

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
April 29, 2022
CLEVELAND, OHIO

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

Directors: Matt Carroll, David Gilbert, Majeed Makhlof, Trevor McAleer, Michael Obi, Timothy Offtermatt, Roshonda Smith and Mayor Bradley Sellers.

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

Guests of the Board: Ron King, General Manager, Mike Campo, Assistant General Manager, Travis Poppell, Dave Johnson, all of the of the Huntington Convention Center of Cleveland (the "Convention Center"); Larry Trabulsi of CHM Warnick; Tammy LeBlanc, General Manager of the Hilton Hotel, Ellis Katz of Project Management Consultants LLC; Jeff Appelbaum and Courtney Flowers of Thompson Hine LLP; Jarod Zibritosky from Cuyahoga County; David O'Neal from Conventional Wisdom; Steve Wells, ASM's Director of Finance; Cheryl Giardini, ASM's Human Resources; Paul McKeever and Rob Svedburg of TVS Architects, Emily Lauer of Destination Cleveland, Kaitlin Durbin of Cleveland.com, and Michael Chambers, Cuyahoga County's Fiscal Officer.

Regular Meeting of the Board of Directors. At 8:33 a.m. on Friday, April 29, 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.

Board Seat 9:

Mayor Sellers began by discussing the vacant seat on the board. Jeff Epstein was introduced as the nominee for the board. Mayor Sellers welcomed Mr. Epstein. Mr. McAleer spoke about Mr. Epstein as a City of Cleveland representative and there was a brief discussion about Mr. Epstein's qualifications for the Board. Mr. Obi made motion to elect Mr. Epstein to Seat Number 9 and Mr. Carrol seconded. Ms. Valyn called the role and Mr. Epstein was unanimously elected to the Board. Mayor Sellers presented the current Board and the date of each person's renewal for their seat.

Review and Approval of Minutes.

Mayor Sellers presented the meeting minutes from the Regular Meeting of the Board of January 21, 2021, which were distributed to the Board prior to the April Regular Meeting. Mr. Gilbert made a motion to approve such minutes. Mr. McAleer seconded. The Board unanimously voted to approve the minutes.

Project Update.

Mayor Sellers introduced Mr. Gilbert to speak about the design project update. Mr. Gilbert stated that the project has taken a lot of shape over the last 5 or 6 weeks. CCCFDC was asked to gather the facts and demonstrate that the project would add value for the community. He thanked the team that helped prepare and stated that the project makes "absolute and total sense" for the community. The team has put together a presentation to be presented to Cuyahoga County Council on May 10th to give County Council the opportunity to learn about the project and also present the case for the value that has been added by the Convention Center overall. They will also speak to the finances of the deal. Strategically, Mr. Gilbert stated,

before responding to certain media responses, the team wanted to gather their thoughts and data. An OpEd will be in the paper in the next few days to explain the details of the project and counter certain misinformation or misunderstandings. The team also provided an FAQ to assist with this campaign. Mr. Gilbert stated that investment in this project is the highest and best use of this building and would provide a significant ROI. Destination Cleveland hired CSL and did a study to look at all the assets around the Convention Center district to give ideas and suggestions as to how CCCFDC can collectively take these different assets and make them better for the customer operationally, physically, and even emotionally as to seeing this all as one package. The team intends to gather the relevant stakeholders over the next 60 days to see what they can get done before the ASAC Convention in 2024. Mr. Gilbert asked for questions.

Mr. King added his comments. Mr. Makhoulf stated that he believes the board is meeting its fiduciary duty by moving forward with this project and that he strongly believes it is the best course of action.

Mr. McAleer asked what the deadline is to meet the 2024 conference date. Mr. Katz stated that the timeline is now. The Board needs to pick a design-build firm and get a Guaranteed Maximum Price agreement by the end of this year and complete construction next year. The duration of the project is going to be approximately 18 months. Mr. Appelbaum stated that the project is in the early design phase.

Architect Presentation.

Mr. King introduced Mr. Svedberg and Mr. McKeever of TVSDesign. Mr. Svedberg acknowledged his team and provided his agenda for the presentation. First he spoke to schedule. He stated that they are 2/3 through the schematic design phase. Mr. Svedberg provided a detailed design schedule that broke down the phases of the project. Next he presented the ideas for the design, which primarily is to convert existing space to meeting space, which is becoming more important than exhibition space. He provided background on the convention industry in recent years and stated that the general industry consensus is that pre-pandemic attendance will be back in 2023 and the industry will be back in growth mode. Meeting space has a higher density of people so the infrastructure must proportionately change including items like escalators. There will also be technology and amenity additions. The overall goal is to create a “unified campus.”

Mr. Svedberg walked through the changes, comparing a schematic of the existing building vs. the proposal. He stated that the goal of the design is to add insertions to a complimentary design to the existing structure. He went through floor by floor and described the additions including the new escalators, ballroom, meeting room, outdoor terrace, and other changes. Some of the new spaces would be flexible “creative” spaces that can have multiple functions and be branded to provide a unique opportunity to the space. Mr. King added that the clients who saw the creative meeting space were very excited about it. On Level 4, where the Court is currently a tenant, the space will be reconfigured to be a flexible space for meetings, presentations, and receptions. The idea is to create a flow into the public space but with a feel that allows it to be flexible. The façade will be updated to fit in with the civic buildings in the area on one side and on the Prospect side of the street additional branding and signage would be available.

Mr. Makhoulf made two points. (1) The building has not been named yet. (2) CCCFDC has looked at various models for this project including shrinking it or doing it in phases. After extensive studies and looking at “every possible way” to do this, they determined that this project is the only feasible option. Mr. Appelbaum stated that in CCCFDC’s market, it is extremely important to have two ballrooms. Right now the second ballroom is 10,000 square feet divisible by 2. Competitors’ ballrooms are more than twice the size and potentially more divisible. Mr. King agreed with Mr. Appelbaum and spoke to his meeting with clients and their use of multiple ballrooms. Without this project, the Convention Center would not have this space. The new project would also allow for multiple events at the same time. He further stated that Convene Magazine talked about post-pandemic convention space in a recent article and this project would meet many of those ideas. Mr. Gilbert pointed out that what the Convention Center has to offer is “skating where the

puck is going” i.e. providing the larger, more flexible meeting space that conventions are after. Mr. Makhoulf spoke about the Medical Mart project as a “leap of faith” and compared it to this project which he stated is based on experience and data. He asked for any questions. Mr. McAleer spoke to a board meeting on the subject of the best use for the facility years ago. Mr. Appelbaum mentioned the highest and best use study from CSL which tested the market for the building for other uses and spoke to convention center uses.

Mr. Makhoulf thanked the architects and transitioned to Mr. King and the Convention Center Update.

Convention Center Update.

Mr. King summarized the 2022 first quarter for the Convention Center. He stated that there have been some cancellations but many other events have outperformed expectations. The All Star Weekend, for example, outperformed budget by \$200k+. He summarized some other events including (i) Women in Cyber Security, which was, in his assessment, a particularly great event that had Fortune 500 companies recruiting for women to work and (ii) the NARI Home Improvement Show, among others. Currently, the Convention Center is operating \$624k under budget. Some of this is attributable to the Courts, who continue to be “great clients.” Mr. King also stated that the booking window for events has grown from 2 years to 3-5 years out.

Describing recent Capital Improvements, Mr. King stated the cable system has been completed. The staff has been increased by adding 20 new team members. Some positions still need to be filled. He next described some upcoming 2022 events including Fan Expo, and FBI Academy.

Mr. Gilbert made a comment regarding the budget stating that the way the budget is being managed allows for the redesign project to go forward more efficiently. Mr. Makhoulf spoke to the ingenuity of the team during the pandemic.

Mr. McAleer asked about how many employees were full vs. part time (answer: around 50 fulltime) and what the lowest number of staff was during the pandemic (answer: 30). Mr. King and Ms. Giardini provided information in response to Mr. McAleer’s questions.

Mayor Sellers joined the meeting in person instead of remotely and transitioned to the next meeting topic.

Trade Show/Conventions Agreement.

Mr. King spoke about the management agreement with CCCFDC and the Convention Center and certain prohibited uses. The convention center has the opportunity to do a medical marijuana show. The group has done shows before at different convention centers. There would be marijuana paraphernalia on the floor during this show. Medical marijuana is legal in the state of Ohio. There have been modifications to the prohibited uses of CCCFDC before (related to allowing a tattoo show).

Mr. Appelbaum spoke about the language of the Prohibited Use. Drug paraphernalia, he stated, referred to illegal drugs. Mr. King stated that there would be no marijuana itself on the floor during the show. Mr. Appelbaum stated that the tattoo shows were prohibited prior to changes in the tattoo industry. He stated it might be time to update the prohibited uses list to be more modern. Mr. Carroll suggested that we should know what is permitted by city ordinance or other law. Mr. Appelbaum agreed and said the goal would be to look through the list, review ordinances, and compare to other similar venues. Mr. McAleer also pointed out that laws have changed related to gambling and there is room to make some updates.

Mr. Makhlouf made a motion to (1) approve the marijuana event provided it is allowed by city ordinance and (2) authorize legal counsel to look into this further and reevaluate the list of prohibited uses.

Ms. Valyn called the roll and the motions passed unanimously.

Mall Opportunities in Partnership with City.

Mayor Sellers spoke about the opportunities he observed when participating in the Saint Patrick's Day parade. He suggested that CCCFDC could partner with the City of Cleveland to coordinate events at the Convention Center that take advantage of preexisting city events. He requested Board feedback on these opportunities. Mr. Gilbert stated that Destination Cleveland, the Cleveland Foundation, and CCCFDC, were completing a study to determine the ease of coordinating events. The study should be done in the next 60 days or less. Mr. Epstein also spoke contributed his thoughts.

Hilton Hotel Update.

Mr. King introduced Tammy LaBlanc, the new general manager of the Hilton. Mr. Trabulsi spoke to national market trends, which were slow in January due to Omicron but began to improve in February and March. The recovery is favoring resort locations but starting to come back. He stated that estimates indicate pre-pandemic levels will return by 2023 in the Cleveland market and that Cleveland stays in line with national markets.

Change to Agenda:

Mr. Makhlouf made motion to change the agenda to review the ASM Incentive Fee Vote prior to the Executive Session. The motion passed.

ASM Incentive Fee Vote:

Mr. Hillow spoke about what the ASM Incentive fee is and broke down the proposed fees for last year. ASM did not hit any benchmarks. There is a quantitative and qualitative component of the incentive fees. The total incentive fee that was earned was approximately \$127,000. Mr Appelbaum stated that there is a limit on the fee that can be paid plus a limit on any fee that can come from certain profits. There is a base fee of \$225k per year and then this incentive fee, which is measured quantitatively and qualitatively. He pointed out that ASM is doing very good work but will not receive any quantitative incentive fee due to the pandemic and events outside of ASM's control. Mr. McAleer said he thought ASM was doing a great job and suggested he would move for approval. Mr. Offtermatt stated that he agreed that ASM had done a great job and thought that it might be worth considering a one-time bonus for ASM. Mr. McAleer stated that, as an example of ASM's good work, there were times that the entire Court had to be taken down for a wedding or other event and set back up quickly thereafter. He suggested that maybe the Executive Director could come with a recommendation to the next quarterly meeting regarding a potential bonus. Mr. Makhlouf agreed that this decision couldn't be made today but the Board could ask the Executive Director to review.

Mr. Appelbaum said it is important to consider that the payment to ASM is an audited payment and subject to a contract, so any additional payment would need to be carefully considered and reviewed. Mr. Carroll suggested the Board could look around to find if there is any outside basis to consider this. Mr. Makhlouf agreed and said that if there is a way for this to be structured for the local employees and management, it should be worth considering. Mr. Appelbaum stated it could be looked into. Mayor Sellers stated that Mr. Hillow and Mr. Appelbaum could review and come back with recommendations. Mr. O'Neal stated it might be appropriate to amend the contract in light of the challenges related to the pandemic being ongoing. Mayor Sellers stated the Mr. Hillow could consider this as well. Mr. Appelbaum clarified that the fee is an incentive fee and not a bonus and suggest the Board move to approve the incentive fee as presented.

Mr. Makhlouf moved to approve, which was seconded. Ms. Valyn called the roll and the incentive payment was approved.

Executive Session.

At 10:15 a.m., the Board voted to enter into Executive Session for purposes of discussing Conferences with an attorney for the public body concerning disputes involving the public body. A motion was made by Mr. Makhlouf to move into Executive Session, which was seconded. A roll call vote was taken and unanimously approved. All non-Board members except Mr. Appelbaum, Mr. Ellis, Ms. Flowers, Ms. Valyn, Mr. Hillow, Mr. King, and Mr. Campo exited. The Executive Session ended at 10:56 a.m.

New Business.

Mayor Sellers asked for any new business of the Board. Mr. McAleer and Mr. Makhlouf took a moment to thank the staff for facilitating the meeting. Hearing no new business, Mayor Sellers thanked everyone.

Adjournment.

There being no other items of business, a motion was made to adjourn the April Regular Meeting at 10:58 a.m. At 10:58 a.m., the April Regular Meeting was adjourned.