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CITY OF YONKERS
ECONOMIC DEVELOPMENT CORPORATION

REGULAR MEETING

March 28, 2014

9:15 a.m.

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- PRESENT: MAYOR SPANO, CHAIRPERSON (EXCUSED)
CECILE SINGER, PRESIDENT, EDC
SUSAN GERRY, MEMBER
PETER KISCHAK, MEMBER
PATRICK SERENSON, Accountant
ROBERT MACCARIOLO, Member
MARTIN BALL, SR., Member(Absent)
KEN JENKINS, IDA President
PATRICK SERENSON, Accountant
DEEPIKA MEHRA, IDA/CFO
JAIME MCGILL, IDA
ROBERT DANIEL, O'CONNOR DAVIS(Telephone)

LYNN FARRELL-MILEO
830 Bronx River Road
Bronxville, NY 10708
914-776-1318

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2 MS. SINGER: We are going to call the
3 meeting of the Yonkers Economic Development to
4 order. First order of business, roll call?

5 MS. MEHRA: Mayor Spano, excused.

6 MS. MEHRA: Sue Gerry?

7 MS. GERRY: Here.

8 MS. MEHRA: Cecile Singer?

9 MS. SINGER: Here.

10 MS. MEHRA: Peter Kischak?

11 MR. KISCHAK: Here.

12 MS. MEHRA: We have a quorum.

13 We have Robert Daniel on the phone
14 from O'Connor Davis, as well.

15 MS. SINGER: Thank you. You have the
16 minutes before you. Everybody take a minute to
17 look at the minutes. Are there any additions or
18 corrections? No additions or corrections. May
19 I have a motion to accept the minutes as
20 submitted?

21 MS. GERRY: Motion.

22 MR. KISCHAK: Second.

23 MS. SINGER: All in favor?

24 (Chorus of Ayes)

25 MS. SINGER: We have the Audit of the

1
2 Yonkers Economic Development Corporation before
3 us. Before we begin, we had a whole lot of
4 discussion about the financial, the notes in the
5 financial section, and so I asked Shawn, if he
6 could talk to us for a few minutes about the new
7 market tax credit. This is a unique structure.
8 We are doing something and we need to understand
9 clearly what it is based upon, how it flows, et
10 cetera. So we went back with the notes to try
11 and make them as transparent as possible, which
12 is a task in this case, and there were still
13 questions about how we are enabled to do this
14 because this is something, an offshoot. We are
15 doing something that the IDA cannot do. so
16 really, Shawn will you talk to us for a minute or
17 two about the new market tax credit, how this
18 flows and what we are doing.

19 MR. GRIFFIN: I know Sue asked these
20 questions early on.

21 MS. GERRY: I can hear it again, I
22 never understood it in the first place.

23 MS. SINGER: The rest of us need a fill
24 in.

25 MR. GRIFFIN: The only way to

1
2 understand most of the transactions is to have
3 Yonkers history, when we were pursuing the SFC
4 project, started in 2003 or '04 to about 2006.
5 Part of the proposal is 3500 new parking spaces
6 surrounding City Hall and there was concern about
7 the Parking Authority and whether the designs
8 looked at at the time was to use all the parking
9 ramps. When we were talking using increment
10 financing, tax, we needed a not-for-profit entity
11 for a bunch of reasons. One was a not-for-profit
12 like YEDC. So we formed it back in probably 2005
13 or '06 and the idea was to help us with project
14 structuring, in particular SFC. In January 2008,
15 for the first time since 1986, the Legislature
16 did not renew IDA's authority to help for profits
17 and continue to this day, no more authority for
18 IDA's to help not-for-profit. And so at that
19 time we already submitted to the IRS what we were
20 going to do with YEDC. There was a 501-C for
21 hospitals and other community oriented
22 not-for-profits that would allow you to be exempt
23 from New York state income tax. When you're
24 moving money in and out of entities you have to
25 understand whether it's subject to income tax or

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2 not. We wanted clean not-for-profits also exempt
3 from income tax. By January, February, March of
4 2008 we started to see a need to have an issuer
5 other than the IDA for not-for-profits. You do a
6 lot of bond issuances for profits, namely the
7 affordable housing guys, low income taxes credit
8 deals, a massive amount of housing downtown from
9 the old housing order days, 30 year window,
10 market rate or it was going to be rehab, new
11 kitchen, new rooms. So there was a very large
12 demand for bond issuances in Yonkers. At the
13 time HFA had tried not to shut down bond
14 issuances to them. The State working with us,
15 trying to make sure that doesn't close completely
16 so you saw a series of bond issuances. You look
17 at the IDA list of projects, if it's before '08
18 it's probably the IDA. If after, even for
19 profits, the Bond issuances we have been opting
20 to use YEDC. Number one, we can do the structure
21 a little easier, not-for-profit doesn't need a
22 property tax agreement. Most of these affordable
23 housing projects do a need the IDA for the Pilot
24 property tax. Technically, you can do what was
25 done in the 70s, go before the City Council and

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2 get a continuation, but the private housing
3 finance law said those deals should only go 40
4 years max. Most of those were in the 30 year, 40
5 year mark, no way to get property tax relief, not
6 a single low income housing project, go to full
7 taxes. I can tell you that without even
8 checking. So the only one way to get them a
9 Pilot was to come to the IDA. The IDA would do
10 the Pilot, a normal straight lease transaction
11 like the hotel project talking about today, sales
12 tax exemptions for profits, or mortgage
13 exemption. But if the IDA issued the bond which
14 is what we would have done in the old days to
15 overlay and explain why we use this, why this
16 entity does the bond issuance. The State of New
17 York in the '90s found a new trick to raise
18 revenues, tax bond issuance by the State
19 issuance, a big one. About 40 percent of DASNY
20 projects, a local hospital, et cetera, whatever
21 listed in the statute. Those people are actually
22 paying their bills based on tenants or occupants
23 without paying the costs. Same time 60 percent
24 of DASNYs, hotels or courthouses, DASNY borrows
25 \$100 million over the next 20, 30, 40 years. The

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2 State makes the appropriation for Courts and pays
3 it. So the State wants to tax that bond
4 issuance. They are just taxing themselves so
5 nobody cares. When DASNY got hit with the tax,
6 all state issuances got hit with the tax bond
7 issuance charge, and normally in the '90s, early
8 2000, DASNY would say, that's not fair, IDAs are
9 picking up our local hospital deals because they
10 don't have to pay the bond issuance charge. Make
11 them pay. The Legislature passed that and
12 imposed it on the IDA, that was around 2004 or
13 '05. So when you put all three confluences
14 together, get to 2008, all IDAs started forming
15 these not-for-profits not to be a lender, but
16 clean brand new entities to do bond issuance
17 either for the not-for-profits or because for
18 profits, and when they changed the legislation
19 and imposed the bond issuance IDAs they did not
20 include local development corporations, Cromwell
21 Towers was a bond issuance we did through YEDC.
22 We did the Pilot in the IDA and YEDC was able to
23 issue that \$40 million bond without paying
24 \$380,000 tax to the State of New York. They had
25 that savings. We told the City Council about the

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2 improvement of the lower section of the garage or
3 streetscape.

4 Last point, when this entity was
5 formed our former Council President was on a
6 rant, quite frankly, and wanted a Councilmember
7 on the IDA. That since has changed by State
8 legislation. He also wanted a Councilmember on
9 YEDC. Never been done. You're a smaller Board
10 because of that. So that lead to a process, any
11 time YIDA does a bond deal, can't do it by vote,
12 have to get permission from City Council. So
13 you're still in kind of an anomaly state but it's
14 not that big of a deal. There is a project going
15 to City Council, get the approval, reminds you
16 that some point there may be a window of
17 opportunity to get that over with. So we are not
18 going to the City Council every time we have a
19 project. We don't go to them for the Pilots, for
20 sales taxes. It's very difficult sometimes when
21 there is a budget or something else going on.
22 That's the background. I am going to have David
23 send to the auditor the section out of our IDA
24 handbook about new market tax credits.

25 MS. SINGER: I appreciate your outline.

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2 I always have a concern with something like this
3 where essentially we are going around a potential
4 tax, when you do something you create something
5 to go around a potential tax eventually the State
6 Legislature catches up with you and so we want to
7 be very sure that whatever we do has a sound a
8 basis as we can find for the actions that we
9 take. Understanding the underlying structures is
10 critical in this case because it's complicated.
11 Because it was created for avoiding a tax in the
12 IDA, so that we could really expedite certain
13 types of transactions. And so we all have to be
14 aware of what we are doing and alert to how it's
15 done and be sure that when we have an audit it
16 incorporates as many things as possible and it is
17 as transparent as possible. So that's why we
18 have the paragraph. Then you can't really amend
19 the audit statement but maybe we can make an
20 addition to it. This should be part of what we
21 do.

22 So if you have any questions now is
23 the time to ask them because Shawn is here and
24 because he has a complete understanding of the
25 inter-play and the structures under the IDA. Any

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questions?

MR. KISCHAK: You're recommending just to go back a bit the City Council, not be involved in the YEDC?

MR. GRIFFIN: No, what I was just reminding you there is one less Board member of the IDA, it's that. At the time the then President wanted to be on the Board. The compromise was we just got approval, deal by deal, without putting that particular president on the Board. That will come and go as the people's preferences. I would prefer, and I am just counsel, I don't want to get into politics, that this Board had its own authority without going to City Council each time.

MS. SINGER: That's a whole other thing that's really up to the YEDC. We're the creature they created.

MR. GRIFFIN: I think there's a good explanation. I told you we were going for a 501-C not-for-profit exempt from income tax. We discontinued pursuing that when we switched your purpose in 2008 to more what's called Governmental Internal Revenue Code Section 115,

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2 also that laid out in your audit, you're exempt
3 from 115. It's been explained a lot of money
4 came into this entity as part of some of these
5 structured financing. You want to make sure
6 you're exempt when you receive grants.

7 MS. SINGER: Also when you're doing a
8 501-C3 or anything of that kind, again, because
9 the IDA was not created for housing purposes, so
10 we're a spin off and we always have been aware
11 that there's this underlying structure when we do
12 it we have to examine what it's for and that it
13 really changes something for the City of Yonkers
14 in the long term. If it's development and it's
15 creation of jobs. So we don't count these things
16 because we wanted to make the downtown area that
17 had so many problems more accessible to business
18 and more attractive to business and we believe
19 that we're carrying out the things that will do
20 that for the long term. But, thanks, again.
21 Now, you have the audit in front of you.

22 You have the audit in front of you.
23 You'll see that the operating revenues for 2013
24 were \$70,000. For 2012 we had nothing. The
25 non-operating revenues, you see the amount was

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the same for both years. The grants for the Larkin garage and the Warburton Wells. So if you have any questions about the audit, the audit contains notes that were explanations for each thing that we did. Does anyone have any questions? If not there's a clean audit, again, and I would emphasize that. I want to thank Deepika and thank our contributor, Pat. They have done an excellent job in a very complex structure. Our auditors were very cooperative and worked with us in an excellent way, and their comment was that they get maximum cooperation from staff. So if you have no questions then can I have a motion to accept the audit as submitted?

MS. GERRY: Motion.

MS. SINGER: Second?

MR. KISCHAK: Second.

MS. SINGER: All in favor?

(Chorus of Ayes)

MS. SINGER: Next order of business, approval of the PAAA Annual Report.

MS. MEHRA: The Operations and Accomplishments for 2013 YEDC, again, it is needed for the same reasons to approve it and

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submit it to New York State.

MS. SINGER: You have the annual report before you. Are there any questions? If there are no questions may I have a motion?

MS. GERRY: Motion.

MR. KISCHAK: Second.

MS. SINGER: All in favor?

(Chorus of Ayes)

MS. SINGER: Next, financial Statement for December 2013, January 2014 and February 2014.

MS. MEHRA: Since the Corporation has not met since December 2013 we have financials for a few months in front of you, they are basic spending in YEDC for staff and our accountant. No legal fees to date and the YEDC at the end of February had \$121,000 cash on hand.

MS. SINGER: Any questions?

MR. KISCHAK: I have no questions.

MS. SINGER: If there are no questions may I have a motion to accept the financial statement as submitted?

MS. GERRY: Motion.

MR. KISCHAK: Second.

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MS. SINGER: All in favor?

(Chorus of Ayes)

MS. SINGER: Then, under Legal
updates?

MR. YOUNG: We have none.

MS. SINGER: We do have one, Susan
Gerry.

MR. YOUNG: Yes. I understand your
term has expired. I think what we need to do is
by motion, to reappoint you.

MS. GERRY: I recuse myself.

MR. KISCHAK: So I make a motion.

MS. SINGER: To appoint Sue Gerry as a
member of the YEDC.

MR. KISCHAK: Two year term?

MR. YOUNG: I think it's an annual
term.

MS. SINGER: Second. Welcome. Is
there any other business? If there's no other
business, the meeting is adjourned. Can I have a
motion?

MR. KISCHAK: Motion.

MS. GERRY: Second.

MS. SINGER: All in favor?

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(Chorus of Ayes)

MS. SINGER: We're adjourned.

C E R T I F I C A T I O N

STATE OF NEW YORK)

) SS.

COUNTY OF WESTCHESTER)

I, Lynn Farrell, Court Reporter and Notary Public within and for the County of Westchester, State of New York, do hereby certify:

That I reported the proceedings that are hereinbefore set forth, and that such transcript is a true and accurate record of said proceedings

AND, I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand.

Lynn Farrell