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Economic Development & Planning Committee Meeting

Documenter name: Michaylah Burch

Agency: [Cuyahoga County Council](#)

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Summary

- A project being built on the corner of [Cedar Avenue and East 105th Street](#) will have 199 apartments and a [Meijer](#) grocery store.
- This project is behind schedule because of inflation and other construction delays.
- The [Meijer](#) store is on track to open this October.
- The resolution that the committee moved forward removes the requirement that the county share second position on the mortgage. It means another lender has the right to be paid back before the county, an official said.

Follow-Up Questions

- Will the new apartments at [Cedar and East 105th](#) be income-based? Or are they primarily for employees of Cleveland Clinic, University Hospitals and the other medical organizations in the area?
- Will these apartments be affordable to college students, as the project is close to Case Western Reserve University?

Notes

Council members in attendance:

- Jack Schron, District 6, Chair
- Scott Tuma, District 4
- Sunny M. Simon, District 11
- Cheryl L. Stephens, District 10

Others in attendance:

- [Adam Fishman](#), Fairmount Properties
- Terri Hamilton Brown, Interim Director of Economic Development for Cleveland
- Paul Herdeg, Cuyahoga County Director of Development

- Jerad Zibritosky, Cuyahoga County Assistant Law Director
- Two representatives from the legal department (unfortunately I could not find their names)

The scene

The meeting started at 3:03 p.m. with roll call. The committee's vice chair, Council Member Patrick Kelly (District 10), was absent.

The floor was open for public comment. [Loh, a community advocate](#), noted the importance of all Cuyahoga County Council committees helping diverse communities and not just one group of people. Loh was the only public commenter.

There was only one matter to handle today, which was the proposed substitute resolution that was suggested by the administration earlier that morning. The resolution number was R2023-0151. *[Editor's note: you can read the full resolution on page 5 of [this meeting document](#).]*

This resolution is a substitute to the original resolution ([R2022-0445](#)) which was voted on and approved on Dec. 8, 2022. The original resolution authorized an economic development loan in the amount of \$1.7 million to Fairmount Properties ([FMCFP LLC](#)) to assist with project funding for a mixed-use development project in Cleveland's Fairfax neighborhood. The new resolution will amend the terms of the loan resulting in the county no longer being the secondary lender.

Council Member Sunny Simon said she would be voting "no" because she felt the last minute way this substitute resolution came before council was not appropriate.

However, the chair, Council Member Jack Schron, moved for the substitution resolution to be discussed and voted on. The motion was seconded by Council Member Cheryl Stephens.

Council began discussion.

Paul Herdeg, Cuyahoga County Director of Development, presented a substitute resolution, R2023-0151. This is to help fund a project being built on the corner of [Cedar Avenue and East 105th Street](#) in Cleveland's Fairfax neighborhood. While the project has not changed since council voted on it in December, this substitute resolution will change the terms of the loan agreements. The project is progressing, according to officials.

[Editor's note: Some funds for the project came from the [Cleveland International Fund](#) (CIF), which is part of the U.S. Citizenship and Immigration Services Department's [EB-5 Immigrant Investor Program](#). Under the program, foreign nationals and their immediate families are eligible to apply for permanent legal residency in the United States if they make a minimum \$800,000 investment in a commercial enterprise in the United States.]

[Cleveland International Fund](#) has requested an [intercreditor agreement](#) that would give them higher priority on repayment. The \$5 million in funds from CIF have already been completely put into the project, Herdeg said. CIF said it just wants to protect their position as an investor who committed money before the cost of the project increased due to inflation. The [Finance Fund](#) will also be giving an additional \$1.5 million to the project. That fund has also asked for equal priority in the security position as the county loan. The project has had additional costs since December. The specifics of the county loan are 20 years with a 2% interest rate. Interest-only payments are for the first three years and will not change their subordinate security position. However, the county is now not second priority, but third or fourth.

The payments to the CIF are considered [senior debt](#) because they are treating that as money that has to be paid back to the county, Herdeg explained. The analysis from a special [Cuyahoga County Community Improvement Corp](#) (CCCIC) meeting held earlier that morning. The CCCIC held that [meeting](#) because of the timing of this Cuyahoga County Council Economic Development & Planning Committee meeting and the full body's next meeting (July 18). The same presentation just given was also made at the earlier CCCIC meeting. Four CCCIC members voted "yes," none voted no, and three members abstained from voting. The four who voted "yes" were all county administrative employees. Two out of the three abstentions had personal investments in the project. The third abstention did not specify a reason for abstaining.

Council Member Cheryl Stephens asked for the capital stack and comparison. Unfortunately there was not one available. Stephens then proceeded to ask that if the project had not decreased in equity, why is the Cleveland International Fund prioritized over the county's loan? Herdeg said that there has been additional equity and additional debt added to the project.

Council Member Simon wanted to know why there had to be a special meeting that morning when the request could have been made back in February.

Herdeg said nothing was brought back in February because he was advised by the county law department that he did not have to go through the loan committee because

there were no legal requirements. Simon reminded Herdeg that every loan goes through that process.

Chair Schron asked the representative from the law department about the nature of the advice that was given to Herdeg. Jerad Zibritosky, an assistant law director for the county, said he wanted to consult with his boss regarding the confidentiality of the conversation before speaking of it in public.

The project needs the \$1.7 million loan from the county, the \$1.5 million loan (plus the \$200,000 grant) from the City of Cleveland, as well as the \$1.5 million from the [Finance Fund](#) in order for this project to continue. That is because the senior lender, Huntington Bank, will not feel comfortable to disperse funds until all three loans are closed, according to Herdeg.

Council Member Scott Tuma asked if Cleveland agreed to the subordinate position. Herdeg said that it did. Tuma then asked Herdeg if he believed that using the taxpayer money was really worth the risk. Herdeg said yes.

Terri Hamilton Brown, the interim director of Economic Development for Cleveland, emphasized the importance of the project for the City of Cleveland. She also confirmed Cleveland's position in terms of loan repayment. Brown said the biggest thing is that the project is addressing the Fairfax neighborhood's [food desert](#) designation. Bown said this was a very time-sensitive matter.

The vote on the resolution was three "yes" and one "no." Simon explained that her "no" vote was because of the last-minute way the substitute resolution was presented to the council. Simon said it really disturbed her.

The substitute resolution was approved to be moved forward.

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