

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
April 21, 2023
CLEVELAND, OHIO

Attendees at the Meeting (attendees attended both remotely as well as in person):

Directors: Jeff Epstein, David Gilbert, Majeed Makhlof, Trevor McAleer, Michael Obi (remote), Timothy Offtermatt (remote, left at 9 a.m.), Roshonda Smith, Mayor Bradley Sellers, and Eric Wobser. Matt Carrol was absent.

Staff: George A. Hillow, Executive Director, Julie Valyn, Financial Analyst.

Guests of the Board: Ron King, General Manager, Mike Campo, Assistant General Manager, Travis Poppell, Director of Sales, Steve Wells, Director of Finance, Mark Jeckavitch, Director of Operations, Harold David, Director of Events, Cheryl Giardini, Human Resources, Leroy Quigg, Security Manager, Jordan Gura, Marketing Coordinator, and Allison Hamer, Sales Coordinator, all of the of the Huntington Convention Center of Cleveland (the "Convention Center"); Larry Trabulsi of CHM Warnick (remote); Dan Gibel, Accountant (remote); Ellis Katz of Project Management Consultants LLC; Jeff Appelbaum and Courtney Flowers of Thompson Hine LLP; Ed Paparone and Terry Donovan, all of Turner Construction; Kaitlin Durbin of Cleveland.com; Bob Franz, Financial Advisor; Jerad Zibritsky, Legal Department, and Heather Holt, Legal Department all of Cuyahoga County.

Regular Meeting of the Board of Directors. At 8:39 a.m. on Friday, April 21, 2022, a Regular Meeting (the "April Regular Meeting") of the Board of Directors (the "Board") of the Cuyahoga County Convention Facilities Development Corporation (the "CCCFDC") commenced. Mayor Sellers presided as President of the Board.

Mayor Sellers called the meeting to order, and Ms. Valyn called the roll. Mayor Sellers declared a quorum of the Board present.

Review and Approval of Minutes.

Mayor Sellers presented the meeting minutes from the Regular Meeting of the Board of January 27, 2023, which were distributed to the Board prior to the April Regular Meeting. A motion was made to approve such minutes. The motion was seconded. The Board unanimously voted to approve the minutes.

Board Appointments and Renewals.

Mayor Sellers stated that nominations were made for Seat 2 (Eric Wobser), and renewals for Seat 4 (Tim Offtermatt) and Seat 8 (Michael Obi). Mr. Makhlof made a motion to approve the new appointment of Eric Wobser, which was seconded and unanimously approved. A motion was made to renew Seats 4 and 8, which was seconded and unanimously approved.

Executive Session.

Mayor Sellers asked for a motion to move to Executive Session to discuss compensation of an employee and to consider a potential or imminent litigation, which was made and seconded. A roll call vote was taken and unanimously approved. All non-Board members except Mr. Appelbaum, Ms. Flowers, and Mr. Hillow exited. Ms. Valyn returned during the Executive Session after her compensation was discussed by the Board.

Motion.

After the Executive Session ended, Mr. McAleer made a motion to make a \$3,000 increase to the salary of Ms. Valyn. He stated that her workload and job function had expanded and that a raise is appropriate. Ms. Smith seconded. Ms. Valyn called the roll and the motion was unanimously approved.

ASM Incentive Fee.

Mr. Hillow introduced Mr. King. Mr. King described the fees to be paid to ASM including the fixed fee and the quantitative and qualitative incentive fees. He walked through the calculations for each quantitative incentive fee for a total of \$111,390. He spoke about the qualitative incentive fee, where ASM achieved a 98% score for an incentive fee of \$92,120.

Mayor Sellers asked Mr. Appelbaum to speak to the underlying contract. Mr. Appelbaum explained the limits on these fees and how fees are structured under the agreement.

Mr. Gilbert stated that ASM does an excellent job. Mr. McAleer asked Mr. King about the gap in the occupancy rate. Mr. King said that 70% occupancy for exhibit hall space is generally the industry standard maximum due to certain factors such as flip time between events and usage of exhibit halls. He said there are certain limitations where the Convention Center space isn't built to accommodate certain types of local events, such as car shows, boat shows, etc., so the 70% occupancy rate is simply not attainable. Mr. McAleer followed up to ask how this relates to the new project. Mr. Appelbaum addressed this and spoke to how standards for convention centers have evolved with greater emphasis on meeting space in comparison to exhibit hall space, and how this relates to the revised incentives that CCCFDC is investigating now.

Ms. Smith asked if we are on track to reach 2023 benchmarks. Mr. King said no because the business plan is changing. Mr. Appelbaum clarified that the distinction between Global Center and Convention Center will go away moving forward because all the space will be considered the Convention Center after the construction. Mr. Makhlof spoke to the importance of moving towards where the industry is headed and refocused on the great work Mr. King and his team have done in challenging times. He stated that CCCFDC needed to do the project no matter what but also pointed to the importance of the timing as the industry is changing.

Mr. Makhlof made a motion to approve the ASM fees, which was seconded and unanimously approved.

Thompson Hine Contract.

The three-year agreement with Thompson Hine LLP has ended and Mr. Hillow recommends renewing for the same fee, which is \$7,000 per month including all recurring legal work within a certain scope. All other work outside the scope would be negotiated separately. Mr. Appelbaum stated that the rate has been retained for more than three years. Mayor Sellers asked for a motion to renew for one year because there may be a discussion regarding fees at such time. Mr. McAleer made the motion to renew for one year retroactive to January 1, 2023. It was seconded and unanimously approved. Mr. McAleer asked to approve prior to the end of the term for next year and Mayor Sellers agreed.

Executive Director Report.

Mr. Hillow spoke about the audit, which will be complete by August or September. He stated that CCCFDC is in the process of renegotiating the ASM Agreement, which he expects to be ready for review by the next Board meeting. He displayed a preliminary report for 2022. The revenue for 2021 was \$7,145,641 and there was a large increase to \$16,976,832 in 2022. The other metrics increased similarly between 2021 and 2022. He stated that he was showing this information to discuss the gross impact of the financials. He stated that funding is set up to consider future repairs and maintenance. Studies show what needs to be done and then CCCFDC plans for such expenses.

Convention Center Update.

Mr. King went over financials, which were provided to the board. For the first quarter there was a positive revenue variance and a negative budget variance, but the largest events are yet to come. So far, CCCFDC is carrying a positive variance for the end of the year of about \$26,000. He spoke about the event recap and press mentions, along with certain major events. Upcoming in the second quarter is Precision Machine and Technology show, which happens every other year, another Volleyball show and a number of other events. Mayor Sellers clarified that this was the March 2023 Economic Impact of 5,367 room nights, attendance of 36,652 and economic impact of \$5,026,625. Mr. Makhoulf reminded everyone of the mission of “heads in beds”. Ms. Smith asked if the impact was regional or local to downtown and Mr. King clarified it was regional. The group spoke about the Alpha Kappa Alpha Sorority and the Cleveland Tattoo Expo. Mr. King said Mr. Hillow helped direct groups to concessions during the Alpha Kappa Alpha Sorority event and Mr. Hillow said it was a great event.

Mr. King said that the social media hasn’t been strong for the Convention Center historically so to that end they have hired Allison Hamer and Jennifer Miller to help with this. They have created time-lapse videos. Jordan Gura used to be on the operations team but has a background in marketing and social relations and was promoted. Ms. Hamer came from Playhouse Square and Ms. Miller has been with ASM for approximately a year. A video made by the team was shown with footage from the volleyball event and some social media posts.

Mayor Sellers talked about the upcoming Final Four Women’s Basketball event and Mr. Gilbert spoke more about that event and stated that Cleveland is becoming an epicenter of women’s sports and he believes the economic impact will be at least \$40 million. Mayor Sellers said CCCFDC is chasing events for this purpose. Mr. Makhoulf stated he wanted to welcome the women professionals joining on the social media front.

Convention Center Expansion Project Update.

Mr. Katz introduced Mr. Paparone, the project manager for the Convention Center Expansion Project, who gave a construction update. Current work is focused upon establishment of safe construction zones. Mr. Donovan spoke next about the plan for the next few months. Mr. Donovan reviewed key activities including final permit drawings submitted to the City of Cleveland, continuing interior protection by making construction separate from the public, and building a temporary wall. There is large scaffolding being installed for various stages of the projects. Demolition is continuing on the second and third floors. Soon final permits will be obtained from the City, the west façade will be removed, more scaffolding will be installed, a portion of the ceiling of the atrium will be removed, and additional demolition and renovation will continue. Thirty-eight workers have so far performed work on the Project. There have been no injuries. Manpower will continue to increase as the Project continues. Subcontractor agreements are being finalized, and so far they have surpassed goals for engaging minority businesses, female businesses, and small businesses. The remaining contracts to be awarded include items such as concrete, millwork, roofing, etc. There will be additional workforce participation goal updates at the next Board meeting. Finally, Mr. Donovan showed some images of the work so far. He stated that things are going very well. The completion timeline is June 2024.

Mr. Makhoulf asked for clarification about permits achieved and to be obtained and asked what needs to be completed. Turner representatives and Mr. Ellis explained that none of the permits that need to be obtained will hold up the project. The landmarks commission previously gave a contingent permit and required a bird strike study and report as well as sign off from PETBOT (the Planning, Engineering, Traffic Engineering, and Bureau of Traffic Commission). The building will be using a product to make the windows look opaque to birds but clear to people to diminish bird strikes. Mr. Ellis spoke about PETBOT,

which looks at streets and sidewalks to review whether the sidewalks and other public spaces are being used appropriately. There will be some bollards installed outside the building to accommodate loading and unloading for large equipment. The permit is no longer contingent and has been approved. There was one budget update from Mr. Ellis saying that there were \$242,514 of change orders approved. Mr. Appelbaum clarified that this was already approved contingency dollars. Mr. Ellis explained there were three items approved, (i) because there would be more people coming in and out, the determination was made to create a larger enhanced security command center, (ii) collapsible operable walls for easy flow access to the out door event area on the second floor, and (iii) a guest experience approval item that changed square columns to round to reduce obscured views. Mayor Sellers asked for questions. Hearing none, he moved on to the Hilton Update.

Hilton Hotel Update.

Mr. Trabulsi said that the bottom line is that RevPAR was up nearly 17% compared to Q1 2022. Urban area growth is higher than suburban/resort growth. They are starting to see return of business travel. Cleveland was in line with the average of Midwest numbers. Levels were up but not yet in line with 2019. Airport traffic was about 95% of 2019 levels and group outlook remains a concern with a need for more anchor events. Several hotel renovations are underway. Rising interest rates have been an issue for hotels. He asked for questions. There were none so Mayor Seller thanked him and moved on to old business.

Old Business.

No old business.

New Business.

No new business.

Adjournment.

Mayor Sellers stated that the tour of the project would commence after the meeting, led by the construction team. There being no other items of business, a motion was made to adjourn the April Regular Meeting at 10:32 a.m. The motion was seconded and approved. At 10:32 a.m., the April Regular Meeting was adjourned.