

COMMUNITY DEVELOPMENT
and
FINANCE COMMITTEES
held JOINT MEETING on
MONDAY, NOVEMBER 9TH, 2020
beginning at 6:20 P.M.

CD PRESENT: Chair Callahan, Co-Chair Mitchell, Jessie, Cerra, Oswald

FINANCE PRESENT: Chair Stewart, Baird, Tollett, Jessie, Davis

OTHERS PRESENT: Law Dir Deery, Safety Service Dir Feuerstein, Finance Dir Pileski, Asst Finance Dir Farrell, Engineer Schneider, Asst Dir Calvert, Asst Dir Brubaker, Fire Chief Mack

1. Approval of the October 26th, 2020 JOINT Community Development / Finance Meeting Minutes

Mr. Jessie moved to approve and that motion was seconded by Mrs. Mitchell to approve the above Joint Meeting Minutes.

MOTION CARRIED

2. The matter of a request for Elyria to join Lorain Energy Special Improvement District (ESID) for the purpose of authorizing Property Assessed Clean Energy (PACE) Financing.

REFERRED BY; Assistant Safety Service Director Calvert

(Lorain Port Authority will give a presentation on this matter at this Joint Meeting)

Dir Calvert started by asking Council to consider joining ESID and authorizing an assessment to be placed that would qualify the City of Elyria as a PACE approved and joining the Energy Special Improvement District and authorizing PACE Finance. This has become a very popular tool because it addresses the Capital need in an innovated way that is beneficial to the City and property owners and project developers.

PACE Financing was authorized in 2009 for commercial projects. And it's grown since then and has really taken off in last few years. It authorizes the property to join the Energy Special Improvement District and for qualifying projects that have renewal able energy or energy efficiency, it can have a special assessment on a property tax which off balances financing. It can finance for up to 100% of eligible costs. It can be used on new construction and redevelopment of properties.

It makes the City more attractive to do economic development because we can address this capital issue. A bank/lender underwrites and manages the loan process. There is no risk to the City, we aren't funding any portion of the project. We are just authorizing for the project to be entered into this ESID.

To join ESID, we have to join an existing or create your own and have to have a continuous boundary.

The Lorain Port Authority is the body that administers the Lorain ESID and Elyria Township joined which makes Elyria eligible to join.

There are many legislative steps to be able to join. From authorizing projects and special assessments.

Dir Calvert is suggesting a demonstration project which would be City Hall doing a \$500 LED Lighting Project. We would put a \$500 assessment on City Hall and get the LED lighting, we would pay that assessment and would then be part of the ESID.

Once we join we would have 2 seats available on that board; one person would be a representative from the City Administration and one would be a property owner. All projects will be approved by ESID as well as the City and we would have complete ownership of which projects would get approved with this financing.

Dir Calvert invited the Lorain Port Authority to give a presentation; Executive Director, Tom Brown and Director of Economic Development, Tiffany McClelland.

Ms. McClelland began the presentation. Printed copies of that presentation is attached to these meeting minutes. Ms. McClelland said that this conversation came about in a conversation about the different mechanisms that you can have in your city for better economic development opportunities when you have developers come to the table. It was recognized that the community could take advantage of this. As Ms. McClelland began she said that Dir Calvert already explained the basics of the program.

The program is a state program and about half of the states have a similar program. The State of Ohio has one of the best Legislative PACE Programs offered to the business communities.

PACE is a way to finance Energy Improvement Projects and can be used for renovation programs as well as new construction.

To be able to offer PACE in your community is either creating or joining an ESID. What they are offering this evening is so that Elyria won't have to go through the process of creating a whole other organization and setting it up with a board and managing it. Since Lorain already has it and it's been expanded into Elyria Township, it makes sense for Elyria to join onto this ESID.

Once those assessments are assessed to the property taxes, the property owner will pay those charges with their property taxes and then the payment mechanism for paying back through your property tax. Once the owner pays that assessment that payment goes through the County and to the City and then the City pays the Lender back. It's a unique financing mechanism to make it so that there is not a large debt.

Next, Ms. McClelland went over the PACE Flowchart. It begins with an Energy Audit being Conducted then the owner will request Special Assessments then the City must Create or join the ESID. Next, the Annual Special Assessment is Levied and Issuance of Funds for the Project. Then Collection of Assessment by the County and Payment of Assessment from the County to the City and finally Payment of Assessment from the City to the Trustee.

Ms. McClelland mentioned that the first project Lorain did was the Airel on Broadway. She explained that the City will need to do a sample project.

Since Lorain is an ESID community and then Elyria Township joined and now the next will be Elyria. When Elyria Township joined they did a \$500 project, which was an LED Lighting upgrade on their Township Building. They passed the Legislation and they're doing that small project and will pay back that \$500 assessment in one year and they are done and officially a member of ESID.

Ms. McClelland described the City Responsibilities and the process.

1. To pass legislation for every PACE project. If a business owner wants to levy \$100,000 assessment or a \$4 million dollar assessment, the legislation will have to be prepared and come before the committee and they will have to decide whether to approve it or not and whether or not it's a financial sound deal.
2. The City would have to certify the assessment at the County.
3. The City is a pass-through entity for the funds. The payment mechanism for this is property taxes.

When the property owner pays that tax bill and it goes to the County, those funds will transfer to the City, which means the City will have to transfer those funds, so it is a pass-through mechanism.

4. The City will appoint 2 members to the board, one would be an arm of the government and the other to be a resident or business owner.

Ms. McClelland reenforced that there is no liability to the City.

If the property owner doesn't pay their taxes, the lender will ask the pass-through entity, which is the City and the City will say we never rec'd it and the lender will then go after the property owner, they will not come after the City

There is absolutely no cost to the City for this. The cost is only associated with the lending agency and the property.

Mr. Tollett asked, since we're acting as intermediary, could this, say we had a large employer that utilized \$2 million dollars, say for a new roof and power source, does the City have to carry it on our books as a liability? which could effect our bond rating.

Mr. Pileski said that he didn't think we carry on our books as a liability, it's not a liability for us. It comes in the form of a special assessment and we're a pass-through and we send that money to the lender. Mr. Tollett asked if it would show as an accounts receivable? Ted, said no. It's like a custodial fund, so basically we're holding money for someone else and passing it through to another entity. It would not impact our bond rating or our balance sheet.

Mr. Tollett asked what bank would do the underwriting? Ms. McClelland said the underwriting is done by the lender.

Mrs. Mitchell agrees with Mr. Tollett that this is a fantastic program. She asked if there is a dollar amount that the business is allowed to ask for or is that between the business owner and the lender? Ms. McClelland said that is between the owner and the lender. The PACE guideline only look at projects of \$100,000 or more. And they will look at the assessed value of the property.

Mrs. Mitchell asked if we join, do we have a certain number of projects that we have to bring in? Can the City do one and then be done?

Ms. McClelland said, yes, a PACE City can do one project or numerous projects.

Mrs. Mitchell asked about the energy audits and who pays for them? Ms. McClelland said the company will pay for those audits themselves. Sometimes the lender will wrap that charge into the financing.

Dir Calvert added that anyone who owns property can petition for this; non-profits, government entities, private companies. We have had interest from churches, downtown businesses, commercial shopping, manufactures. There has been a lot of interest. Law Dir Deery asked if by the time a petition would make its way to Council, would the board and lender already be worked out that this is a viable applicant, etc.?

Ms. McClelland said, by that point the underwriting team has already assessed that it's viable to lend the amount of money that is being asked for.

Chair Stewart agrees that this is a great program. He heard about this a few months ago and he's in full support of it. He asked the time line from audit to completion?

Ms. McClelland said a project in Lorain who had new windows put in and the assessment and the project took about 3 months.

Mr. Oswald said this is an unbelievable tool for economic development. And it will raise property value and it will benefit the City.

Chair Stewart asked the Law Dir if the committee should vote on each of the 5 committee reports for the 5 pieces of legislation?

Dir Deery said it's her understanding is the 1st thing is Council needs to petition to join the existing ESID and to do the 'pilot' project, is that correct? Ms. McClelland said that is correct and the 1st piece is allowing the City of Elyria to petition the assessment and giving permission to the administration to put that \$500 for that pilot project on the property, that is the very 1st step.

Dir Deery asked Dir Calvert if she has everything she needs for this 'pilot' project? Yes.

Chair Callahan stated the committee reports were prepared and ready to read.

Dir Deery said that is incorrect and Dir Deery took a few moments to write a committee report, condensing the five reports into one report to be taken a vote on.

While the committee was waiting Mr. Baird said this almost seems too good to be true and quite honestly is a great tool in the toolbox for the City and businesses. He asked how did this start, thru the State of Ohio?

Ms. McClelland said Ohio was not the 1st State to institute PACE Financing, it's trickled thru the states and about 10 years ago Ohio created legislation to allow for this type of financing.

Mr. Baird said since Ohio is characterize as a 'rust-belt' state this is a great tool to help bring things back and he applauds those who brought this forward and he thanked everyone for their presentation.

Chair Callahan said the Committee Report has been condensed to one committee report and Chair Callahan read that committee report and asked for a motion.

Mr. Cerra made a motion from Community Development, second by Mrs. Davis to authorize the City of Elyria to petition to join the existing Lorain Energy Special Improvement District (ESID) and authorize PACE Financing for the purposes of pursuing an LED Lighting Project at City Hall as it's qualifying project.

MOTION CARRIED COMMITTEE REPORT WRITTEN

Mr. Baird made a motion from Community Development, second by Mr. Tollett to authorize the City of Elyria to petition to join the existing Lorain Energy Special Improvement District (ESID) and authorize PACE Financing for the purposes of pursuing an LED Lighting Project at City Hall as it's qualifying project.

MOTION CARRIED COMMITTEE REPORT WRITTEN

Mr. Cerra moved and Mrs. Mitchell seconded to adjourn the Community Development Committee's portion the this evening's meeting at 7:05

MOTION CARRIED

Respectfully submitted by,

Colleen Rosado, Council Clerk Secretary

Committee Meeting was attended by Secretary Rosado and Meeting Minutes were Transcribed by Secretary Rosado.