers on the following: normal 1/8 of one percent fee structure, the reduced fee structure, and additional time for study before the Board is asked to vote. Motion was seconded by Mr. Pullen.

The Chair having determined there was no request for further debate put the previous question to a vote. Ayes (2). Amy LaMarca and Rick Pullen, Nays. (4). Mary Jane O'Neill, Michael Colangelo, Joe Wilson, and Dana Herlong. Chris Hornung abstained. Motion failed.

Discussion followed by Mr. Wilson talking about the discussion from the previous motion. He stated that the Board cannot wait until May 24th to make a decision. Mr. Tremblay noted if a compromise cannot be reached with the city's EDA in regard to a fee that is acceptable to Kalahari and the City, Kalahari would submit their application elsewhere. In order for Kalahari to have bonds issued in another jurisdiction, they would have to get City Council's approval.

The Chair having determined there was no request for further debate put the question to vote. Ms. O'Neill requested to have the motion restated.

Mr. Wilson made a motion that the EDA accept the City Manager's proposal without the city's funding portion of \$65,625.

Discussion followed.

Mr. Hornung noted that the initial request by Kalahari was to pay no fees even on the RZ

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Facility Bonds. They came back and agreed to pay 1/8 of one percent on the RZ Facility Bonds and not pay anything on the taxable bonds. After receiving a letter from the EDA it was not acceptable, Kalahari came back and agreed with the City Manager's proposal dated April 29, 2010, to pay the EDA \$59,375 per year for 10 years for the taxable bond issuance. This fee would commence with the opening of the Kalahari Resort and is to be paid from the room occupancy tax with Kalahari's share being 47.5% or \$59,375 per year and the City's share being 52.5% or \$65,625 per year.

Mr. Hornung stated that the EDA had participated as a flow through for the incentives City Council gave to Capital Ale and Kybecca. He said that these incentives and rebates were made by City Council and were not within the purview of the EDA, which served as the conduit only

Mr. Hornung stated this is the only taxable bond request the EDA has received other than a small issue by Mary Washington Hospital to finance a non-exempt portion of a larger tax-exempt project. He stated that because the Kalahari taxable bond would not result in a low tax-free rate that the EDA would not be setting a precedent that would impact future tax free issuances.

Mr. Wilson withdrew his motion and hopefully, he said the Board can come to a conclusion soon. Motion was seconded by Ms. O'Neill.

Chair Herlong stated that it was regrettable that Kalahari was not willing to consider other alternatives

Since there was a concern that the EDA has not effectively communicated with Kalahari, Ms. LaMarca made a recommendation that a committee be formed to keep negotiations moving along for a decision to be made as soon as possible.

Discussion followed.

Mr. Tremblay reported that Todd Nelson would not consider any additional fee.

There was a concern that Kalahari was not at the meeting. Mr. Hornung noted that it was his understanding that this meeting would be a work session to discuss a counter offer to the \$125,000.00 and that Kalahari did not need to be present.

Mr. Colangelo stated in reviewing the bylaws the EDA does not have any right or duty to discuss allocation of the City's budget. Mr. Colangelo requested that the Board stay at the table and come to a decision.

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Mr. Pullen asked if the EDA would entertain asking Kalahari if they would pay their share of the fee upfront. Mr. Colangelo stated that he asked the question of paying sooner and he was told no, but was in agreement with the City's Manager's proposal.

Mr. Shimer informed the Board that the determination that is going to have to be made on the 24th is the RZ bond fee. He stated that Kalahari has come forward and said they would pay 1/8 of 1% on the full amount for ten years.

There being no further business for this meeting, Ms. LaMarca made a motion to adjourn the meeting. It was seconded by Ms. O'Neill and passed by the following recorded votes. Ayes (6). Dana Herlong, Mary Jane O'Neill, Rick Pullen, Chris Hornung, Michael Colangelo, and Amy LaMarca. Nays (0). None.

Adjournment.

There being no further business to come before the Economic Development Authority at this time the meeting adjourned 5:59 p.m.


Mary Jane O'Neill, Secretary