

LORAIN PORT AUTHORITY

Board of Directors

Regular Board Meeting

Tuesday, September 11, 2018

Board of Directors: Ms. Carr, Mrs. Cook; Messrs. Bansek, Davila, Mullins, Zellers and Zgonc (Mr. Kuszniir and Mr. Nielsen was absent.)

Staff: Tom Brown, Executive Director

Yvonne Smith, Accountant

Tiffany McClelland, Economic Development Specialist

Kelsey Leyva, Office Manager

Lil, Goose Dog

Guests: None

I. Roll Call

A. The meeting was called to order at 7:04 p.m. by Chairman Brad Mullins with roll call indicating a quorum present.

II. Pledge of Allegiance

III. Petition concerning the break wall

A. Mr. Brown said a group attended the meeting to discuss the west break wall and petitions concerning lighting. He talked with the group to explain the Port's position and the group asked to present briefly. Mr. Dave Lawson and Mrs. Diana Lawson introduced themselves and said in 1990 they hit the break wall opposite of where the Moore's hit it. The Lawson's were going 10 mph. Mr. Lawson said people like to think his crash was due to alcohol and the Moore's crash was due to speed. Mr. Lawson said he had a few drinks, but was not drunk, and was looking for the break wall when he hit it. He claimed that when Mr. Moore was coming into the harbor, he didn't know where he was. Mr. Lawson said he believes some type of marking would help prevents similar instances in the future. He doesn't care about the type of marking but suggested to Senator Sherrod Brown a sign and/or illuminated mini lighthouses along the break wall. Mr.

Lawson claimed the request for additional markers would need to come from the Port Authority and be submitted to the US Army Corps of Engineers. If approved, that group would then submit the request to the Coast Guard. Mr. Lawson is asking the Port to consider making the request. He used a railroad crossing or stop sign with blinking lights as examples. He suggested solar powered lights during the boating season. Mrs. Lawson said avid boaters claim additional lights would confuse them, however, she argues the Vermillion break wall is lit. She doesn't see how it can be confusing. Not everyone can afford a navigation device. Mr. Lawson asked if this was something the Port Authority Board would be willing to discuss? Mr. Brown said he was unaware the group would be attending tonight, and it wasn't on the agenda. He explained our Marine Patrol responded and was part of the investigation with the state and federal agencies. Since then, he's Received dozens of calls since then asking for additional lighting and offering suggestions. He recently attended a meeting with the Corps of Engineers and the incident was still under review by US Coast Guard. The Port wants boater advocacy and safety. We have a Marine Patrol that does training and inspections regularly. Jurisdictionally, we cannot do anything to make changes to the break wall happen. Mr. Brown said what we don't want to do is make a promise we can't keep. It's on our radar and we're waiting to hear from Coast Guard. Mr. Zellers asked for clarification. Mr. Lawson said he understands the Port can't make anything happen, but the problem is he keeps getting the run around. No one wants to take responsibility. Mr. Lawson said he would like to see a sign that says "Port of Lorain" at the center of the break wall and every 200-feet a small mini lighthouse. It could be made of steel with an LED light in it and a solar panel to power it. Mr. Zellers said that would come from the Corps of Engineers and the Coast Guard. Mr. Lawson said the Port needs to ask to permission to mount the sign and lights. Then if they give permission, at that point the

Coast Guard gets involved and says if it will interfere with existing navigational aids. He said another option is contacting the Coast Guard to see if the existing lighting/navigational aids is sufficient. Mrs. Lawson said it's not sufficient. People have been injured and maimed. Mr. Lawson said it would require some type of expenditure from the Port Board. Mr. Brown said that would need to be budgeted. Mr. Lawson asked if the Port would be willing to discuss it? Mr. Brown said he met with the Buffalo District Division Chief no more than two weeks ago, but two federal agencies are working through the process. It's not a dead issue, but there are limitations. He said he has no idea the cost of what Mr. Lawson is suggesting or the maintenance. Being a former boater, Mr. Brown knows the Coast Guard would have to approve everything. Mr. Lawson said the process has to start somewhere, and he believes it's at the Port. Mr. Brown said he'll start with the owner of the break wall tomorrow and follow with an email. Mr. Lawson asked Mr. Brown to specifically ask certain questions. Mr. Brown said he doesn't want to make false promises. Mr. Lawson said he wants the gears to be moving forward. Mrs. Lawson said Tim Moore was an avid boater. She said she doesn't get how adding more lights could possibly disrupt current navigation aids. Mr. Brown said you must be careful when lighting a harbor. Mr. Mullins reiterated we're a smaller, local entity and this is being handled at the federal level. We have our limitations. Mr. Brown said he'd follow up with the Coast Guard and Corps of Engineers. Mrs. Lawson made a plea for other families. Mr. Brown said he's sorry for the losses suffered, but all we can do at this point is keep the dialogue open.

IV. Educational Session: Construction Financing Program

- A.** McClelland said this will be a quick 10-minute tutorial on the programs we offer. Overview, process and case studies. What is it: basically, Construction Financing is a program through the Ohio Revised Code that gives Port Authorities the ability to grant sales tax exemptions. We're

looking to work with business owners and developers interested in renovating or developing a property. Construction financing equals sales tax exemption. General process: First is establishing a project estimated at \$1-2 million or above. Next step is to make a term sheet. This is the basics of what the project will look like. Then comes the legislation which includes the project lease agreement, ground lease, etc. After that comes the certificate for tax exemption. The term sheet goes over the small details. What is the project cost, how much are you investing, proposed lease financing with project savings, project timetable? At the end of the day, the business owner wants to know how much they're saving. When you're looking at the numbers you're looking at hard cost, meaning materials and equipment, not labor. One example is a \$1 million project with \$500,000 in hard cost. By using this program, this person could save \$32,500 on sales tax (6.5%). Ms. McClelland said she provides estimates to determine what the developer would save and what our fee structure would be. There's a cost on our end. She explained legal fees have been \$37,500 in the past for large projects, and that's added into what the Port receives as far as compensation. Even at \$1 million, the sales tax savings isn't greater than our base fee, showing this program is more beneficial for large-scale projects. Ms. McClelland used a base number for transaction costs on our end, but that's not how it works. The example figure includes fees for legal counsel, the financial advisor and the Port, but this is negotiated on each deal. All the fees end up rising the larger the project gets. Project size, transaction cost and the fees we charge are all interconnected. Transaction cost includes legal fees, financial advisor fees, and the Port's fees. The \$37,500 example is what we previously received for a closed deal and it was split three ways. Mr. Mullins asked why we need a financial advisor. Ms. McClelland said it depends on the project. In the past the financial advisor was writing the term sheet and coordinating legal counsel and the project. Port staff is doing more of this

internally now and relying less on a financial advisor. Legal counsel is doing the resolutions, leases, etc. We currently use Frost Brown. Camaco, a manufacturing company in Lorain, wanted to expand in 2016 and asked the Port for help. Based on the information provided, we offered tax increment financing, a job creation tax credit through the state and construction financing. We look at everything we can offer a business owner or developer looking to work with us. This is the project where \$37,500 was split equally among the legal counsel, financial advisor and Port. We can either set a fee or base it on a percentage of the sales tax savings but setting the fee structure is the simpler route. Mr. Mullins asked why a business owner wouldn't be interested in our programs? Ms. McClelland said it's really a no-brainer to work with her, and only one person hasn't after hearing what we can offer. Another example is Clover Communities, a senior apartment complex on the west side of Lorain. It was a \$6 million project in 2016. We offered TIF and construction financing. They wanted tax abatement, but what we offered worked out much better. The closing cost was \$70,000 and the Port ended up with \$30,000. Most recently is the Ariel on Broadway Hotel and Event Center. Project cost is around \$10 million. In theory, if Ms. Radhika Reddy spends up to \$10 million, she'll save \$325,000. We get 50% up to \$100,000. On tonight's agenda is a resolution to set up a pace district. Mr. Brown said Ms. Reddy is taking a giant leap with her own capital to start on the roof and masonry. Dramatic changes will come rapidly. Mr. Mullins asked what Ms. McClelland learned. She said she'll never sign a term sheet with a deposit in hand. Mr. Mullins asked about time per project. She guessed 100 hours, but not with clover, that was maybe 15 hours. Mr. Zellers said Franklin Co. Port Authority is great at selling this program. Are we limited to the city of Lorain? Ms. McClelland said Franklin has certain cooperative agreements to be able to offer programs in other areas. We have cooperative agreements for our bond financing. For construction financing,

we must stay within city limits. Mr. Zellers thanked Ms. McClelland for the information. Mrs. Cook asked about project criteria. Ms. McClelland said she'll talk with anyone who calls in, but she's able to better vet people now and can gauge their seriousness when it comes to investing. Ms. Carr said the County Port doesn't include the City of Lorain.

V. Disposition of Meeting Minutes

A. May 8, 2018, Regular Board Meeting: Ms. Carr moved to accept the minutes from the May 8, 2018, Regular Board Meeting. Mr. Bansek seconded. Motion carried.

VI. Report of Officers

A. Chairman:

1. Correspondence: Mr. Brown said he had none. He reviewed a few small requests he was able to handle.

B. Executive Director:

1. Mr. Brown thanked those who came to the construction kick-off event. Great public reception. A lot of people have memories of and hope for the building. Nonstop calls and meetings for retail and restaurant space. Mr. Brown also thanked those who volunteered at the Rockin' on the River beer pour fundraiser. We raised \$2,693.50 for the levy.
2. October levy fundraiser: Mr. Brown said the levy fundraiser will be from 5-8 p.m. on Tuesday, October 23, 2018 at the Train Station, 421 Black River Lane. Manny will be serving a Greek buffet, including gyros, Greek salad, stuffed grape leaves, baklava and more. The goal is to sell 200 tickets. Mrs. Cook asked about the price. Tickets are \$20.
3. Board Boat Trip: Mr. Brown said the Craft Beer Tasting Cruise on Oct. 5, 2018, is open to board members plus one. Email invites will go out tomorrow. Mr. Zellers and Mr. Mullins went on the Jet Express Wine Cruise. We're working to have three local brewers on

the beer cruise, weather permitting. Our trips on Sunday, Sept. 9 were sold out until the tropical storm wiped out the trips.

4. CDFA update: Mr. Brown said CDFA sent out the draft and the rollout will be Oct. 11, 2018. With that date being so close to the next regular board meeting, Mr. Brown asked for a motion to move the meeting date to Oct. 11 also. Ms. McClelland said the event with CDFA will be in the afternoon, 1-6 p.m., and then the board meeting would be after that. Mr. Brown said if that was a bad night, he didn't want to set the date. Mr. Bansek said he'd struggle with 1 p.m. Ms. McClelland said she could ask for an evening. Mr. Mullins said it may be a long day. Mr. Brown said staff will reach out to CDFA. Mrs. Smith asked about the earliest the board members could arrive on Oct. 11. Mr. Bansek said 3 p.m. is easier than 1 p.m.
5. Art Space Presentation: Mr. Brown said he went to vacant property in Milwaukee. Art Space is an agency that does consulting and development. He thinks it made sense for Lorain. There are 48 art spaces around the US. The group will do an assessment in your area. Mr. Brown said Michigan City, Indiana has buildings similar to the ones on Broadway. Arts districts typically coordinate, but Lorain isn't like that. In 2018 there were two fashion shows on the same day. Mr. Brown said he applied for a grant and has been working with the Mayor. He just wanted to educate the board on Art Space. The group will create galleries and recording studios with living space using financing programs. Artists must apply to move in. Lorain has everything it needs but the consultant group. First phase of consultation is \$25,000. Grant awards announced in October. Art Space will analyze an area and determine the need. They have a smart business approach, and they maintain the properties they develop. Second phase is also around \$25,000, but we would have

to fundraise throughout and get corporate sponsorships. Mr. Brown said a perfect example is the Lorain Historical Society's Carnegie Building. They raised \$3 million in about a year. We would need to raise about \$750,000, and Mr. Brown thinks it's doable. The time is now. Buildings are available, and the streetscape is coming. Mr. Mullins said it sounds like a nice catalyst to get some buildings jumpstarted.

6. Construction Services Agreement: Mr. Brown said Ms. McClelland gave a good overview. We don't need two components because we are the property owners. Mr. Mullins said Ms. McClelland did a nice job presenting.

Mr. Mullins presented:

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A CONSTRUCTION SERVICES AGREEMENT FOR THE PURPOSE OF CONSTRUCTING AND OTHERWISE IMPROVING "PORT AUTHORITY FACILITIES" WITHIN THE MEANING OF SECTION 4582.21, OHIO REVISED CODE; AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH OTHER AGREEMENTS AND INSTRUMENTS; AUTHORIZING THE ISSUANCE OF A SALES TAX EXEMPTION CERTIFICATE TO ARIEL ON BROADWAY, LLC AND ITS CONTRACTORS IN CONNECTION WITH CONSTRUCTION AND REHABILITATION OF A HOTEL IN LORAIN, OHIO AND AUTHORIZING AND APPROVING RELATED MATTERS.

Mr. Bansek moved to accept Resolution No. 24-2018. Ms. Carr seconded. Roll call vote as follows:

Ayes: 7 Nays: 0 Abstain: 0 Resolution Passed

7. Execution and Submission of Petition for Energy Special Improvement District: Mr. Brown said through working with Ms. Radhika Reddy, the Broadway Building has been approved for a \$1.4 million state energy loan at 2% for 20 years. This includes the

windows, roof, HVAC and anything to do with energy savings. To accept the loan, we must create an Energy Special Improvement District (ESID). This is the first step. We petition the city to create a PACE district. If passed, they will create a district including that building and that building only. Ms. Reddy is paying bank loan directly to the state. The city will have to pass a resolution on the 17th to create a pace district. Once passed, then any other business owner can petition to be a PACE District. Pioneering another finance program for the city. Ms. McClelland said we normally wouldn't be as involved in this process, but in this case, we are the property owner.

Mr. Mullins presented:

A RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION AND SUBMISSION OF A PETITION FOR CREATION OF ENERGY SPECIAL IMPROVEMENT DISTRICT AND FOR SPECIAL ASSESSMENTS FOR SPECIAL ENERGY IMPROVEMENT PROJECTS, A LORAIN ENERGY SPECIAL IMPROVEMENT DISTRICT PROJECT PLAN, AND ARTICLES OF INCORPORATION OF THE LORAIN ENERGY SPECIAL IMPROVEMENT DISTRICT, INC., ALL WITH RESPECT TO CERTAIN REAL PROPERTY OWNED BY THE PORT AUTHORITY AND LEASED TO ARIEL ON BROADWAY, LLC.

Ms. Carr moved to accept Resolution No. 25-2018. Mrs. Cook seconded. Roll call vote as follows:

Ayes: 7 Nays: 0 Abstain: 0 Resolution Passed

VII. Report of Committees

A. Contract Management Committee

1. Shuttle Boat Canvas: Mr. Zgonc asked if the work had been completed or if it would be this fall? Mrs. Smith said the canvas work has not been completed. We need to revisit that to ensure the quote still stands. The plan is to revisit this at the end of the

season. A survey of the boats is coming up on the 20th. The insurance company asked us to complete the survey.

2. Interns: Mr. Zgonc asked if the interns were still working? Mrs. Smith said no, the interns went back to college. Mr. Zgonc asked if we sent a thank you letter for their services. Mrs. Smith said the girls were taken out to lunch.

B. Strategic Development Plan Committee

1. Mr. Brown said there were three interviews, four on paper. We're looking at different groups who could assist in the RFP process for the marina. He anticipates an update with a recommendation at the October board meeting. Meeting will take place this week, then staff should have a good idea on how to proceed. Consulting and legal groups. Ms. Carr said the meetings have been educational and we have more options than we realized. Mrs. Cook asked about the cost. Mr. Mullins said that's negotiable.

C. Marketing and Public Affairs Committee

1. October Fundraiser: Mr. Brown reiterated the fundraiser will be on October 23 and will feature a Greek buffet. Tickets should go out next week. In the next two to three meetings, we'll set up to be on the May 2019 ballot.
2. Fireworks poll results: Mr. Brown said the city has issues with the Independence Day Fireworks Display being on July Fourth. We created a poll on Facebook to see what the public wants. Ms. Leyva said 309 people voted and 75 percent want the fireworks on July Fourth. Ms. Carr said historically the Port has had the fireworks on July Fourth. Mr. Brown said it worked out great for Port staff. Fireworks were Wednesday and then Friday and Saturday there were concerts. Mr. Brown said price or shell count isn't really affected by the day of the display. He will work with the city.

D. Ground Maintenance and Capital Improvements

1. Mr. Brown said no real updates. A lot of projects are finished, and we've added some fall items. Completed jobs include Rick Novak Way bed, beds on the south lot, reseeding and repairing. Mr. Mullins asked if staff is happy with new landscapers. Mr. Brown said yes, great communication. Some plants didn't take the way they hoped, but plans are in the works to remedy that. Lack of rain was a contributor. Blacktop is mostly done. That will be on a 3-to-4-year schedule moving forward.

E. Financial Planning and Audit Committee

1. July 2018 Financial Statement: Hold.
2. August 2018 Financial Statement: Hold.
3. Levy funding review: Mrs. Smith said it's hard to nail down a number, but she compiled information from 2014-2018 to give an idea of historically. Delinquent taxes can throw this all off. Across the top is what the County Auditor estimated for the year. That includes Homestead and Rollback. The green line is the taxes collected that particular year. Out to the right, she provides an average for the five years. County estimated for outstanding delinquent real estate taxes as of Dec. 31, 2017, was \$127,594.51 for the Port. In 2017 and 2018 the amount rose, and Mrs. Smith said that may have to do with increases in property values.
4. Then and Now Certificate: Mrs. Smith said it's for the city's utility department. The way they're adding more to the bills, the cost almost doubled. It was about \$6,700 in 2016, then about \$10,000 last year and now we had to do a budget amendment to have enough to pay it.

Mr. Mullins presented:

A RESOLUTION TO APPROVE APPROPRIATIONS (THEN AND NOW CERTIFICATE) FOR THE LORAIN PORT AUTHORITY.

Ms. Carr moved to accept Resolution No. 2018-26. Mrs. Cook seconded. Roll call vote as follows:

Ayes: 7 Nays: 0 Abstain: 0 Resolution Passed

F. Bylaws and Personnel Committee

- 1. Mrs. Cook said she had nothing to report. Mr. Brown said a meeting may be necessary after the strategic plan rollout.

VIII. Other Business

- A. Mr. Brown said legislation will be coming so we can get on the May ballot. We have about \$16,500 in our levy fundraising account now. Hoping to add to that with the October fundraiser. We will probably do a spring fundraiser, too.

IX. Public Comment

- A. None.

X. Adjournment

- A. There being no further business to come before the committee, Ms. Carr moved to adjourn. Mr. Davila seconded the motion. The motion carried, and the meeting adjourned at 8:37 p.m.



Brad Mullins, Chairman



Tom Brown, Executive Director