

REGULAR SESSION

THURSDAY

JANUARY 10, 2008

The Board of Huron County Commissioners met this date in Regular Session. Roll being called found the following members present: Mike Adelman, Gary W. Bauer, Ralph A. Fegley.

At 8:17 a.m. regular session began and the board traveled to Sandusky, Ohio to meet with the Erie County Commissioners to discuss a trip to the FAA in Detroit, Michigan in regards to the Regional Airport. Poggemeyer Design Group presented in regards to the Regional Airport.

Chesyl Nolan RACHA FEGLEY Gary Bauer Mike Adelman Gary A. Lichfalt Alex Mac Nicol LANCE WARNER LARRY SILCOX Tom Jackson Rick Poynerdin Bob Warner Luke Miller-More Jerry Rowland Kathy Mullen Greg Telesky Charlene Keir	Huron County HURON Co. WARM H.C. Commissioner Huron Co. Commissioner Erie County Pres. &c. ERPC SRT HURON COUNTY Sandusky Poynerdin Morning Journal IUPAT Erie Co. Commissioner Candidate Labourer Erie Co. resident Poggemeyer Design Grp
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At 9:00 a.m. A summary was presented of Erie County Proposal to Huron County regarding NASA/Airport issue. Different options were presented such as: CDBG-ED and the County RLF, Economic Development Administration (EDA), Jobs Ready Sites (JRS), Tax Increment Financing (TIF), detailed discussion was had in this regard. Joint Economic Development District (JEED) and Joint Economic Development Zones (JEDZ), A Comprehensive Economic Development Agreement (CEDA). In conclusion of all of the options, it appears that the TIF is the only one with much potential. If the counties would like to pursue the TIF further, the process will take months to determine a specific estimated revenue stream, and would depend totally on development occurring within a defined area and per a defined schedule. Even if the TIF scenario appears to generate the required funds, it would be based on the proposed development actually occurring. Thus, the counties would always be at risk if the development did not occur as planned. If the counties determine that the risk associated with the TIF is unacceptable, a waiver should be request from the FAA regarding the repayment of the former grant funds to the Huron County Airport. Assistance from State and Federal reps and senator should be requested.

Summary of Erie County Proposal to Huron County regarding NASA/Airport Issue

Erie County has been approached by NASA to consider the construction of a new runway on NASA's property, west of US 250, to accommodate a \$63 billion project to test the Orion Space Vehicle. Shipment of materials to Lockheed Martin (which will construct a facility on the NASA site) and NASA will require an airport capable of landing jumbo jets. This project will have significant economic development impacts relating directly to support facilities for the project, as well as additional retail businesses and support services, and potential development associated with a regional airport. The proposed expansion of Denton Industries is directly related to this NASA project, as Denton will research, develop, and manufacture state-of-the-art crash dummies for NASA.

The proximity of the Huron County airport (within 30 miles of the site) poses a problem for the Federal Aviation Administration (FAA), and the FAA has requested that the two counties negotiate a solution addressing its concerns. The most logical solution is that the Huron County airport be closed to eliminate FAA issues of concern. However, Erie County Commissioners understand that Huron County will assume a debt of either \$500,000 or \$1,000,000 (round numbers) that would normally be repaid to the FAA if the Huron County airport is closed. Huron County has requested that Erie County consider ways to help repay that debt.

If this project proceeds, Erie County should encourage Huron County not to accept the current \$500,000 earmark from Congressman Gilmore for the airport, unless said earmark could be transferred to the new airport project. That would reduce the likely repayment from \$1 million to \$500,000 (round numbers).

Options for funding assistance that were investigated to help solve this debt problem include:

- **CDBG-ED and County RLF funds** require job creation or retention at \$10,000 per job and a direct benefit to low- and moderate-income (LMI) households. This project would not result in direct job creation at the new airport (although we could likely stretch that a bit) nor job retention, nor can these funds be used to refinance debt. Additionally, these two funding sources are being considered for use in the Denton Industries project, to cover some of the cost of proposed infrastructure improvements. Therefore, these are **NOT options**.
- **Economic Development Administration (EDA)** funds must be used for public infrastructure, and repayment of debt is not an eligible activity. These funds are being considered for the US 250 sanitary sewer project. Although the sanitary sewer will open development opportunities along US 250, the EDA justification is solely with Denton and Lockheed Martin jobs and private investment numbers. Erie County must remain EDA eligible throughout the grant application process. We intend to max out the request for EDA funds to finance a portion of the sanitary sewer project, therefore, EDA is **NOT an option** for the new airport.
- **Jobs Ready Sites (JRS)** funds have been acquired by the Cleveland Port Authority for the NASA project in the amount of \$5 million, to match a \$5 million investment by the Cleveland Port Authority for new facilities at NASA. A second

Thus, **TIF may be an option**, however, there are **substantial risks involved** and both counties would have to agree to share that risk, with debt repayment possibly not being finalized for 20-30 years.

- **Joint Economic Development Districts (JEED) and Joint Economic Development Zones (JEDZ)** were considered. Both of these would require formation of another level of government, and possibly a vote of the public in order to implement an income tax, which is the primary benefit of a JEED or JEDZ; the property would have to be contiguous to a city or village which has an income tax, which it is not. This would be a very cumbersome process to acquire the needed funds.
- **A Comprehensive Economic Development Agreement (CEDA)** is being considered between the two counties. Generally with CEDAs, each party is pledging certain services in return for specific revenue streams. This is not the case in this instance, but the format may still be applicable.
- If when the new airport is constructed, and if commercial activity is permitted, Erie County may be able to generate some funds from **landing fees, tie-down/parking fees, hangar fees (if available)**. It is not possible, at this time, to estimate an amount that these activities could generate without additional information and research.

Conclusion: Of all of these options, it appears that the **TIF** is the only one with much potential. If the counties would like to pursue the TIF further, the process will take months to determine a specific estimated revenue stream, and would depend totally on development occurring within a defined area and per a defined schedule. Even if the TIF scenario appears to generate the required funds, it would be based on the proposed development actually occurring. Thus, the counties would always be at risk if the development did not occur as planned.

If the counties determine that the risk associated with the TIF is unacceptable, a waiver should be requested from the FAA regarding the repayment of the former grant funds to the Huron County Airport. Assistance from State and Federal representatives and senators should be requested.

JRS grant may be requested for development of a hi-tech park near the NASA facility to capitalize on the proposed NASA project. Funds must be used to prepare a site for development, and we believe that they cannot be used to repay debt. These funds are being sought for associated portions of the project, therefore they are **NOT an option**.

- **Tax Increment Financing (TIF)** has been considered as well. TIF involves designating a specific area or project and legally earmarking future NEW real property taxes from that area (e.g. a high-tech park around NASA) or development project (e.g. Denton Industries expansion project) to a special fund to repay debt associated with a specifically identified public improvement project (e.g. the sanitary sewer along US 250 to service the high-tech park or Denton Industries). These taxes generally go primarily to the local school district, with the balance being split among local governments. Legal issues regarding the use of the TIF funds in this scenario for debt repayment, as opposed to public infrastructure directly associated with the private development being TIF'd, still need to be resolved. Initial bond counsel reaction is that it **MAY be possible**.

If Erie County borrowed \$1 million to pay Huron County, and it were financed at 7.5%, it would require **\$10 million of new real property value** increases to generate enough revenue from the TIF to repay the debt over **20 years**, assuming that annual payments would be made to the school district on an "after-formula reduction" scenario. (If the school district is a guaranteed district and demands a true "hold harmless" scenario, it would take much longer to pay off the debt, unless much more private investment were made.)

Other issues of concern regarding a TIF are:

- What proposed private development is going to be TIF'd? (Potential areas: All new development along US 250 between Kalahari and SR 2, which would require some discussion with property owners, private companies in the new tech park, businesses locating in the proposed NASA Hi-Tech Park, others.) The projects **MUST** be subject to real property taxation for the TIF to work.
- Can Erie County guarantee that this private development will occur in a projected time schedule, in order to generate the amount of funds to be committed to Huron County (or a bank) when they are needed?
- Would Huron County accept annual payments in lieu of a lump sum payment? This could eliminate the need for Erie County to borrow the funds, and both counties could share revenues if/when they became available. Thus, there would be no bank debt, but Huron County would have no definite plan regarding when its payments would be made.
- Would the School District be amenable to such a solution, and if so, how much would they require in payment?
- What happens if the development doesn't occur? How would Erie County generate funds to repay Huron County?
- If future real property taxes are TIF'd, the County will not be able to offer tax abatement to companies as an incentive to locate within the TIF district. This may be a distinct **disincentive for economic development**.

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At 10:10 a.m. The Board recessed.

At 10:50 a.m. Regular session resumed.

Ralph Fegley stated that there is a need for the board to put together questions for FAA and the points that were made from that. Mr. Fegley stated that they could start with the certification issue. The board agreed that is the number 1 issue. Mr. Fegley also stated that he would also like to discuss the new rules that FFA has and if would be pertinent to the Huron County airport. Also ask if they can give us a number on the value of the Huron County airport to them. Mr. Bauer agreed that he wanted to hear that as well. Mr. Adelman stated that one of the points brought up this morning was to put the pressure on FAA to grant a waiver in regards to the NPIAS certification, and they also asked for a waiver of the pay back of these grant monies. Mr. Adelman stated that he is not really in favor of the latter, and stated that there is a lot more involved then just having money waived on repayment still to give up that facility. Mr. Adelman does not feel that would solve the issue. Ms. Kasper stated that might be in conjunction with allowing the Huron County airport to continue operating and simply that it is not NPIAS certified, and then also some discussion about what to do about loss of revenue stream. Mr. Bauer stated that he would like to know where they got the numbers of \$130,000 to \$150,000 that they put in that every year. Further discussion was had in this regard. Mr. Fegley stated that he is interested in knowing about primary non-primary etc. Mr. Fegley will put a list together and reviewing this at the Monday meeting. Ms. Kasper stated that in regards to the question of if the meeting in Detroit was to be a regular meeting of the board, she stated that it sounds like there will be enough discussion that you would want it to be considered a meeting to give notice that it is a special meeting and will travel to Detroit with the Erie County Commissioners. Minutes will need to be taken as well. Ms. Nolan stated that she will confirm the time of the meeting in Detroit with Erie County clerk.

IN THE MATTER OF OPEN SESSION

The Huron County Commissioners hereby attest that all actions and deliberations of the Board legally required to be public were conducted in an open session on this date and that the foregoing minutes represent the official action of the Board.

IN THE MATTER OF CERTIFICATION

The Clerk to the Board does hereby attest that the foregoing is a true and correct record of all actions taken by the Board of Huron County Commissioners on January 10, 2008.

IN THE MATTER OF ADJOURNING

The meeting was called to order at 9:00 a.m. With no further business to come before the Board, the meeting was adjourned at 11:09 a.m.

Signatures on File.