

**THE CITY OF KENT, OHIO
COMMUNITY DEVELOPMENT COMMITTEE
WED., AUGUST 5, 2009**

This meeting of the Community Development Committee of Kent City Council was called to order on Wed., August 5, 2009, at 7:22 p.m., by Rick Hawksley, Chair.

PRESENT: MR. AMRHEIN, MR. DELEONE, MR. FERRARA, MR. HAWKSLEY, MR. KUHAR, MS. SHAFFER, MR. TURNER, MS. WALLACH, AND MR. WILSON

ALSO PRESENT: D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; G. LOCKE, DIR. OF COMM. DEV.; G. ROBERTS, SERVICE DIRECTOR; AND L. COPLEY, CLERK OF COUNCIL

ABSENT: J. FENDER, MAYOR

Chair Hawksley said the first item on their agenda was the relocation of the Kent Regional Business Alliance to their Summit Street Incubator.

Dave Ruller, City Manager, explained that the good news is that the University is growing. He said one of their local resources has to find a new home. Mr. Ruller said that as a community, they are marketing around the small business niche, which is one of their strongest clusters, it is extremely important to find a home for KRBA. Mr. Ruller said that **Dan Smith, Economic Development** Director, has been working on this issue, and had the nerve to take vacation. He said that KRBA has been housed at Kent State, but the University is now expanding its business school. He said that KRBA is a non profit organization. He said they have a vacancy in the incubator, and it has been advertised for four years. He said this would a temporary arrangement, and staff is recommended the City house KRBA.

Mr. Ruller introduced **Gary Locke, Director of Community Development**, at this time. Mr. Locke said they did receive information in the Manager's communication, adding this would be the eastern space in the building, amounting to about 1800 square feet for three years. He said the yare requesting to not pay the monthly rate, but would be responsible for utilities and other expenses. He said they have been at the University for fifteen years, with a similar arrangement. He said the donation of space is an in-kind contribution, and depending on what they are seeking in funding, the in-kind contribution could be used as a match.

Mr. Locke said in March, 2008 the staff came to them with revised policies for the incubator. He said they created a standardized rent for all spaces, and this lease would be a deviation. He said they agreed that space should be rented out at \$3.95 per square foot, which would make this unit cost \$592.00. He said annually, the rent would increase, based on the Consumer Price Index for the Cleveland and Akron area. He said the CPI is used to calculate park fees also.

Mr. Locke said one lease was considered by Council since the new policy, but the perspective tenant never materialized, and "kind of disappeared." He said this lease was done in conjunction with the new policy they approved last March. Mr. Locke noted that Mr. Smith mentioned there is the potential for some of the tenants to graduate out of the incubator space.

Mr. Locke said KRBA is part of the policy, as the City continues to use them to assist some of the smaller businesses. He said they encourage applicants to develop a business plan, and unless they know of someone, this is the only place they can go for that assistance. He said that potential tenants are encouraged to work with KRBA. Mr. Locke said the point Mr. Ruller made was that having them close to Mr. Smith's office is a benefit, as compared to being on campus, where it is somewhat scattered around. He said they could work more closely with Mr. Smith and some of the tenants in that space. He supported Mr. Smith's recommendations, and Mr. Ruller's statements with respect to the terms.

Mr. Locke said that the Bicentennial Plan calls for them to encourage small businesses. He said that while the larger franchise operations may come to Kent, what they are seeing, especially with Mr. Burbick's project, is the local element. He said he was available to try and answer their questions.

Mr. Kuhar asked how KRBA is funded, and **Jack Crews, CEO**, explained they have many funding sources, such as the S.B.A., the State of Ohio, Portage County, and the City of Kent. He said they also try to put other programs together to leverage dollars.

Mr. Kuhar asked if they have eight paid employees and funds for overhead, and Mr. Crews said they have the money for the paid employees. He said "host" organizations provide phone, housing, and utilities, generally. He said at Kent State, they bought their own computers, but never paid utilities, phones, etc. He said those numbers are used to leverage federal and state dollars.

Ms. Shaffer asked if they have the funding for renovations and proper signage, and Mr. Crews said they could probably fund the signage. He said he is unsure what they are doing for renovations, as they do not have the funds to redo the offices. He said they have to be careful how they use the money, adding it cannot be used for things other than what it is designed for.

Ms. Shaffer asked if the area is "move in" ready, and Mr. Locke said he has not been in it. He said there have been tenants in that space before. He said he supposed they could adapt the space, or change it later. He said it has been used for other tenants.

Mr. Ruller said Mr. Smith told him one challenge with that space is that it was cut up. He said it would have required leasehold improvements. Mr. Ruller said the nature of KRBA is suited to use the cut up space, adding they can have work space or meeting space. He said nothing has been planned, adding it is as ready as it needs to be.

Mr. Crews noted that the previous company, Bio Syn, was a KRBA company. He said that building became an accidental incubator, because they moved other businesses out of the other incubator for Alpha Micron. He said that KRBA will accidentally move in. He said he remembered being in that area, when Mr. Ferrara's dad removed his wisdom teeth, adding it was not a fun time.

Mr. Kuhar asked if KRBA will pay all of the utilities, and Mr. Crews said they will build it in their budget.

Mr. Kuhar asked, as a whole, the type of budget KRBA receives, and Mr. Crews said it depends on the time of year and which quarter of the year they were in. He said it can be \$430,000 to \$750,000. He said those funds are for specific programs. He said they are waiting on a \$150,000 grant, with no money to use for anything else.

There were no questions nor comments at this time.

MOTION TO APPROVE THE REQUEST BY KRBA TO USE 211 E. SUMMIT STREET.

Mr. Kuhar said he may not understand how the system works. He said he sees money coming in, people getting salaries, but no money available to operate the space. He said the City is using taxpayer monies to house this organization. He said there might be some benefit, but it does not mix right with him, and he will probably oppose it.

Ms. Shaffer said it is terrific to bring KRBA out of the University into the City. She said she used their services several years ago, adding she hesitated a little going on campus, as it was unfamiliar territory. Ms. Shaffer said she was treated well, and KRBA is an asset for the City. She said she hoped they would not have to put a lot up front, adding they just asked for a rent-free space. She reminded everyone they are paid salaries and pay income tax, so they are contributing to the City.

Mr. Turner asked Council to support this request. He said this is an investment in Kent, and they are helping create a positive, constructive atmosphere for people outside of the community. He said the City

is working in a partnership with other private entities, which says a lot for Kent. He said this is a real mechanism for competition in this economy. He suggested they support the motion, and all things KRBA attempts to accomplish and will accomplish will be furthered by that support.

Mr. Kuhar said he appreciates the effort put out by this non profit and does believe they are an asset. He said they have a lot of non profits in Kent, adding most pay their own rent. He said it seems they are putting out money for the Community Development Department to help the community grow. He said he did not know if this is the right mix, if they fund this request.

Mr. Wilson said he was going to try and make sense out of the request. He said he does not want to give free rent to anyone, but KRBA fills a niche the City does not fill. He said they help fund other social service agencies. Mr. Wilson said the whole purpose is to try and create new income, and he is willing to go that extra mile, in today's income, especially when someone needs to hire someone to put together a business plan. He said they are missing the ball if they do not help KRBA.

The motion carried by a voice vote of 7-1-1, with Mr. Kuhar dissenting. Mr. Hawksley abstained.

Chair Hawksley said the next item on the agenda dealt with the City Facilities Energy Proposal. Mr. Ruller said they had an opportunity to hear from a firm Mr. Roberts has been working with regarding an opportunity to leverage dollars that the State is making accessible. He said these dollars can be leveraged toward capital improvements. He said it is similar to what the schools did recently, adding the payback period was fairly short.

He said they have a proposal for Kent, adding they used the word "guaranteed savings." He said the consultant is saying their firm will guarantee a savings for the City. He said if the funds are not saved, they fill the gap. Mr. Ruller said as they are trying to finalize the capital plan, they need to know if Council wishes to spend the money, so they know whether to incorporate it into the Capital Plan.

At this time, Mr. Ruller introduced **David Coffee**. He explained that Mr. Coffee is the City's new Finance Director. He said a few of the Council have already met him, and said he was sure Mr. Coffee would welcome visits. He welcomed Mr. Coffee at this time.

Gene Roberts, Service Director: Mr. Roberts said this was discussed previous about one year earlier. He said he met with Mr. Tisdale and they went out for RFPs and RFQs. He said the only company that responded was the Brewer-Garrett Company. He said he walked through the area with Mr. Tisdale, and realized they are very grounded. He said the company has done this type of work in a lot of different areas, and now the expected returns, based on the square footage.

Kelly Tisdale: Mr. Tisdale said The Brewer-Garrett Company was born and bred in northeastern Ohio. He said they are a national company. Mr. Tisdale said that HB 300 allows them to borrow funds or to use capital dollars. He said he would discuss the project scope, and what they have seen with respect to Kent's opportunity to save money, how to create a positive cash flow, and how to proceed.

Mr. Tisdale said they were established in 1959, in the Flats of Cleveland. He said they are a large regional company that has had a lot of success over the last ten to twelve years. He said they do mechanical, electrical design-building, and service. He said they have national accounts, such as the Heinz Company. Mr. Tisdale said they have 300 employees, adding that Steve Baer is the engineer on this job and a Kent resident. He said they have more than seven hundred customers, and have won awards, including the Governor's Award for Excellence in Energy Efficiency for six out of the last seven years.

Mr. Tisdale said are working with Kent State University, on the Tuscarawas branch, and have worked with NEOUCOM. He said they did a project at the City of Brooklyn in the last few years, and have worked for the Ohio School Facilities Commission.

Mr. Tisdale said he is a Kent State graduate, also having coached soccer at Kent Roosevelt years ago.

Mr. Tisdale explained that House Bill 300 was modeled after House Bill 264, which was the legislation for the schools. He said that 95% of all schools in Ohio have taken advantage of the opportunity, with 90% of the schools having done their second, third and fourth projects. Mr. Tisdale said that Berea has done their eight project in the last six years. He said it is a tool, and it authorizes contracting for energy reports and feasibility studies. He said it also authorizes the use of RFPs, and encourages comprehensive, self-funding, turnkey improvements. Mr. Tisdale said they want this to be a zero-cost proposition for the City.

Mr. Tisdale said it also authorizes the use of energy and operations savings, adding that this means they will save money. He said operation savings are a little vague, adding the objective is to do subsequent projects. Mr. Tisdale said this also allows financing over ten years, and it is exempt from general indebtedness.

Mr. Tisdale said that performance contracting means getting the work done. He said they interviewed the City, adding that self-funding is the key. He said the energy cost savings pays for the project. Mr. Tisdale said they want to reduce operating costs, and increase comfort and energy efficiency. He said there are no change orders, and no finger pointing. He explained they do the development, design, engineering, contracting, commissioning, auditing and the service. He said they did they did the main plan in Canton for Timken, and the second year, they invested \$250,000 to meet their guarantee.

Mr. Tisdale said they are recommending a lighting retrofit, converting the T-8 to T-8 fixtures. He said the "8" stands for 1/8 inch. He said that the T-8 has been surpassed by two generations with a 25-watt lamp. He said they have longer lamp life, longer ballast light, and consistent color. He said he has lighting retrofits that are three years old, and are replacing.

Mr. Tisdale said they are talking about converting the High Intensity Discharge (HID) to T-5 High Bay. He said these new fluorescents work well, and utilizes one-half of the energy.

Ms. Wallach asked if this is what they are going to do, and Mr. Tisdale said that is correct.

Mr. Kuhar asked if they are looking at energy savings for electric, and Mr. Tisdale said they also do gas and operational recommendations. He said they found some problem areas, where computers are housed that were overheating. He said they ultimately tried to create a positive cash flow.

Mr. Kuhar asked if they recommend structural changes or HVAC, and Mr. Tisdale said his firm does HVAC, adding that is what Mr. Baer does every day. He said they analyzed the police station, adding it is an unusual building that has some challenges. He said they mocked up some potential cost basis to bring it up to code. Mr. Kuhar asked about insulation, structural change, or the use of natural light energy, and Mr. Tisdale said they look for day lighting opportunities and day lighting control. He said they need to be careful, adding they have to see how much light is available, and compare it to the costs. Mr. Kuhar asked if insulation is a factor, and Mr. Tisdale said it is not the payback they would like to see. He said insulation is in the foam on the roof, and absolutely, is a factor.

Mr. Tisdale said they looked at mechanical upgrades. He said the Water Reclamation facility is recommended to have a new properly sized 150 hp blower installed. He said they have three that are 250 hp each. He said the plant was built for a larger environment, and now since the population is stable, it is a great time to retrofit it. He said it lowers the cost and creates the bubbles needed to help the process more appropriately.

He said they would also install additional oxygen depletion sensors for each tank, with four added to the tank without sensors. He said the plant is trying to expand their automation system, and it is a great time to do it now, as long as they are retrofitting.

Mr. Tisdale said the Server Room in the Service Administration Building is causing a roof top to work too hard. He said they recommended installation of a separate unit. He said the same problem is happening in Fire Station #1, adding the server room will be fed from a dedicated computer room unit, eliminating the problem of overheating.

Mr. Tisdale said they looked at building automation upgrades. He said there are a lot of older buildings, and some do not need a network. He said those buildings would keep smaller thermostats. He said the larger buildings would be networked, adding they would be able to view building operations on the internet. He noted it is a great first step. He said they recommended load management devices for the vending machines.

Mr. Tisdale said the cost of the upgrades would be \$652,955, and can generate \$4,000 annually in natural gas with \$90,000 in electrical. He said the payback would be \$101,000 savings or 6.46 years. He said if they financed this, it would be a total of \$831,000, and the payback would be 8.23 years. He said that is based on a rate of 5%, adding that KSU just got 4.5%.

Mr. Kuhar asked if there are no federal monies available, and he said there are none at this time. He said the schools were mandated to reduce their energy and there was no money available. He said this lets the energy savings pay for the improvement. Mr. Tisdale said there are some dollars available, but are for things like solar panels. He said they can install them, but they have a payback period of 120 years, or 60 years with government funds. He said they were not included.

Mr. Kuhar said he was involved with the tax credits in the 1970s with solar energy.

Mr. Ruller noted that Mr. Tisdale's presentation is included the information distributed at the beginning of the meeting.

Mr. Ferrara asked Mr. Tisdale if his company's fee is included, and he said that was correct. Mr. Ferrara asked his margin, and he said it is typically 18% gross, with 7% net, covering their guarantee.

Mr. Tisdale said if they look at the annual program costs, they will see it is totally guaranteed. He said if they miss the cost, they can come back in and make the expenses to pay for the improvement, overcoming the deficits. He said in the second year, they write a check for the cost.

Mr. Kuhar asked if there was bonding behind their guarantee, and Mr. Tisdale said they can bond it, adding there is a cost attached. He said companies will not bond more than a three-year period, and then they have to bond it annually. He said that Kent asked for a three-year guarantee, with an annual bond after that. He said some require the three-year bond, and drop it after that third year.

Mr. Ferrara asked who keeps track of the cost, and Mr. Tisdale said they audit it, using a third-party software that anyone can buy. He said that three people in the office do the audits. Mr. Ferrara asked whom they work with, and Mr. Tisdale said it is with whomever is designated. Mr. Ferrara asked if there is a dedicated staff, and Mr. Tisdale said they can report quarterly, semiannually, or annually, with someone designated to work with them on the report. He said the key to the success is being accurate in their estimates. He said they tend to be conservative, adding they may estimate 100%, but guarantee 80% so there is a twenty-point cushion. He said they have missed two guarantees in the last twelve years, adding their customers are happy. He said Berea has now done eight projects, adding they originally were one of his biggest skeptics.

Ms. Wallach asked if they pay \$83,000 annually, and Mr. Tisdale said some pay it up-front with capital dollars, while others prefer to finance.

Mr. Kuhar said if they reduce their consumption by 30%, with a fixed payment, as the energy costs increase, they will see the savings escalate. Mr. Tisdale agreed. He said there is a new rider attached to the electric bills in the next two to three years that allows them to charge for everyone else's energy improvement. He said they can circumvent that rider by taking the energy savings, and allowing the utility company to take the credit for it. He said this would exempt them from the rider, which is to be 2% to 3% of the total electric bill.

Ms. Shaffer asked how much sense it makes to redo the police station, and asked what happens if they build a new station. She asked if they would remove that aspect, adding if they do that investment, it may

be lost. Mr. Tisdale said they should remove it, if it is going to happen in a reasonable window. He said they do not have to do everything, adding they can be specific as to the pay backs.

Mr. Hawksley asked Mr. Ruller if he was asking them to approve the concept only, returning with how it would fit in the capital plan, and Mr. Ruller said this was his plan. He said in this current economic climate, they are guarded with their reserves. He said this is helping them sustain their head above the water. Mr. Hawksley asked if he has a recommendation, and he said that was correct.

Mr. Kuhar said if they barely make their estimates, they are only going to see a cost savings of \$30,000 per year, and Mr. Tisdale disagreed, adding they would be saving \$101,000. He said they will have a positive cash flow from the first year, adding they want Kent to have nothing but an upside.

Ms. Wallach asked about the solar panels for water. Mr. Tisdale said that thermal water (solar water heating) can be funded at 50%. He said that solar thermal has a similar payback. Mr. Tisdale said if they had a swimming pool, they would look at thermal solar heat. He said the idea of solar and thermal heating, is that half of it could be funded by the state of Ohio. He said they are installing panels for Kent State, adding the government funds one-half, and the remaining project is a fifty-year payback. Mr. Kuhar said it could work in some areas, but would not work in others. He said he did not know what the water usage was for each individual place. Mr. Tisdale said they can look at that. Mr. Kuhar noted that people see it too. He said all of the solar they are doing are demonstration sites.

Ms. Shaffer asked if they are only looking at interior buildings, and asked about street lights or exterior lights. Mr. Tisdale said they have looked at parking lots, noting that LED technology is terrific. He said that the exterior light overcomes its costs with operational savings. He said they do not have the technology yet for street lighting. Mr. Tisdale said that a few cities are experimenting, adding they do not want to utilize experimental programs. He said it may be perfected in two years.

Ms. Shaffer asked if he would work with them on this, and Mr. Tisdale said that was correct. Ms. Shaffer asked if they would have the expertise to consult with the City on other issues. She said a lot that can be done with solar landscape lighting or lamp posts. Mr. Tisdale said they just installed some new lighting at a building in Canton that is all solar powered. He said that when the situation is right, they will look at it.

Mr. Kuhar said he had the opportunity to be on the plane with about twelve people returning from a GE seminar. He said they told him they have produced some new type of technology for street lights, and Mr. Tisdale said it is a plasma light. He said that there is some experimentation at this time. He said the LED has the best potential today, adding that this will take it to a different level, and it is a unique technology.

Mr. Hawksley asked the City Manager for his recommendation at this time.

Mr. Ruller said this is an important opportunity, adding that he realized it was expensive to finance and/or fund, but it is one of few things that pays for itself and has the "guarantee" word included. He said the City does not have a building facilities manager, adding they were fortunate that Mr. Roberts has a lot of that knowledge and works with the engineers. He said they are not geared to do this type of work, adding he would like to develop a relationship with this company and continue it for years. He said he is looking forward to when they are on their fourth or fifth project. He said they can keep the City at the front edge, and he would recommend doing this work.

Mr. Roberts said he did the walk through with the engineers, adding they were impressive, and at the end of the tour, knew more about the buildings than he did. He said he would recommend they definitely move forward. He said they can discuss financing it later, adding they will see a net decrease to their operating costs.

Ms. Shaffer asked what kind of up-front costs are factored in, and Mr. Ruller said it would depend on the capital plan. He said they have far greater needs than the ability to fund, adding much of what they have done requires them to defer or push out. He said they have a lot of credible needs. Mr. Ruller said this does over a good payback period and a positive cash flow. He said he is leaning toward front end

payment up front. He said the fund balance is at a point where they can justify it, adding they are not in the "red zone" yet, although they remain very guarded. He said they have spent a lot of time doing projections, adding it continues to not look great. He said initial feedback would be helpful, and they would intend to give them options with the capital plan.

Mr. Kuhar said when they put all the money up front, they are spending today's dollars. He said ten years from now, the \$83,000 will not be the same. He said they leverage more by paying now.

Mr. Ferrara asked the interest rate on their reserve fund, and Mr. Ruller said it is low. Mr. Ferrara said it probably cannot be longer than one year, adding it is probably ½% or ¾% per year. He asked the cost of carrying the money, adding it is not benefitting them by having it in the reserve funds. He suggested there may be a cash discount for up-front payment.

Ms. Wallach said she would like to look at solar power with the water. Mr. Hawksley said that is assuming they are going to do more.

There were no audience comments at this time.

MOTION TO AUTHORIZE THE ADMINISTRATION TO MOVE FORWARD, RETURNING WITH A RECOMMENDATION FOR FUNDING.

Motion made by Mr. Ferrara, seconded by Mr. Wilson.

Mr. Ferrara said it seems to make sense, adding at any point in time, they can look at the cost and what can be saved.

Mr. Kuhar said he supported getting into the proper century. He said he does not look at it as spending any money, but, instead, saving the taxpayers' money. Mr. Kuhar said he highly supported the motion.

Mr. Amrhein said he is always skeptical, but Kent Schools have saved more than \$1 million in energy conservation over the last six years.

The motion carried by a voice vote of 8-0-1, with Mr. Hawksley abstaining.

Mr. Roberts said they have received two offers from First Energy, who is trying to sell them the generation component. He said they usually come with a four or a six-day window. He said the first offer was received three weeks ago, with another offer earlier in the week, which was lower. He said he trusts Mr. Tisdale, who has told him the longer they can stretch it out, the better. He said the First Energy offer was for thirty-one months, while NOPEC offered nineteen months. He said they need the ability to make an instantaneous decision, and then report to Council the logic that was used. He asked Council to grant them the same ability with natural gas, as that is not too far away.

Chair Hawksley asked if they wanted authorization for natural gas also, and Mr. Roberts said that was correct.

There was no audience comment at this time.

MOTION TO AUTHORIZE THE SERVICE DIRECTOR TO DECIDE ON THE GENERATION COMPONENT FOR GAS AND ELECTRIC, REPORTING BACK TO COUNCIL THE LOGIC USED.

Motion made by Mr. Wilson, seconded by Mr. Roberts, and carried by a voice vote of 8-0-1, with Mr. Hawksley abstaining.

Hearing no further business before this Committee, Chair Hawksley adjourned this meeting at 8:30 p.m.

ACTION RECOMMENDED:

- 1) TO APPROVE THE REQUEST BY KRBA TO USE 211 E. SUMMIT STREET.
- 2) TO AUTHORIZE THE ADMINISTRATION TO MOVE FORWARD WITH THE FACILITIES PROPOSAL, RETURNING AT A LATER DATE WITH FUNDING RECOMMENDATIONS.
- 3) TO AUTHORIZE THE SERVICE DIRECTOR TO DECIDE ON THE GENERATION COMPONENT FOR GAS AND ELECTRIC, REPORTING BACK TO COUNCIL THE LOGIC USED.