

**THE CITY OF KENT, OHIO  
FINANCE COMMITTEE  
WED., JANUARY 7, 2009**

This meeting of the Finance Committee of Kent City Council was called to order by Wayne Wilson, Chair, on Wednesday, January 7, 2009 at 7:24 p.m.

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

**ALSO PRESENT:** J. FENDER, MAYOR; D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; D. SMITH, ECONOMIC DEV. DIRECTOR; G. LOCKE, DIR. OF COMMUNITY DEVELOPMENT; B. SUSEL, GRANTS AND NEIGHBORHOOD PROGRAM ADMINISTRATOR; J. BOWLING, CITY ENGINEER; AND L. COPLEY, CLERK OF COUNCIL

**Dave Ruller, City Manager**, explained they would have a brief review of the incubator policy. He said **Dan Smith, Economic Development Director**, and the tenant were both present. He said the tenant was at the end of her lease for space in the Summit Street incubator. He said they must give their blessings if she was to stay.

Mr. Smith said they have a revision to the lease, and will quickly review the incubator policy. He said that Michelle Cobbin has been in the incubator for sixty months, operating a hair saloon. He said that under the current guidelines, she can stay five years, and then needs to find a permanent location. Mr. Smith said he has met with Ms. Cobbin, exploring other options, but is unable to find a suitable place. He said in accordance with their guidelines, she can stay on a month-to-month lease, with the rent reverting to a market rate. Mr. Smith said the market rate in Kent is between \$5.00 and \$8.00 per square foot. Mr. Smith said they wanted to be as reasonable as possible, and have offered her \$5.00 per square foot as the current market rate. He said if they go with a month by month lease, she would be charged \$5.00 per square foot, with 10% increases per quarter. He said Ms. Cobbin would like to have one more full year, so she would not have to worry about a month by month lease. He said they would be working together to find her a permanent home, possibly in downtown Kent. Mr. Smith said that the policy allows her to have a month-to-month lease, and Ms. Cobbin would like a one-year lease.

Ms. Cobbin said she owns the Christian Edwards Hair Salon. She noted that Mr. Fender was her principal. Ms. Cobbin said she has lived in Kent all of her life, adding she is a service to Kent. She said she served at Kent State in the hair salon, and hired youth, working with some troubled students. She said she has had some difficulties in her life, and if they grant her one more year, they would serve her and she could stay in Kent. She said she would work hard, as she has for the last five years.

Mr. Smith said they do have vacant office space, adding it is a double suite of 1800 square feet, that has not been rented for one year. He said part of the reason for the policy is to turn it over for others, adding they have vacant properties with no waiting list.

Mr. Kuhar asked the current rent, and Mr. Smith said it is \$3.95 per square foot. Mr. Kuhar asked the amount of rent for a one year extension, and Mr. Smith said it would be \$5.00 for the first three months, ending at \$6.05 per square foot, under the current guidelines. He noted that it is still below the market rate.

Mr. Kuhar said he is not opposed to a one-year lease, and asked if it was possible to include an escape clause, as long as the escape was in the City limits, and Mr. Smith said he would have no problem with that. He said if Ms. Cobbin wanted to graduate prior to one year, he would not hold her to the lease. He said their preference is to find her that perfect location. Mr. Kuhar said he would hate to see her lose out on something good because of the one-year lease. Mr. Smith noted it was Council's policy, and suggested the Law Director could include language in the lease.

Ms. Shaffer said she admires people starting new businesses, and appreciates the fact that Ms. Cobbin chose Kent. She asked how many employees and stations she has, and what her growth potential was, and Ms. Cobbin said she had more than one person in the beginning. She said since that time, she has kept it as one chair. Ms. Cobbin said there are twenty-five corporate offices, such as Great Clips and Walmart salons, and she is unable to compete against them. She said she cannot find someone who wants to sit and build up a clientele, adding everyone wants a paycheck the next day. She said she employed Leander, who branched off after 2.5 years. Ms. Cobbin said she has two stations available, and would prefer to only rent one.

Ms. Wallach asked the difference between a month-to-month lease and a one year term, as they are the same terms. Mr. Smith said it is security. He said with a month-to-month lease, Ms. Cobbin would have to leave with a thirty-day notice. He said this would give her the security of knowing she could stay for an entire year. Ms. Wallach asked if all other terms are the same, and Mr. Smith said that was correct.

Ms. Cobbin said that gives her time, also. She said she has not in the situation where she can move. She said her leases have changed over the past five years, and the City gave her a \$2,000 allowance to move in her first lease.

There were no further questions, nor audience comment at this time.

Mr. Ruller said Mr. Smith said it well. He said from the Administration's perspective, this is consistent with the spirit of the incubator. He noted they do not have people waiting to get in, and they would recommend Council's support of the one-year lease.

**MOTION TO AUTHORIZE A ONE-YEAR LEASE FOR CHRISTIAN EDWARDS SALON, WITH THE INCLUSION OF AN ESCAPE CLAUSE.**

Motion made by Mr. Turner, seconded by Ms. Wallach.

Ms. Wallach said she was glad Ms. Cobbin was in business in Kent, adding there is a niche in the City for her.

Mr. Kuhar said this is good business on both parts. He said the City creates income from the space when it is occupied, and it is also good business to help people in the community. He said he supported it 110%.

Mr. Turner commended Ms. Cobbin for stepping out and taking a chance in Kent. He said Kent is very appreciative, and wished her all the best of luck with what she was doing. He said he was sure Mr. Smith would find her appropriate accommodations with the next year.

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

Mr. Smith said the incubator policy as in their packets, adding it was subject to interpretation. He said he wished to review how they advertise space. He said when there is open space, they can advertise it twice a year, through an ad in the newspaper and in the Tree City Bulletin. He said when people come to him, and it has been advertised he can go through the process. He said a previous interpretation was that he had to advertise if someone was interested. He said if someone is interested, and it was previously advertised, he should not have to go through the process again. Mr. Smith said he wanted to be sure that is how Council interprets it, adding he would hate to think if someone finally wants to rent the space that he would have to readvertise the space. He said it seems cumbersome, adding in his opinion, it was overkill. Mr. Smith said it was a matter of interpretation, adding they do not need to change the policy.

Mr. Kuhar said he vaguely remembered that situation. He said if it had been advertised, and there was no tenant, it should be available. He also suggested Craig's List for free advertising.

Ms. Shaffer suggested they reach out to the business schools in the area, and go with a wider regional

basis. She said they may get some young people involved.

Ms. Shaffer asked if there were any spaces large enough that could be retro fitted into restaurant space, and Mr. Smith said they would need ventilation, hoods, and public restrooms. He said it is possible, but awfully tough. He said their biggest space is 1800 square feet, adding that two nine-hundred square foot spaces are better. He said if there is an interest for a restaurant, he would be glad to work with someone. Mr. Smith said he was unsure that the incubator site was the best site for a restaurant.

Mr. Turner asked Mr. Smith if he was comfortable with leaving the language "as is," and Mr. Smith said was how he saw it, and wanted to be sure that is the belief of Council.

Mr. Ruller said he believed that Mr. Smith, as the "new guy," wanted to be correct, adding this was a particular issue with a former Council.

Mr. Kuhar suggested they could include a little more language for further clarification, and Mr. Smith said he did not see a problem with how it was written.

Ms. Wallach said she read the entire policy, and saw nothing about advertising, and Mr. Hawksley directed her attention to the page.

Mr. Kuhar asked if the space was open, and it was not advertised, if they had to turn that person away, and Mr. Wilson noted that is what Mr. Smith was saying. Mr. Kuhar asked if it just became vacant, if they had to advertise the space, and Mr. Smith said that was correct. Mr. Kuhar asked where it says that, and Mr. Ferrara commented it was how they interpreted it. Mr. Smith said he has never seen it happen, adding he did not want people afraid that a friend of his might get the inside track. Chair Wilson noted, in a joking fashion, that as one who knew Mr. Smith for approximately sixteen years, he knows that Mr. Smith has no friends.

Mr. Turner suggested they could word it better. Mr. Silver said if a qualified tenant approaches them, they do not have to advertise. He said Council approves the lease, adding they have the ultimate say. Mr. Turner said from what he heard, he wanted to be sure they reduced any possible conflict and/or language, with some clearer, more precise language.

Ms. Wallach said she understood what Mr. Kuhar was saying. She asked if all spaces were filled if they were not advertising, and Mr. Smith said that is correct.

Mr. Hawksley said this leads to the concept of a waiting list. Mr. Ruller said he would look forward to having a waiting list, adding that has not been an issue. He said they could add a little more language, based on comments made. Ms. Wallach said they want to look forward, as there have been previous mistakes from people not looking forward.

Mr. Kuhar said they just discussed putting in a clause for no advertising, and asked as a public entity if that would raise an eyebrow. He asked how they have a good business function without creating the appearance of a conflict, and Mr. Ruller said when they hear of a tenant leaving, they would readvertise, assuming all units were full. He said they have not had a situation where it was totally full.

There were no further questions nor audience comment at this time.

Mr. Ferrara suggested that Mr. Smith and the Administration continue to use common sense. He said if problems arise, they will be coming back to Council for approval of the lease. He said the Administration is doing a fine job, and suggested they are allowed to continue using their best judgment.

Chair Wilson said the next issue was the loan authorization for the Area Q, Phase V project. Mr. Ruller introduced **Jim Bowling, City Engineer**, at this time.

Mr. Bowling said they previously asked Council's permission in May 2007 to apply for \$545,000 in grant monies from the O.P.W.C. He said the O.P.W.C. has requested them to take an additional \$100,000 interest free, in the form of a loan, to help them out with their funding process. He said they are looking for approval to accept that loan. Mr. Bowling said they are also required to adopt a Resolution of Intent, allowing the City to pay the contractor, submitting the same for reimbursement. He summarized that they need authorization to accept the loan, and authorization for the resolution of intent.

Mr. Kuhar asked if they were receiving \$500,000 plus an additional \$100,000, and Mr. Bowling said that was correct. Mr. Kuhar asked if \$500,000 was a grant, and Mr. Bowling said that was correct. Mr. Kuhar asked if the \$100,000 was a low interest or no interest loan, and Mr. Bowling said it was a loan with no interest.

Ms. Wallach asked if they had any problem repaying it, and Mr. Bowling said the monies come from the Storm Water Fund, adding they have the money to pay for it. He said the project is budgeted for \$950,000, and that includes the \$545,000 they received in a grant. He said because of that grant, the monies would be available for repayment.

There were no further questions nor audience comment at this time.

#### **MOTION TO AUTHORIZE ACCEPTANCE OF THE O.P.W.C. AND THE RESOLUTION OF INTENT.**

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

Chair Wilson said the last item on the agenda dealt with the Ohio Department of Development Neighborhood Funds. Mr. Ruller said there has been a lot in the newspapers lately regarding an economic stimulus packet. He said with the foreclosures and the housing crisis, the State has made additional funds available. Mr. Ruller said that **Gary Locke, Director of Community Development**, and their newest staff member, **Bridget Susel**, are working with the County and Ravenna, as the State has been looking for regionalism. He said they are still learning how this will play out, but felt it was appropriate to bring forward, as it was the injection of some new cash. He said it is not as much as they would like, but it is definitely something.

Mr. Locke introduced Ms. Susel, adding she is their new grants and neighborhood program administrator, who has been with them for three days. He said some members of Council have been interested in meeting her and working with her. He said she is a Kent resident, with extensive experience with grants. Mr. Locke said Ms. Susel has worked with non-profits, adding he was sure she would be glad to share some of that information with them. He said he is happy she joined them, and was confident she will do a good job, providing a good service, and getting the direction they want to go.

Ms. Susel said she is excited to be in Kent. She said she has done a lot with Community Development, from both the government and the non-profit sides. She said she has given money, and also asked for money. Ms. Susel said she hoped her knowledge and background would benefit everyone. Mr. Locke added that Ms. Susel's husband is the Latin teacher at the high school.

Mr. Locke said the funding was authorized by Congress, and there were several different elements. He said one was something called the Neighborhood Stabilization Program (NSP), and the funding they were discussing is part of this program. Mr. Locke said it was a new program, never having been done previously. He said they have probably noticed in the headlines and on the news in the last six to eight months that there is a sense of immediacy with some domestic programs. He said there are a number of different projects, with regard to different monies, such as the shovel ready projects program. He said the NSP is primarily about housing.

Mr. Locke said these monies are not CDBG funds, HOME monies, or CHIP monies. He said it is a different pot with its own rules and regulations, and they are fairly limited. He said it is an opportunity for them to get additional money in the community. He said they have to decide how to split and share the money, adding there is about \$1.25 million, with 10% set aside for administrative purposes, leaving about

\$1.1 million to use for actual programs. He said the three-way split has to be decided, adding that he and Mayor Poland of Ravenna, told the County Commissioners they wanted to be sure Kent and Ravenna got a fair share of the funding. He said the Commissioners appeared to agree in principle. He said he anticipated the need to return to Committee in early February for the purpose of discussing an MOU that puts the breakout of monies in writing. He said he would be reluctant to file an application, with this MOU, adding he doubted the state would allow it. He said they need a fairly firm number that each entity would receive, adding if Kent received \$300,000, in his mind, he felt it would be a fair number. He said the monies could be higher or lower, and that would have to be negotiated.

Mr. Locke said the program is limited, and they can use it to acquire foreclosed properties vacant for ninety days. He said they have reviewed the data in terms of foreclosures, adding there is about 165 total. Ms. Susel said that all of the amounts are estimated, as there are discretionary powers to target certain areas. Mr. Locke said the State is concerned about impact, adding they are being told they need to look at a target area. He said he thought they could scatter it initially, but not it appears the State is requiring a targeted area. He said they need to concentrate their funding.

Mr. Locke said if they are able to get \$300,000, he would anticipate they could acquire three to six properties, depending on the cost. He said the issue of foreclosed properties is an animal in and of itself. He said everyone is having trouble dealing with foreclosures, adding there are some code enforcement issues in some cases. Mr. Locke said that Mr. Loomis gave him a list of the ones he knew, adding there are issues of maintenance and upkeep. He said that dealing with foreclosures and learning the problems will help them. Mr. Locke said it is a complicated legal process.

Mr. Locke said once they acquire the property, they can either demolish it or rehab it. He said they will not be able to make that decision until they see what they acquire. Mr. Locke said some properties may warrant demolition. He said if they do demolish the structure, the property can be held in a land bank for ten years. Mr. Locke said previous programs requiring them finding a client for the property in a quicker time frame. He said this program gives them a longer window to put someone in the property.

Mr. Locke said he is unsure if they would use these monies to rehab the structure. He said they have a fair amount of money in their revolving loan fund that can be used for rehab purposes. He said they could use these monies to acquire and demolish the property, and use other monies for rehabbing.

Mr. Locke said the time frame is extremely short for the application process. He said there is a training the following week that Ms. Susel is attending. He said the grant application is due Feb. 27, and they would be returning to Council in early February for their approach. Mr. Locke said the grant awards are to be made by April 1, so it is a very short time frame. He said from that point, they have eighteen months to commit the money. He said if they want to build a new structure, it does not have to be done in that time frame, adding these dollars must be spent in that time frame.

Mr. Ruller noted that Mr. Locke had told him it was for residential properties only, adding it was worth mentioning. Mr. Locke said the information they received from Mr. Ruller covered the essence of the project, adding they have not received much more than what was included. He said they have all that the staff has at this time, and the program is evolving as they go. He said the State was given a short time frame to implement this money, and everyone was flying by the seat of their pants as there is no precedent.

Mr. Locke said this is a collaboration between the County, Kent, and Ravenna, adding it has not been done before. Mr. Locke said they have worked with the County on some issues, and have worked with Ravenna on some other issues, but this is the first time they are having a three-way collaboration. He said they need to figure out how to divide up and spend the money. Mr. Locke said the State is requiring a letter by Jan. 16 indicating that they are interested in participating in this program, and they need to designate a lead agency to be the grantee or the applicant for the funding. He said that since the money was to be distributed to the three entities, they are being called a region. Mr. Locke said it makes more sense for the County to be the lead agency, as they would probably get the biggest piece of the money. He said he did hope that Kent and Ravenna are heavily involved in the administration of that money, and

hoped it would be a three-way participation. He said he hoped they would have the ability to decide what properties we want to buy in Kent. He said that although the designation would be for the County, he would expect Kent and Ravenna to have the ability to determine the funds. He noted he would have a problem with it being any different.

Mr. Locke said a planning committee must be comprised with those who have interests in the housing field, and it would be a countywide committee that would not meet often. He said this would provide the citizen participation component, and would also bring in the experts to advise on how to use the money.

Mr. Locke said he wanted to let them know about the program, and be sure they were comfortable with it so Mr. Ruller could write a letter to the state showing the City's interest and agreeing that the County should be the lead agency.

Mr. Kuhar said that he has had some experience with government foreclosures, and understands the problems. He said the way the economy is now, there is a pretty good amount of nice foreclosures. He asked if there was a nice foreclosure, if the City would purchase it and if so, why they would purchase it.

Mr. Locke said he was assuming Mr. Kuhar meant one that did not need to be demolished. He said they have to look at "flipping" the property within ten years, with by rehabbing or selling it. He said the family who buys it has to be within 120% of the median income, unlike CDBG funds that call for the top limit being 80% of the median. He said there may be a question if they use other types of money to build and/or rehab it, if they will have to go back to the 80% limit, adding he did not think they could buy the type of properties Mr. Kuhar described, and be able to make it affordable.

Mr. Kuhar said the reason for his questions is that he did not want them to get into a situation where a private individual can get a deal through the sheriff's office. Mr. Locke said he could not say that would not happen. He said the criterion includes it being in a targeted area. He said it needs to be a foreclosed property. He said they will look at the price, and if the acquisition price was too high, they would not be able to do it.

Mr. Kuhar said that was not addressing his concern. He said if someone wanted that house, other than the bank, he would not want the City to overbid. Mr. Locke said it would depend, adding if someone bought it as an investment property, such as a rental, there could be some different thoughts. He said he hoped they would not be in a competitive situation, and was not sure how it could be avoided. Ms. Susel said the application does not make them identify the properties, adding they can find some and meet the requirements of the grant.

Ms. Wallach said she was wondering if there was a flavor for the money, and whether they wanted to get rid of blighted areas, purchasing homes for families at reasonable rates, and Mr. Locke said the emphasis is on the removal of the blighted condition. He said they are looking for impact from the neighborhood's perspective. He said neighborhood stabilization is concerned with doing something with the property, as a top priority, and home ownership is a second priority. He said they are emphasizing the stabilization of a neighborhood through the acquisition of the property.

Mr. Turner said this gives them the ability to create opportunities for families to get home ownership, even if that competes against other interests. He said it provides them the opportunity to create a synergy in that community by removing blight, possibly creating a desire for those who want to build properties with their own resources. He said they need to create a mix, adding they cannot just have low income properties, which may be less attractive to others. He said they need a mix of financial, economic, and educational diversities into other neighborhoods. Mr. Turner asked Mr. Locke if they have already addressed which neighborhood, or if that was too early, and Mr. Locke said he did not want to be presumptuous. He said they need to crunch the numbers, and have looked at the south end properties, that have some of the highest numbers of foreclosures. He said a number of the foreclosed properties are all under one ownership. Mr. Locke said he was unsure he wanted to limit it to that, as there could be other areas of town that meet the criteria. Mr. Locke said in terms of mixing the income types, they are confined by the requirements of this program. He said the mix can occur between 0% and 120% of the

median, but cannot go above that amount.

Mr. Turner said he was not talking about the ability to create other opportunities when people have the ability to purchase properties. Mr. Locke said there have been other properties, adding they have discussed new home construction in the south end. He said one issue is if they increase the value of the property until after it is sold, adding that could be tricky, given the market. He said the property values have not escalated as they have seen previously.

Mr. Locke said they needed authorization to send a letter to the state.

**MOTION TO AGREE TO ACCEPT NSP MONIES, DESIGNATING THE COUNTY AS THE LEAD AGENCY.**

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

Hearing no further business before this Committee, Chair Wilson adjourned this meeting at 8:32 p.m.

---

Linda M. Copley, Clerk of Council

**ACTION RECOMMENDED:**

- 1) TO AUTHORIZE A ONE-YEAR LEASE FOR CHRISTIAN EDWARDS SALON, WITH THE INCLUSION OF AN ESCAPE CLAUSE.
- 2) TO AUTHORIZE ACCEPTANCE OF THE OPWC INTEREST FREE LOAN OF \$100,000 AND AUTHORIZATION OF A RESOLUTION OF INTENT.
- 3) TO AUTHORIZE THE ACCEPTANCE OF THE NSP MONIES, DESIGNATING THE COUNTY AS THE LEAD AGENCY.