

**MINUTES
OF THE
SPECIAL MEETING
OF
LAKEWOOD CITY COUNCIL
HELD IN COUNCIL CHAMBERS
12650 DETROIT AVENUE
April 23, 2018
6:00 P.M.**

Special Meeting of the Lakewood City Council called to order at 6:05 PM by Councilmember O’Leary.

Present: David Anderson, Thomas R. Bullock III, Meghan George, John Litten, Samuel T. O’Leary, Daniel J. O’Malley, Tristan Rader

Also Present: Mayor Summers, Finance Director Pae, Robyn Minter Smyers, Tracey Nichols, George Papandreas, Rustom Khouri III, Planning & Development Director Sylvester

Proposed ORDINANCE 27-18 - AN ORDINANCE to take effect immediately provided it receives the affirmative vote of at least two thirds of the members of Council, or otherwise to take effect and be in force after the earliest period allowed by law, authorizing the execution and delivery of an agreement by and between the City of Lakewood, Ohio, a municipal corporation and political subdivision in and of the State of Ohio (the “City”), and Carnegie Management and Development Corporation, an Ohio corporation (Carnegie”), related to the development of City-owned property at the southwest corner of Detroit Avenue and Belle Avenue, and authorizing and approving related matters.

Mr. O’Leary made opening remarks indicating that tonight’s meeting will address the term sheet for the One Lakewood Place development project, particularly the financial aspects and outlook.

Director Sylvester encouraged everyone to visit the project’s web page on the City website where all progress and updates on the project are being catalogued.

Return on Investment Discussion & Analysis

Director Sylvester explained that the City is investing in the project through the value of the land which is estimated to be worth \$6 million. The City’s investment is expected to be paid back in the form of real estate and income tax within 3 to 4 years. Income taxes are generated through the new housing units and the jobs created in the office and retail spaces. The analysis is based on conservative assumptions are laid out in detail in the materials provided.

Ms. Nichols explained that only the County Fiscal Officer can assign value to the project when the project is complete. Nevertheless, she expressed confidence in the analysis presented by Director Sylvester and his estimates of valuation. She pointed to projects in which Project Management Consultants estimated the value very close to the final assessed value. She described the multiplier effect, which is the additional spending that new residents and workers may do in the community. The multiplier effect is hard to quantify.

Ms. Nichols conveyed to Council that further delays to the project could be problematic due to the volatile economy.

Discussion:

Mr. Rader observed that the majority of the tax revenue from the project will be benefitting the school district and asked about the City's portion.

Ms. Nichols responded that it is typical for a return on investment calculation for a project of this nature to count revenue toward schools as benefitting the community.

Project timing

Ms. George expressed a preference to take more time deliberating beyond the targeted vote in May. Mayor Summers responded that the process has already been underway for 15 months.

Mr. Papendreas explained what happens at the upcoming International Council of Shopping Centers Convention and how Carnegie will be using it as an opportunity to vet and identify retailers and tenants for the development. Having Council buy-in of the term sheet lends credibility to the project that will be important when initiating conversations with retailers.

Director Sylvester elaborated further on why May is a good target for approval of the term sheet, explaining the construction season and how a delay now will have a ripple effect. He stated that this is a critical decision point that will ensure tenants are in place in fall 2020. If Council delays then that target date will be pushed back.

Mr. Papendreas stated that Carnegie is at a disadvantage if it can't be clear on when it will deliver and make commitments to retailers. He explained to Council why the timeline for deliberation is not unlimited and the dynamics of the industry.

It was clarified that abatement and demolition at the site could begin in August on the current timeline.

Mr. O'Leary recapped the work done to date deliberating on this topic and characterized it as appropriate and not rushed.

Project Financials

In response to a Councilmember question, Director Sylvester clarified that the salary assumptions for the residential units are based on and reflective of what the rents will be for the units.

Mayor Summers encouraged council and residents to see how this will benefit the City in the future by shifting the tax burden off of households and raise property taxes at a rate slower than they would be ordinarily raised. He also remarked on how this will increase the City's vibrancy.

The Committee and Mr. Papendreas discussed the use of union labor for the project.

The Committee discussed the use of grants and loans to help with the costs of demolition and abatement. Director Sylvester stated that he will be talking with the County and State Departments of Development and Team NEO about grants. However, an approved term sheet is important prior to having those conversations as these grant dollars are usually tied to potential job creation.

Ms. Smyers emphasized that Carnegie's commitments to the City are not tied to the city bringing additional dollars or subsidies to the table.

Ms. George expressed concern about relying on retail tenants and asked what the breakdown of commercial tenants will be.

Mr. Papendreas responded that office tenants will be the primary focus and that Carnegie will work to create synergy between the office and retail tenants.

In response to questions by Mr. Bullock, Mr. Papendreas remarked on his vision for filling the office space. There will be four office floors. The best case scenario is that one tenant will want the entire space. Carnegie will work with the future tenant or tenants to build to suit. They will be searching for a company with an expiring lease or one that is growing and expanding.

In response to questions by Mr. Bullock, Ms. Nichols stated that it is unusual in the State to find a project of this scope and size without more public subsidy.

Mayor Summers and Ms. Nichols addressed questions by Mr. Rader as to why the dollars set aside to raze the property are not included in the ROI calculation. Ms. Nichols explained that this is customary and agreed to provide examples from other developments.

Director Sylvester, Mayor Summers, and Ms. Nichols discussed the pros and cons to having the City lease the land instead of sell it. They discussed examples from other cities and explained why they believed this was the less desirable option.

Public Comment

Dave Wondolowski

Mr. Wondolowski spoke as a representative of the Cleveland Building and Trades Council, remarking that other communities in the County are envious of this development opportunity. He encouraged Council to seize the opportunity and to vote in favor of it.

Terry Joyce

Mr. Joyce spoke as a representative of the Cleveland Building and Trades Council. He is a resident of West Park who enjoys the amenities of Lakewood. He praised the efforts of Carnegie to proactively reach out to organized labor regarding the project.

Mr. Papandreas stated that over the two years that the development will be under construction that there will be 80 to several hundred construction jobs at any given time and 600 total jobs over the life of the project.

Mr. Bullock remarked on how this project will be a strategic opportunity for the City to be less reliant on the tax contributions of households and shift some of that burden. He stated that the development will help set the City on a new trajectory to become a place where people are coming to work in large numbers at higher salaries.

Community Gathering Space

Director Sylvester discussed how other cities have had success with privately owned public spaces. He gave examples and discussed the features of these spaces and agreements that have made them successful. He highlighted all areas of the term sheet and the Round 2 proposal which address the Public Plaza, noting the many controls in place to ensure a high quality space. He discussed how the Planning Commission and ABR will rigorously engage with the site plan. He addressed questions from last week about the community gathering space such as the process by which special events should be coordinated and scheduled.

Discussion:

In response to questions by Mr. Bullock, Mr. Papandreas articulated that the plaza will have an on-site manager as well as a marketing and event coordinator. He stated that the plaza will be showcased as a feature to potential tenants and will help with marketing.

Mr. Bullock, Mayor Summers and Mr. Papandreas discussed how differing expectations for the space may be reconciled. Mr. Papandreas remarked that the operations and maintenance plan for the space will minimize problems.

Mr. Bullock expressed interest in having Council and/or the City have more input in the design and use of the space.

Director Sylvester replied that the term sheet articulates that the Planning Director and City Architect will be formal members of the Carnegie design team.

Mr. Papandreas emphasized that planning the space will be a collaborative effort and therefore the project will evolve. Flexibility will be needed.

Mr. O'Malley requested that the operations and maintenance plan address first amendment issues as well amplification guidelines.

Mr. Litten and Ms. Minter Smyers discussed strategies for ensuring that the plaza will remain a public space long into the future.

Mr. Papandreas and Mr. Khouri provided examples of public spaces at Carnegie’s other developments and spaces that have been managed in partnership with communities and outside organizations.

Ms. Smyers remarked on why it is preferable for the plaza to be privately owned from the perspective of potential lenders. The plaza is integral to the environment Carnegie is trying to create for its Class A office tenants. Lenders will want assurance that this space will remain in Carnegie’s control.

Ms. George expressed concern about the City losing control or access to the plaza in the distant future and expressed her preference that the space remain owned by the City to protect against this.

Mr. O’Leary stated and Mr. Papandreas concurred that Carnegie would have needed and asked for additional investments by the City were the plaza space to continue to be owned by the City.

Mr. Sylvester emphasized the rigorous process that would be required were Carnegie to attempt to remove or substantially change the public plaza in the future. He expressed confidence in the protections in place.

Ms. Nichols pointed out the liability, cost, and maintenance challenges that would come along with the City owning the plaza.

Mr. Rader asked to see a breakdown of exactly what this cost would be.

Council further discussed the above and other topics related to the plaza before adjourning at approximately 8:10 p.m.

Approved: _____

CLERK

PRESIDENT