

Finance Committee Minutes

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September 21, 2020

Members present Mr. Daniels, Mr. Schaber, Mr. Meade

With a quorum present, Daniels called the meeting to order at 6:30PM.

Minutes:

Meade made a motion to recommend to council; Schaber 2nd; Roll Call: Ayes – Daniels, Schaber, Meade; Nays – none.

**Minutes approved (3-0)**

Item 1. ORDINANCE MAKING AN ADDITIONAL APPROPRIATION IN VARIOUS FUNDS FOR THE YEAR ENDING DECEMBER 31, 2020. (Chaffin)

Service Director Chaffin explained that we have received round 2 of CARES Act funding that totals \$416,754.00. A third round may happen, and we are in line for \$1.2 million. These funds need encumbered in a very short time frame. This allows reimbursements to be paid on round 1 CARES Act expenses. At this point, the terms for the dollars are the same for round 1 and 2.

The Mayor said that they are looking to make partnerships and collaborate with round 2 dollars. They are working with schools and reaching out to other political subdivisions. One project would open up hot spots throughout the west side of town for use by city services, but also students who are completing school online.

Meade made a motion to recommend to council; Schaber 2nd; Roll Call: Ayes – Daniels, Schaber, Meade; Nays – none.

**Legislation sent to council (3-0)**

Item 2. ORDINANCE MAKING AN ADDITIONAL APPROPRIATION IN THE BELOW LISTED ACCOUNTS ENDING DECEMBER 31, 2020, TO COVER CURRENT COST AND FUTURE PAYMENTS (Landon)

Meade made a motion to recommend to council; Schaber 2nd; Roll Call: Ayes – Daniels, Schaber, Meade; Nays – none.

**Legislation sent to council (3-0)**

Item 3. RESOLUTION ACCEPTING THE AMOUNTS AND RATES AS DETERMINED BY THE BUDGET COMMISSION AND AUTHORIZING THE NECESSARY TAX LEVIES AND CERTIFYING THEM TO THE COUNTY AUDITOR. (Landon)

Meade made a motion to recommend to council; Schaber 2nd; Roll Call: Ayes – Daniels, Schaber, Meade; Nays – none.

**Legislation sent to council (3-0)**

Item 4. DISCUSSION OF CDBG LOAN FORGIVENESS

Mayor Schertzer explained that about 4 weeks ago Starfish LLC (that runs Harding Centre) came to City due to some structural issues. They requested permission to partially close street west of hotel. There was a situation of some “bubbling” underneath the brick façade. Later, there was further deterioration that made it necessary to close the entire street. In 2012, Starfish LLC took over management and ownership of the building.

Lois Fisher came to the city to ask if they would forgive Mortgage #1 and Mortgage #2 held by the city.

Lois Fisher (Starfish LLC) stated that the deterioration is considered wear and tear that the insurance company will not cover the damage to the facade. Current estimates for repair are \$1.5 million (or 2x what she paid for the building in the first place). She will have to get a commercial loan and lenders do not want to be behind a 1<sup>st</sup> and 2<sup>nd</sup> mortgage holder. She needs to move forward to get the building repaired and get the street opened back up. She is requesting that the city release both mortgages that the city currently holds. She has paid diligently on original mortgages and paid them down to \$403,000. She believes that Harding Centre is a pillar in the downtown. She has market-rate housing, the Chamber of Commerce, and a restaurant leasing space in the building.

Mrs. Fosnaugh asked about MidState estimate. It talked about poor roofing that caused the roof to leak, which caused the damage that created the bubble. Fisher stated that no one has been able to pinpoint the cause. They did not have any roof issues. They did have some tuck pointing done on the façade and on the roof due to wind. The building is 96 years old and they consider it usual wear and tear. Fisher said that they have full time 24/7 maintenance. Daniels says that a wind event can weaken a structure with no visible damage. This then begins to sag and collapse over time. Forensic Engineer has looked at building and determined that it is stable. Daniels asked about using a product called Heli-Tie by Sampson. It not unique for a façade to come loose. These are spiral anchors and would not require any brick removal. One (Gene Smithburger) of four engineers suggested those. The other three said that it would not work, because it was pulling away from the building.

Fisher explained that each one of her buildings has its own LLC for accounting purposes. She has about 10 total. She told Mr. Meade that she is willing to share profit and loss on other projects if needed.

Fosnaugh asked if there was a way to borrow against one of her other properties to allow her to pay off city. Fisher explained that all of her buildings have mortgages on them. Each building needs to stand on its own financially.

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Daniels asked when Fisher was aware of the problem. Fisher said 2-3 months ago. Daniels explained that a tornado sat down at Union Tank Car on 06/10 and it resulted in much damage on west end and downtown. Fisher said they noticed problem prior to that.

Daniels said that there are several council members who have indicated that they might support measure out of fear that Fisher will walk away from the building. He is not sure why they were under that impression. Fisher said that she does not have a choice. She stated that she publicly stated that and that she does not have the funds to make the repairs. She cannot fix the building.

Daniels asked if Fisher could see how that sounds like a threat. She does not stand personally liable for the building at all. She did not sign for it personally. Starfish LLC is the owner. It is his opinion that they should have required her to be personally liable on the loan that was assumed (from HAND). That is not what happened. This conversation would be significantly different if it had.

Fisher states that she has addressed many issues with that building to make it a market rate facility and for the downtown. It is more than just the finances. The heart of our community is downtown Marion. It is important how we look. These things add a lot of value.

Daniels said that the taxpayers cannot ensure the success of every building downtown. Fisher stated that the city does not carry the mortgage on every building downtown. Daniels is concerned about 2019 financials, including \$141,000 operating, maintenance and repair; \$98,000 on employee expenses. The records show a \$465,000 income. That is a very small margin. How would she be able to pay back on a \$1.5 million loan or even get a loan?

Fisher states that she will need to increase rents. She also explained that she had spent a lot of money on repairs, because things had been neglected so long. Through attrition, there are just a few original residents. When they leave, she totally redoes the apartment. Previously, they allowed smoking which created damage. There are three elevators in building that are expensive to run and maintain. She said the utility costs are enormous.

Daniels said utility costs run about 28% in his experience and hers are very close to that. He confirmed that they charge \$735 for a one bedroom (not \$795 as per website). They have upgraded entire internet system in the building because of need.

Daniels suggested that Fisher look at a different bid on project, specifically considering the hooks described earlier. He thinks \$1.5 is really high. They spent much less renovating the entire courthouse.

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Fisher explained that her bid is from a qualified entity that specializes in building restorations. The Hotel is on the national list of historic places. She is attempting to do due diligence with contractors and engineers. The side of the building and the street needs to be opened. This could have been a horrible, devastating event if the street and sidewalk had not been closed off. They have a major problem.

Daniels stated that to forgive loan, it sets a precedence of the city giving her the money. It tells every other developer that the city will loan money but not go very hard to get it paid. He could support subjugating the city mortgage behind a new loan. In return, he would ask that Fisher signs personally on the note. That way the city is guaranteed that it will be paid.

Fisher says that they do not have an appraisal on the building. She cannot guarantee that she can pay City. The city is still on the line for it. She confirmed that her rental rates are already higher than what Daniels charges (\$585, \$600 includes all utility and cable), so she does not know how competitive she would be. The money to repay the mortgage would still come from the same place – the profits from the building. Daniels said that if she signs personally, they would truly be partners and they would not be in the situation where there is a threat of her walking away from the building. He would be willing to extend out terms. Fisher stated that she would need to do some additional calculations and she welcomes sitting down with council to talk about details. Daniels offered to meet to candidly discuss details.

Swanger confirmed that the structure is solid. They are only talking about the façade. \$1.5 million seems excessive for the façade. Is there a cheaper way to do a façade? Fisher said that she could go out to get more bids. She had to sign a contract for the initial tear down to prevent other damages and to start clean up. MidState, a locally owned company, is doing that. Swanger stated that she needs more than one bid. Fisher said that it was difficult to get someone to come look at it because contractors are so busy. This is not an ordinary building.

Cummings (Regional Planning) shared some historical information. 1) when City requested bids to purchase Harding Center in 2013 – requirement was that buyer needed to put in at least \$250,000 in repairs. It was in somewhat of state of disrepair and 2) City Council has more authority over UDAG funds, but that ED funds (\$304,000) require approval from the state. At this point, the state has not agreed to forgiving the loan yet and is still looking into it. Money may not be as flexible as previously thought. Original source of money is grant funds, not Marion City General Fund. Three of the later loans at the Harding Centre had been converted to grants (i.e. forgiven). They are communicating regularly with the state and will keep everyone apprised of information they receive.

Schaber suggested that maybe they should pause discussion to wait on guidance from the State. Lengieza (Regional Planning) explained that state workers are still working from home due to COVID-19 and there has been a lot of staff changes since the original

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grant issued. At the very least, this would need to be coordinated to assist with qualifying for a construction loan. He reaffirmed that these two loans are from Federal money and is not from local taxes. The one loan may be tied with the building.

Neff asked for examples of CDBG loans that have forgiven by other communities. Lengieza offered to find out.

Schaber said this must not happen very often. Regarding MidState quote, the cover letter references additional repairs for a failing roof. Fisher confirmed that there was roof damage at the top of the building. The repairs include crack down the side, façade, the entire roof, and parapet wall at top of the building. In '96, an engineers report shows that the side of the building was in good condition.

Lengieza said that the state had forgiven a loan in 1993. The state was going to require the city to pay back improperly documented loans. They forgave a loan to Machi Borre (tire shredding business), a tire shredding enterprise. City did not get any money back and even had to pay to clean up site. Loan was forgiven by the state. Daniels said business went defunct and owner left town. It became uncollectable.

Fisher reiterated that the building was an eye sore and many community members helped to restore it as an important part of Downtown. She does not want it to go into the state of disrepair that it was. This should be considered. Time is of essence.

Cummings suggested that an appraisal be performed. This is going to get down to whether she can get other financing. If the value is too low, they may not be able to secure enough financing. Fisher stated that an appraisal could take 45+ days. The bank will not be able to use that appraisal because they have to use their own.

In response to Schaber, Daniels stated that street will probably remain closed for a long time anyway. Street is closed due to safety factor at this time. Once secured, it could open back up. Construction would not start until weather breaks next spring. At that point, they may take one lane down.

Daniels said they secure the building by temporarily fastening the façade to building and weather break it on top so water is not going behind the façade. Fisher said that some experts said that would not work. She will defer to her experts and will be glad to share any written reports that she gets.

Daniels reaffirmed that they will wait for Regional Planning's information from the state. He reiterated his desire to see a personal sign off on the loan.

This issue will be discussed at the next Finance Committee. Daniels said that they cannot do work until Spring because of weather.

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Item 5. Auditors Reports:

- August Budget Performance
- August Credit Card

No questions, comments, or concerns.

Items not on the agenda:

Mr. Feliciano asked about the façade and roof at Ohio Galvanizing. He says that it is falling off. Is there something that we can do to have them fix it.

Daniels explained that the EPA has been monitoring the facility for particulate emissions. Feliciano is not concerned about that. He is concerned that the siding is off and he feels that it is a hazard.

With no other business, Daniels adjourned the meeting at 7:53 PM.

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Chairman Daniels

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Clerk of Council