



## MINUTES

### CITY OF NEW ALBANY COMMUNITY IMPROVEMENT CORPORATION

Friday, January 5, 2024

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#### **CALL TO ORDER:**

Community Improvement Corporation President Philip Smith called to order the Community Improvement Corporation (CIC) meeting of January 5, 2024, at 9:05 a.m. at the New Albany Village Hall, 99 West Main Street, New Albany, Ohio. Staff attending were Sara Zeigler, Morgan Joeright, Ethan Barnhardt, Jackie Russell, Alex Klosterman, and Allison Criger.

#### **ROLL CALL:**

The following CIC Members answered Roll Call:

Member Colleen Briscoe	P
Member Marlene Brisk	P
Vice-President Todd Brubaker	P
Member Jennifer Chrysler	P
Secretary Ron Davies	P
Treasurer Everett Gallagher	P
Member Matt Shull	P
President Philip Smith	P
Member Joe Stefanov	A

Guests: Neil Collins, Onsite Leader of Innovate New Albany

Smith reported that Stefanov requested to be excused as he was in another meeting. Briscoe moved and Gallagher seconded to excuse Stefanov. The CIC voted by consensus to excuse Stefanov from the meeting.

#### **ACTION ON MINUTES:**

Briscoe moved and Smith seconded to approve the meeting minutes from the December 6, 2023 meeting. The CIC voted by consensus to approve the December 6, 2023 meeting minutes.

#### **BREEZELINE UPDATE:**

Joeright asked to table the Breezeline discussion until the next CIC meeting so that the finance department could have more time to research disposal methods and requirements.

Smith asked Joeright for a general outline of the Breezeline issue and Joeright explained that the city owns outdated fiber equipment located downtown and in the police department. Chrysler added that this was the original equipment used to launch New Albany Net.

Gallagher asked whether the equipment was still functional and Joeright confirmed that some was, but that it was too outdated to possess any resale demand. Joeright requested more time for the finance department to determine the best way to dispose of the equipment.

Briscoe moved and Brisk seconded to table the discussion until the next meeting. The CIC voted by consensus to table the discussion.

**INNOVATE NEW ALBANY LOCATION UPDATE:**

Chrysler presented several new location options. The first was an offer to purchase a building in the village center, which the City Council had already ruled out in executive session on December 19, 2023. Chrysler explained that the building lacked the critical mass to carry Innovate New Albany (Innovate) forward into future growth and having the space divided between two floors meant the program could feel segmented. A high price and little available parking were also contributing factors that ultimately led to the rejection of this proposal.

The second offer was from The Daimler Group (Daimler). Chrysler explained that Red Roof Inn, the current tenant of Daimler's Water's Edge III building, had changed their business model following the pandemic and was no longer using the entire building. Daimler had suggested that the city purchase the building to use the first floor for Innovate and sublease the second floor to Red Roof Inn. Chrysler further clarified that TC Energy Corporation (TC Energy), formerly TransCanada Corporation, technically held the lease from Daimler and in turn sublet the space to Red Roof Inn. Smith clarified that any negotiations about Red Roof Inn's location would need to happen with TC Energy and Chrysler confirmed that this was the case. Briscoe asked how long Red Roof Inn's lease term with TC Energy was, and Chrysler responded that Red Roof Inn still had four years remaining. Chrysler explained that Red Roof Inn had not yet agreed to move to the second floor, and that without their commitment to move, the situation at Water's Edge III was uncertain. Chrysler estimated that lease negotiations with TC Energy and Red Roof Inn, combined with the buildout on the second floor and the move itself, could take as long as a year and a half. Chrysler shared that because of this timeline City Council had ruled out this option in executive session on December 19, 2023.

The third option was Daimler's Water's Edge I building, which was previously discussed in the December 6, 2023, CIC meeting. Chrysler shared that Daimler had offered to lease the entire first floor of the building for 10 years at \$10.95 per square foot, which was \$2.50 below market rate, and that Daimler will contribute to the buildout costs. Daimler had also agreed to include a clause in the lease agreement that would allow the city to break the lease at Water's Edge I without penalty and receive some credit for buildout costs if the City decided to purchase Water's Edge III.

Chrysler said that per the latest notice from The New Albany Company (NACO), Innovate would need to vacate the current space in the Signature Office Building by April 1, 2024. Chrysler noted that she had asked whether Innovate could stay any longer, since remodeling may not begin immediately on April 1, and that she expected to hear back from NACO before the next CIC meeting. Chrysler explained that regardless of an extension, the April 1 timeline gave the CIC enough time to review Daimler's proposal. She added that if Innovate did need to vacate the Signature Office Building by April 1, Daimler offered to temporarily lease the former Lower.com space on the third floor of Water's Edge Building I to Innovate to house its current tenants during the buildout of the first floor. Chrysler shared that Daimler had also added the existing café space in the building at no additional cost. Chrysler shared that she expected to receive these terms in a written lease proposal from Daimler by Friday, January 5, and that the CIC would need to establish a subcommittee to review the lease proposal.

Smith confirmed that after reviewing Innovate's tenant lease agreements, the language did not specify a location, just that one needed to be provided, so temporarily relocating tenants in the Lower.com space would be acceptable. Brisk asked whether any companies would need help covering the higher rent, or more immediately, the cost of moving. Collins responded that only one Innovate tenant had significant equipment, which he did not think would be difficult or costly to move.

Chrysler explained that at the moment, saving Innovate was the priority, but that the right location needed to include room for growth. Chrysler shared that she was aware of New Albany residents traveling to coworking locations in other cities like Dublin. Chrysler said that the new Innovate location should include coworking space and room for more tenants, but suggested that this would be too much for Collins and the city staff to manage, which meant that whichever option was chosen as the new Innovate location would need to be negotiated with a management service provider contract in mind. Chrysler also explained that a lease rate of \$10.95 plus CAM would necessitate increasing rent for Innovate tenants, and that the city would need to justify that increase by providing better amenities. Chrysler said that a management service provider could bring that added value through their experience developing and staffing similar incubator programs throughout the region.

Smith asked whether, at this price range, Chrysler thought the city would have to subsidize nonprofit tenants at Innovate. Chrysler said that the CIC may need to offer some relief to make the new rent figure feasible. Briscoe suggested that the CIC establish a grant program so that nonprofits could apply to City Council; with this arrangement, every tenant would pay the same rate but could apply for relief as necessary. Chrysler and Smith agreed that this was an idea to explore again once a location is chosen.

Brisk explained that she was concerned about a management service provider competing with traditional Innovate programming for common spaces and asked who, under a standard management service provider agreement, would have the final say in reserving common spaces. Chrysler said that this was up to negotiation, and Collins added that he was currently developing a list of spaces that he would need, and at what frequency, to be included in any future contract discussions.

Chrysler clarified that under the usual contract structure, a management service provider was an operator rather than a tenant. Most contracts required fifteen to twenty-thousand square feet and for the building owner to pay for the buildout of the space. Chrysler explained that management service providers make their money by charging either a flat fee or a negotiable percentage off the top of revenue made at the facility. The staffing expectations from the city and the division of operating costs would be determined in the management service provider agreement negotiations.

Chrysler explained that the CIC was not required to issue an RFP because this would be a professional services contract. Chrysler said that the city was investigating at least 3 different options, like COhatch and Brick House Blue, both of which had successful locations operating throughout the region. Collins said that of the options he had seen thus far, Brick House Blue seemed like the most flexible management service provider.

Brisk explained that a revenue stake could incentivize a service management provider to fill the space with companies that could afford to pay higher rents rather than companies that aligned with the Innovate brand. Brisk suggested that negotiating a flat monthly rate for the management service provider would reduce risk by removing the management service provider from setting rent. Smith commented that a flat monthly rate would remove any incentive for a management service provider to grow. Brisk agreed but clarified that she was concerned about the city not being able to set lower rent rates for specific companies. Chrysler said that to her knowledge, the city would make the final decisions about rent rates but that this depended on the flexibility of the selected provider and that at this time the city was merely looking for the right providers to have that negotiation with.

Brisk asked whether specific space might be set aside for direct Innovate tenants while the remainder was left to the management of the selected service provider. Brisk explained that she was concerned that the Innovate brand might be diluted in a model that combined the two programs. Chrysler responded that separating the two within the same space could also dilute the brand. Chrysler said that a management service provider should be delighted to join a program with existing tenants, and that the ideal

management service provider would strive to integrate with the already established Innovate brand. Brisk asked Collins whether a management service provider leasing space to companies outside Innovate's industries of interest could dilute the brand, and Collins responded that he would be comfortable with more variety if the goals were clearly listed in the contract.

Zeigler said that the Innovate tenants would move there, and that Collins would continue marketing efforts as usual while the selected management service provider would also market the facility, and that the city should expect tenants to come through both marketing funnels. Chrysler added that the management service provider would primarily bring structure to the operation, and that Collins could still direct marketing efforts depending on the negotiated agreement. Smith agreed and said that the city should prioritize selecting a management service provider that sees the arrangement as a true partnership.

Smith asked Chrysler if the city of Dublin was offering any kind of subsidy in their partnership with Brick House Blue. Chrysler clarified that Brick House Blue has always been an operator, not a tenant, meaning they occupy the space at no cost but have a profit share agreement with the city. Chrysler added that the overall purpose of the partnership from a developer's perspective was to revitalize the surrounding office space, and that this appeared to have been successful in Dublin.

Brisk commented that the office workforce had changed dramatically after the COVID-19 pandemic, and that people valued coworking spaces now more than ever. Brisk said that if anything, she was concerned about there being too much demand for a model like this in New Albany, to the extent that a management service provider could expand rapidly on the coworking side of the business, inadvertently leaving the Innovate brand behind. Chrysler said that on the other hand, if the growth was actively managed, demand for coworking space could help fuel the transformation of Innovate into a regional innovation hub.

Davies asked if all three Water's Edge Buildings are owned by Daimler. Chrysler responded in the affirmative and added that NACO is a silent partner with a 30% stake. Davies asked if, regardless of which Water's Edge building Innovate might occupy, the city could ask for options to purchase that building later on in a lease to enable such growth. Chrysler said that, similar to the city of Dublin's revitalization ambitions, Bob Wright Jr., representing Daimler, saw the Innovate program as an opportunity to revitalize the Water's Edge campus.

Brisk asked whether Denison Edge would still be involved and whether the growth of (or partnership with) that program should be a factor. Collins responded that Denison would still be involved, but that the Denison Edge program was flexible and would be a willing addition to the overall Innovate brand.

Shull asked Chrysler how the city would fund a grant program for nonprofit tenants that Briscoe had suggested earlier. Chrysler responded that the city could either create a model that allowed revenue from Innovate to flow back into a nonprofit fund or use revenue from the city's bed tax. Chrysler explained that a profit-driven operator would better build out the business side of the Innovate program, generating more revenue which the city could reinvest into a nonprofit fund among other things.

Brisk asked Collins how many tenants he thought would be willing to stay with Innovate if rent increased. Collins estimated that 30 to 40% could struggle with increasing rent, but that of those, 50% were currently in poor standing, and therefore would not be a significant loss to the program. The result, said Collins, would be about 20% of Innovate's current tenants struggling to pay the higher rent. Chrysler explained that broken out by desk, the lease rates from Brick House Blue were almost the same as what Innovate was currently charging tenants. Chrysler said that as important as the new lease rates might be, the brand and the programming have always been more important than the physical space, and that branding needed to be a central consideration for Collins as Innovate moves toward a partnership with a management service provider. Collins agreed and shared that he had been drafting a list of

requirements that the Innovate program would need to maintain their brand in the new space, and that Brick House Blue seemed like the most flexible potential partner that would readily accommodate those requirements.

Brisk added that the brand was composed primarily by the companies that Innovate chose to host and said she was concerned that a management service partner with a revenue stake would try to fill the space with companies that could afford higher rents instead of companies with a sincere interest in building and growing businesses in New Albany. Chrysler responded that with Brick House Blue she thought the city could negotiate a set ratio of office space for Innovate tenants and Brick House Blue tenants.

Brisk asked Chrysler when Daimler would begin charging rent. Chrysler responded that payments would begin on the date of occupancy, and added that Daimler had agreed to do the buildout itself. Chrysler suggested that the CIC form a subcommittee to handle lease and master service agreement negotiations and recommended Brisk, Gallagher, and Smith.

Smith moved and Davies seconded to appoint Brisk, Gallagher, and Smith to the subcommittee. The CIC voted by consensus to approve the subcommittee and the aforementioned three members.

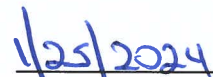
**OTHER BUSINESS**

Chrysler proposed that the fiber-to-the-home update be postponed until the next scheduled meeting. Smith agreed and opened the discussion to availability for future meetings. The CIC scheduled three meetings to be held on January 25 at 9:00 a.m., February 15 at 9:00 a.m., and March 28 at 9:00 a.m.

**ADJOURNMENT**

Smith moved and was seconded by Davies to adjourn the meeting. The CIC voted by consensus to adjourn the meeting was adjourned at 10:16 a.m.

  
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Secretary, CIC Board of Trustees

  
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Date

