

Bond Case Briefs

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Council Members Told Nothing Will Change if Gary Sells, Then Leases Back, its Police Headquarters.

Financial advisers who are putting together an agreement allowing Gary city government to sell its Public Safety Building, then lease it back tried Wednesday to reassure Common Council members that the deal would not change anything about the way the city operates.

Brandon Coleman and Jimmy Shanahan, municipal advisers working to put together the deal that Common Council members will be asked later this year to approve, said the intent is to allow city government to raise up to \$40 million, which would be used in upcoming years to pay municipal government bills.

Council members last month approved a broad outline for a sale and lease-back of the Public Safety Building at 555 Polk St. Specific details of the transaction have yet to be put together, which is why Coleman and Shanahan were before the council's finance committee to explain how things are progressing.

Coleman said the city followed up last month's council vote of approval by sending out Requests for Proposals to some 20 financial institutions to gauge interest in the concept. Nine of those institutions expressed interest, and now talks are taking place between a three-member committee of city officials chosen by Mayor Karen Freeman-Wilson and those banks that could wind up buying the bonds that would produce money for Gary.

"It won't matter that we say we want to raise \$40 million if no one out there wants to do this," Coleman said.

Selling bonds would create debt for Gary government in future years and Coleman said the plan originally was to devote the city's share of proceeds from the Majestic Star Casino to guarantee the debt. Coleman said city officials are now confident that local income tax proceeds will provide enough - allowing them to use casino monies for other future projects.

Shanahan said the terms of the deal being put together likely would state that upon the full repayment of the fundraising bonds, ownership of the Public Safety Building would revert back to Gary municipal government.

Even during the years that debt existed, the title to the property would indicate the structure being owned by the Gary Building Corp., an entity to be created for whomever winds up buying the bonds.

Police Department will not be at risk at any point in the future of being evicted from their longtime headquarters, officials said.

"If the Building Corporation defaults on the bonds, the city will not lose use of the facility," according to a memorandum Shanahan presented to council members. "The facility is not being mortgaged or pledged as security to the repayment of the bonds."

Shanahan's memo also stated, "no property taxes will be raised to make lease payments and debt service on the bonds."

Councilwoman Rebecca Wyatt, D-1st, said she is skeptical that taking on additional debt to repay bonds will somehow help Gary municipal government get out of debt over the long-term.

"I don't have a lot of confidence we can do this," Wyatt said. Councilwoman LaVetta Sparks-Wade, D-6th, agreed, saying she fears what could happen if the city can't pay the lease.

Mayoral Chief of Staff Dayna Bennett said the sale-and-lease back transaction is part of an overall play by which the city will be engaging in cost-cutting measures meant to reduce government expenses while also increasing the amount of money available to the city.

Some of those changes will become evident as soon as October, which Bennett said will be when the full Common Council will be asked to consider a series of fees the Fire Department would charge to increase the amount of income it can produce for the city.

"We're going to see the gap shrink in the amount of money we're short of paying our bills" Bennett said.

Coleman said this is all part of a long-range plan to bolster Gary's financial status. "The adage of 'you can't borrow your way out of a financial problem' is true," he said. "But if we don't develop a plan that brings more revenue into Gary, then we might as well all go home and just give up."

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by Gregory Tejada

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