

COMMUNITY REDEVELOPMENT AGENCY BOARD

SPECIAL MEETING

May 16, 2019

MINUTES

Present:

Arlene Schwartz
Antonio V. Arserio
Joanne Simone
Tommy Ruzzano, Chair

Also Present:

Robert Massarelli, Assistant Executive Director
David Tolces, Goren, Cherof, Doody & Ezrol, P.A.

Not Present:

Anthony Caggiano, Vice Chair (excused)

The special meeting of the Margate Community Redevelopment Agency having been properly noticed was called to order at 5:20 p.m., on Thursday, May 16, 2019, by Chair Tommy Ruzzano. There was a moment of silence followed by the Pledge of Allegiance. Roll call was taken.

1A. **RESOLUTION 600:** Approving the New Business Incentive Grant program guidelines

After David Tolces, Board Attorney, read the resolution title, Ms. Simone made the following motion, seconded by Mr. Arserio:

MOTION: SO MOVE TO APPROVE

Chair Ruzzano provided a brief explanation of the item. Robert Massarelli, Assistant Executive Director, explained that the MCRA staff's recommendation was to maintain the existing grant programs except for the Development Infrastructure Assistance program (DIA).

Mr. Arserio referenced a discussion at a previous MCRA meeting about putting an end date of 60 days on the Existing Commercial and Industrial Property Improvement Program to encourage businesses to apply, and then possibly introducing a different program. He mentioned that there was one business that had inquired about the program some time ago but had not submitted their application. Ms. Schwartz said that some form of notification was needed to tell businesses that the program was closed to anyone that had not submitted their application. David Tolces, Board Attorney, advised that their motion that evening could indicate that in conjunction with approval of the new grant program, the Existing Commercial and Industrial Property Improvement program was being terminated effective on a specific date.

Ms. Schwartz asked if contact had been made with the prospective applicant. Mr. Massarelli said Paul Robinson had reached out to them but had not heard back from them.

Ms. Simone said it was her understanding that the program would continue but that it would not be made available in conjunction with a second grant. Ms. Schwartz agreed and added that an issue was that a grant had been given to a single standalone building as opposed to a shopping center. Mr. Massarelli said he had specifically asked the Board for clarification previously and the Board had directed that it would include a single building. He said the guidelines could be modified if the Board wished. He advised that the guidelines for all the incentive programs had language in them that indicated that they were available first come, first served and dependent on funding availability.

Several Board members indicated a desire to end the program in 60 days. Mr. Massarelli explained that it was challenging when talking with business owners about investing in the City because there was work they needed to do before making a decision. He said the prospective applicant had hired an engineer and they were working on it. He said there was a process and developers did not make instantaneous decisions, and there were many of things that could cause delays including funding. However, the program could be ended in 60 days if the Board wished he said.

Mr. Arserio suggested the need for setting goals to determine program success. Mr. Massarelli suggested giving staff an opportunity to aggressively promote the grant programs and then determine the effectiveness of the programs at the end of the fiscal year. He also suggested holding a workshop with the shopping centers to ask them what type of incentives they needed to attract businesses.

Ms. Simone said he liked Mr. Massarelli's idea of keeping track of each grant and waiting until the end of the year to determine which were more successful. She thought the grant should be given more time since staff had recently been meeting with the shopping centers and promoting it. Mr. Arserio agreed.

Mr. Massarelli said that staff would get the word out that all the grant programs would sunset at the end of the fiscal year. He would report back on the number of inquiries, applications requested, and applications submitted.

Chair Ruzzano agreed with the direction of ending the programs at the end of the fiscal year and then re-evaluating them.

Chair Ruzzano referenced page 3e, and asked whether the applicant must own both the property and the building. Mr. Massarelli said it was a requirement in other programs that existed but, in this situation, the applicant might unofficially have an option on the property or an intent to lease. He said ownership of the property gave the MCRA the security that they intended to do something. Attorney Tolces stated that an aspect of the proposed program was that the MCRA would have a secured interest because a document would be recorded against the property. Discussion ensued about recent new businesses in Margate and whether they owned their own properties. Chair Ruzzano expressed a concern about hindering someone from putting up a new building on a piece of property that might be leased. Board Attorney Tolces pointed out that a part of the program dealt with construction costs and the intent of the program was for people to invest by putting money into new buildings and structures from the ground up. Mr. Massarelli pointed out the grant guidelines specified that the applicant must own the property at the time the grant was awarded versus application. Board Attorney Tolces explained that the Board could always waive certain provisions if warranted.

There was a short discussion about eligible expenses and Mr. Massarelli pointed out that the list of expenses was to provide guidance and it was not totally inclusive. He read through the list of ineligible expenses which included contractor overhead and profit. Chair Ruzzano questioned the reason for excluding the profit and whether it would present a problem. Attorney Tolces said he had seen other similar grant programs that excluded the profit and paid only for materials associated with the construction.

Mr. Massarelli addressed Ms. Schwartz's question about whether the definition of new business meant available empty space or new construction. He referenced page 3c which read that a new commercial building was defined as a standalone building which was not an expansion of an existing building and that had not received a final building permit inspection.

Ms. Schwartz commented on the big differences in payouts between the proposed program, i.e., reimbursement of five percent, up to max of \$500,000, and the Existing Commercial and Industrial Property Improvement Program, i.e., reimbursement of 80% of project costs not to exceed \$750,000. He explained that the higher incentives were for façade improvements to older plazas which were costly.

Chair Ruzzano commented that the dilemma he had with the programs was that one of them paid up to \$750,000 to clean up the appearance of their building and the City got nothing in return while the proposed program got a business that the City wanted and put them on the tax roll. He preferred the new program as it would attract new businesses and increase the tax roll. He said it would be a pet project to be revisited after a few months. Mr. Massarelli asked if the Board wished to keep the new program at five percent, max \$500,000 or to increase the percentage. Chair Ruzzano said there were multiple ways to work it, such as percentage, value, purchase, or building price. He told Mr. Massarelli it should be whatever he thought was the easiest and best way to attract businesses. He asked the other Board members for their ideas. He said he liked the concept, the hiring requirement of 15 employees, and the five-year requirement. Mr. Arserio said a higher cap would be more enticing. Ms. Schwartz suggested leaving it as it were and adjusting it based on response. Chair Ruzzano gave an example using a \$5 million dollar project where the cost of the building less the profit was \$700,000 which would entitle the applicant to only \$35,000. He suggested possibly considering ten percent instead of five percent. Mr. Massarelli recommended lowering the amount of the investment which might capture more participants and increasing the percentage to 25 percent. Chair Ruzzano suggested the possibility of using the price of the project which was the amount given at the time the permit was submitted. Mr.

Arserio commented that Margate needed to be more attractive than other cities by giving businesses a better break up front and increasing the amount a business could receive. Chair Ruzzano agreed and asked how to do so. Mr. Massarelli suggested using the eligible expenses of the reasonable costs as identified in the construction value. He said he would check with Richard Nixon, Building Department, to understand the costs included in the construction value. He said anything that was not included in the construction value would be specifically excluded as eligible expenses. He said it would result in a larger project cost and the five percent would be a larger payout amount.

Attorney Tolces commented that the current list of eligible expenses focused on the physical structure and parking. He suggested considering the inclusion of some of the costs that were listed as ineligible expenses, such as part of the purchase cost, architectural design, off-site improvements such as utilities, clearing, grubbing, etc.

Mr. Arserio suggested having an "up to" amount or a percentage. Chair Ruzzano agreed. Attorney Tolces suggested it would be a good idea to have a list of the eligible costs for consistency purposes,

Discussion ensued about using the amount submitted when the permit was applied for because it would be based on the whole project, but without the architectural fees. Attorney Tolces commented that it was an identifiable number that both the contractor/developer and staff could use; however, that number might not be available to them at the time they submitted the grant application. Mr. Massarelli commented that the applicant could supply an estimated amount but the grant would not be awarded until the updated number was identified in their building permit application. Chair Ruzzano commented that when drawings were submitted, the cost for the permit was about five percent so it could be viewed as them receiving a free permit. He said it was better to show them the money rather than to tell them it was a permit waive, and he suggested increasing the percentage to ten percent of the cost. Mr. Massarelli commented that it would be a positive benefit. Attorney Tolces said a reference could be made in the guidelines about what the eligible project costs included, but were not limited to, and that the percentage of the grant award would be based upon the construction value as identified in the building permit application submitted to the City.

Ms. Schwartz referenced page 16 of the grant application and questioned why anticipated improvements were listed when the grant was for new construction. Mr. Massarelli said that section could be eliminated if the decision were to go with construction value. He referenced page 3, and commented that he would like to encourage people to knock down old buildings and build new because the City was mostly built out. He said a demolition permit would be a separate permit from the building permit for the new structure, and he suggested it be included as another eligible cost or maybe have two grant applications. Chair Ruzzano commented that while they might be two different permits, they would fall under one master permit. He suggested following up with Mr. Nixon. Attorney Tolces suggested including the costs of demolition, clearing and grubbing as part of the eligible expenses that would be reimbursable after the Certificate of Occupancy was issued.

Chair Ruzzano stated that the grant would be available to any new, freestanding business coming to Margate on a piece of purchased property. Mr. Massarelli asked about a property that had been owned for 30 years and had a building on it. Chair Ruzzano said they would need to apply for the Existing Commercial and Industrial Property Improvement grant or they could demolish the building. Attorney Tolces explained that the grant would only be applicable to work that was performed after the approval of the grant, so the business could not demolish the building and then come in and apply. Otherwise, he said they would need to wait to demolish the building until the grant was approved. Ms. Schwartz asked about a scenario where an existing restaurant decides to demolish their building and build a new restaurant in its place; it would be new construction but not a new business. Chair Ruzzano said they could apply for the new grant up to ten percent or they could leave the building, make improvements of \$1 million and receive \$750,000. Attorney Tolces said in that particular case they would be entitled to the grant of five percent up to \$500,000 as was currently proposed.

Ms. Schwartz asked if the guidelines listed businesses that would not be eligible for the program. Attorney Tolces referenced the listing on page 4. She asked about funding eligible businesses that were zoned correctly but were not wanted, such as storage facilities. Attorney Tolces said it would be up to the Board's discretion to determine which grants received approval. Chair Ruzzano said the employment requirement would eliminate some businesses as well. Mr. Arserio said the guidelines could identify those businesses for which there was a moratorium as well as those the City had identified as undesirable such as storage units or dispensaries. Attorney Tolces said it would be helpful to staff to list the specific uses that the MCRA did not want to fund in the guidelines.

Mr. Massarelli commented that the requirement for 15 full-time employees in Margate would eliminate a lot of businesses. He said it also supported the Redevelopment Plan and furthered the economic development plan to create more jobs and opportunities in the City. Attorney Tolces commented that the Board had the right to determine the types of uses supported under the Redevelopment Plan as long as everyone was treated equally.

Discussion ensued about the type of businesses that should be excluded. Among the suggested exclusions included new and used car dealerships, self-storage facilities, adult entertainment, warehouses, auto body shops, gas stations, and drive thru's. Mr. Massarelli asked whether Wawa and Cumberland Farms were considered convenience stores with accessory gasoline service or gas stations. Chair Ruzzano suggested excluding anything with an automobile use. He said nice restaurants were desired.

Mr. Massarelli commented that the purpose of the meeting was to approve a program for Las Vegas and he suggested that the program be fine-tuned at the next meeting. Chair Ruzzano said Mr. Massarelli had the consensus to speak with businesses and to offer up to \$500,000 if they wanted to come to Margate. Mr. Massarelli said he planned to ask businesses and franchises about the type of incentives they were interested in.

Attorney Tolces provided direction on the next steps. He said the motion was to approve the resolution, and, if approved, staff had the direction to bring back revisions at the next regularly scheduled meeting. Amendments would include the additional eligible expenses of clearing, grubbing, and demolition, and having the total value of construction as indicated in the building permit application provided to the City. He said staff would also look further at the types of uses that were not permitted be funded and bring those back at the next meeting. He said the direction to terminate the Development Infrastructure Assistance Program would be part of the budget process at the end of the fiscal year.

Chair Ruzzano asked the Board members their thoughts about including medical uses and schools in the program. Attorney Tolces said schools would not be eligible because they were exempt from ad-valorem taxes. Chair Ruzzano asked about hospitals. Mr. Massarelli said they would be eligible if they were for profit and not exempt from taxes. Several Board members were not in favor of hospitals but were open to certain other medical uses. Attorney Tolces suggested the types of businesses be discussed at the next meeting.

ROLL CALL: Mr. Arserio, Yes; Ms. Schwartz, Yes; Ms. Simone, Yes; Mr. Caggiano, Absent; Mr. Ruzzano, Yes The motion passed 4-1.

Chair Ruzzano commented that at the last MCRA meeting there had been discussion about Frank Porcella and he asked the Board members if they had spoken with him. He asked Board Attorney Tolces if this matter could be discussed. Attorney Tolces' recommendation was that they not take any action because it was not an agenda item and no notice had been given. He said they could discuss it but they would need to allow for public discussion and notice before taking any final action. He suggested holding a special meeting.

Chair Ruzzano commented that time was of the essence, and he asked the Board members that had spoken with Mr. Porcella for their direction.

Mr. Arserio said that he had spoken with Mr. Porcella that day and he was comfortable taking the next steps and adding it to the next agenda.

Ms. Simone said that she was not comfortable.

Ms. Schwartz said she had an impressive conversation with him and she would be comfortable unless there was somebody else someone had in mind.

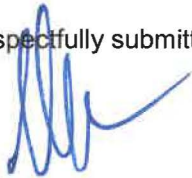
Chair Ruzzano said he had previously asked the Executive Director and others if they knew of anyone and Mr. Porcella's name was mentioned so he met with him. He said he understood that he had been involved in the MCRA previously and had some knowledge. He said the position would be temporary and that Mr. Porcella would be willing to work part time. He said someone would be needed in the position by the next month and he was fine taking the next step by putting it on the next month's meeting agenda. He said he would like to have a 5-0 vote and he asked Ms. Simone if she wished to share her reason. Ms. Simone said the Mr. Porcella indicated to her that he had given Sam May a list of other individuals that might be interested but she was not made aware of it. She said she was open to interviewing several of them. She said her opposition was that she did not want to recycle old staff. Chair Ruzzano said through his conversation with Mr. Porcella, he determined he had the knowledge to step in and take over. He said Mr. May had not mentioned any other names to him. Mr. Arserio said Mr. Porcella was very clear that this was a temporary position for him. He said he would like to see the list of names as well but he wanted to move forward so that current projects could continue on and maybe get more projects up and running so there would be a seamless

transition when the new person started. Mr. Massarelli suggested holding a special meeting prior to the next MCRA meeting.

Mr. Arserio commented that he would be attending the ICSC conference in Las Vegas, as well as Mr. Caggiano and Ms. Schwartz. He asked to meet with Mr. Massarelli prior to then so they could develop a game plan. He passed along a message from Mr. Caggiano that he was not able to attend the meeting that evening because he was representing the City at a ROTC event that he committed to previously.

There being no additional business, the meeting adjourned at 6:36 p.m.

Respectfully submitted,



Tommy Ruzzano, Chair

Transcribed by Rita Rodi, CRA Coordinator