

Economic Development Incentive Committee

July 13, 2021

Meeting Minutes

Call To Order

Chairman Al Nickles called the meeting to order at 2:00pm. The following members were present constituting a quorum: Paul Koch, Brendan Heil, and JaMarcus Hampton. Also present were: City Commission Liaison Naomi Twine, Community Development Director Jonathan Holody, and clerk Kristen Barone.

Approval of May 11, 2021 Meeting Minutes

Mr. Heil made a motion to approve the minutes as submitted and Mr. Hampton seconded. All members were in favor of the motion.

Program Financial Update

Mr. Holody stated that there is a little over \$75,000 remaining in uncommitted funds, but staff would like to keep about \$25,000 of that available for marketing, which would leave \$50,000 left to award. He reminded the committee that these marketing funds are for the whole City, not just the Economic Development grant program. Mr. Koch stated that after looking at the financial update, he sees that there is over \$139,000.00 committed Market Street Collective from an application dated in 2019. He said that at the last meeting it was discussed that this project would not start until fall of 2021 and then end in spring of 2022. He said he would rather see the money allocated to Market Street Collective go towards projects that are ready to go now and then the Market Street Collective project come out of the 2022 budget if possible. Jonathan said he will definitely review that suggestion with the City Manager and get back to the committee on that. Mr. Koch also asked if Jonathan could follow up with Family Health Services to see where they are at with their project as he thought they might be finished with their project and if they no longer need those funds those could be given to other businesses.

Review of Applications Received

- **Dott Investments, Inc (dba Kiddie Korral)**

Mr. Nickles stated that he would not be taking part in discussion on this application due to a conflict. Mr. Holody then reminded the committee that this application was on the agenda at the previous meeting but was not voted on due to not having enough members present for a quorum. He said that they applied to do some exterior upgrades to the center on Follett Street. Those upgrades included sign repair, landscaping, and parking lot resurfacing. Total project cost comes to \$8,966.94 and staff is recommending a grant in the amount of \$3,500.00. Mr. Koch stated that his concern is that 37% of the project goes to landscaping and he does not see that as an economic development project. Mr. Hampton stated that he

agrees, especially due to the fact that you never know if the landscaping that is done is going to be around in future years. Mr. Holody stated that from what he understands, the trees that had been planted are meant to be permanent and provide some privacy from neighboring properties, but if the committee wants to discuss a different grant amount due to the landscaping concern, they can do that. Mr. Koch moved to approve a grant in the amount of \$2,500.00, Mr. Heil seconded. All voting members were in favor of the motion.

- **FSB Properties, LTD**

Mr. Holody stated that the applicant is requesting grant funds to go towards a roof and front façade replacement at 135-142 Columbus Avenue. This location currently houses Crush Wine Bar and Mona Pizza. Crush Wine Bar recently expanded their business by adding on a back patio, but did not ask for any assistance with that project. The roof and facade project is estimated to cost \$50,500.00 and staff is recommending a grant in the amount of \$10,000.00. Mr. Koch made a motion to approve the grant in the amount staff recommended and Mr. Heil seconded. All voting members were in favor of the motion.

- **Cattien, LLC**

Mr. Holody stated that this company owns the building that Small City Taphouse and Clag Brewery are located in at 202 and 216 Columbus Avenue. He said that since 2014 the applicant has invested over \$2M in building renovations and improvements and now seeks to understand a major exterior renovation that will cost over \$600,000. The work to be done includes masonry repairs and replacing windows. Mr. Holody stated that this type of investment does not include a lot of return for the business owner, but staff think this project is very important due to the location being in the center of downtown, therefore staff recommend a grant in the amount of \$300,000, to be disbursed over a three year period in order to save some funds for other businesses in this year's budget. He said that if this grant was approved by this committee that this would need further approval from City Commission. Mr. Heil made a motion to approve the grant as recommended by staff and Mr. Hampton seconded. All voting members were in favor of the motion.

- **Derrick's Diner LLC**

Mr. Holody stated that Derrick Moore has submitted an application to relocate Derrick's Dinner LLC to a new location at 3124 Venice Road. The lease was up at the current location and he believes the new location would allow him to expand his business. He would like to install an LED sign and new drive-thru signs. He would also like to design a new menu. Total project cost is \$6,534.00. The company has received grant assistance in 2017 and they have included quotes from Brady Signs.

Mr. Holody stated that staff would recommend a grant in the amount of \$3267.00 with the condition that they use a different sign company that would not create a conflict for the City. Mr. Heil stated that per the City Charter, City Commissioners are not able to have a direct or indirect benefit from a contract involving the City which is why there is a stipulation on the recommendation by staff. He then clarified that funds are not disbursed until staff are able to verify that the project is complete, they are complying with the City Charter, etc. So just because the applicant has submitted a quote from Brady Signs, they are able to proceed with the project and receive grant funds so long as they show evidence of using another sign company, which would be stated in the grant agreement, if approved by the committee. If the grant funds were to be used for something else and the company wanted to use their own funds to pay for projects done by Brady Signs, that would be fine. However, in this instance, the whole project is for work done by Brady Signs. Ms. Twine stated that in her opinion it is the purpose of this committee to help young people that may not appear to get much of a chance at all. She said that the applicant has been around in Sandusky for many years, makes good food, and has stuck it out in hard times including the COVID-19 Pandemic. She thinks this would be a good applicant for the grant funds. Mr. Heil moved to approve the grant as recommended by staff and Mr. Hampton seconded. Mr. Koch stated that he normally likes the applicant to spend more on the project than what the City would provide in a grant but in this situation he is comfortable with staff's recommendation due to the reasons stated by Ms. Twine. All voting members were in favor.

- **ESP Bikes LLC**

Mr. Holody stated that this application is similar to the previous one as they have submitted an application for assistance with signage and enclosed a quote with Brady Signs. Due to timing they did have to complete their project before their application could come before the committee, so he would ask for the committee to table this application and he will reach out to the applicant to see if there is another way to assist the business. Mr. Heil made a motion to table the application and Mr. Koch seconded. All voting members were in favor of the motion.

Next Meeting

September 14, 2021

Public Participation/Comments

Sharon Johnson stated that she appreciates the Law Director's comments regarding City Commissioners not being able to benefit from a project that is receiving grant funds. She said that New York has people that are receiving a city grant, sign an affidavit stating that they will not hire a councilman that is associated with the grant project. She said that many applications

have come through with Brady Signs quotes and the applicants need to be made more aware that they are not allowed to use a company that a City Commissioner will benefit from. She also stated that she does not believe that the committee is getting all of the information they need to understand what is going on. In the guidelines, it states what needs to be enclosed along with the application and not all of that is being included. She said that the Community Development Director has told her that sometimes he does not get this information until afterwards and in her opinion that is not right. Mr. Twine stated that estimates do need to be obtained prior to applying. However, if there are reasons that the contractor who provided the quote was not able to do the work and another contractor was used that is okay, the committee just needs a general idea of what costs will be. Mr. Heil then added that with every project there are chances that costs will change, but staff does verify that the work is done and what the costs were before disbursing the grant funds. Ms. Johnson said that if the bank is counting on a certain amount of a grant to be disbursed and then the grant amount decreases because the cost of the project decreases, then the loan may fall through. Mr. Koch stated that in his experience working on loans at a bank, that the bank does their own due diligence in order to see if a person will qualify for a loan and the grant a person would get or not get from the City would not cause a loan to fall through.

Tim Schwanger stated that the owner of Derrick's Diner had a nice sign at a previous location and asked what happened to that sign. He also said that someone recently sent him a screenshot from December of last year where Derrick was having tax issues and one of the requirements of the ED application is that there cannot be any delinquent taxes so he is hoping that is being investigated. Mr. Heil responded that the applicants are asked to provide that information up front if that is true. Mr. Schwanger then asked that if an applicant provides a quote for a project and gets a grant award for an amount based on that quote and then ends up getting an invoice for a lower amount, does the applicant get the full grant amount even though they ended up with a lower invoice amount. Mr. Nickles responded that the applicants are reimbursed based on what the applicants actually pay. Mr. Koch added that the grant amounts are usually a percentage of project costs and not the full amount of the project. Mr. Holody then added that in his experience, project costs usually end up being more than what was given in the estimates. Mr. Schwanger then asked if the ED Committee was in jeopardy of losing funds from the admissions tax increase and due to the Cedar Point corporate office moving down south. Mr. Nickles responded that he believes that would be a question for the City Manager. Mr. Schwanger then stated that a good friend of his has received approval from the ED committee for a grant for her restaurant Port of Sandusky, and has not heard back from the City yet on that. Mr. Holody stated that he has been in touch with the company but the grant agreement still needs signed so he will continue to work with them on getting that done.

Thomas Lamarca stated that his concerns are about the amount of the grants being approved. He stated that the committee just approved a \$300,000.00 grant to be approved for Small City Taphouse for a \$617,000.00 project, which is about a 48-49 percent of the project cost. He

wonders why on the larger projects is the committee not holding it to the business owners to have more skin in the game like they do for the smaller projects. When those large grants are given, that is less money that is available for other business owners that could use it. Mr. Holody responded that while the proposed project is estimating to be \$617,000.00, the company has invested over \$2M since 2014 so that is configured into where staff came up with the grant amount. Another concern is having repeat applicants. Derricks Diner was a grant recipient in the past for signage and equipment, and when he left the Warren St facility, the sign was gone, so not sure where the sign went. Mr. Lamarca stated that in his opinion should be for start-up companies and companies that are struggling, not because people are moving from one location to another. He then said that another thing is that if someone that receives a grant goes out of business, there is no way to receive funds back from them, so maybe the guidelines should be tweaked so that way if a recipient goes out of business the City has a way of recapturing those funds. He said that a business that comes to mind for him is the Peddle Brew Bike. He said that the City put funds towards that and it ran a few times and hasn't been seen since. Mr. Koch stated that in his experience there are many start-up businesses that fail and those businesses that fail, there is no way to get that money back, so saving all of the funds for primarily start-up businesses is the easiest way to lose money. So in his opinion the purpose of the large amount of funds going to Small City, is not going to help just Small City, but it is going to attract people to the area and also spend money at the other local businesses.

Meeting Adjournment

Mr. Nickles adjourned the meeting at 3:15pm.

APPROVED:



Kristen Barone, Clerk



Mr. Nickles, Chairman