

THE CITY OF STREETSBORO, OHIO

SPECIAL SERVICE COMMITTEE MEETING MINUTES

Monday, October 23, 2023

[Prior to the meeting Dr. Sam Lewis, Chiropractor, was presented with a Mayoral Proclamation to celebrate his 25 years as a business owner in Streetsboro and for his outstanding service to the Community (applause).]

This Special Service Committee Meeting was called to order on Monday, October 23, 2023 at 7:04 p.m. by Julie Field, Chairman. Mrs. Field gave an invocation and Mayor Broska led the Pledge of Allegiance.

PRESENT: Justin Ring, Jon Hannan, Marianne Glenn, Jennifer Wagner, Julie Field, Anthony Lombardo, Steve Michniak

ABSENT: None.

ALSO PRESENT: Glenn Broska, Mayor
Frank Beni, Law Director
Patricia Wain, Police Chief
Rob Reinholz, Fire Chief
Matt Miller, Finance Director
Bill Miller, Service Director
Justin Czekaj, Municipal Engineer
John Cieszkowski, Planning Director
Patrick O'Malia, Economic Development Director
Greg Mytinger, Parks and Recreation Director
Shawna Lockhart-Reese, HR Manager
Matt Coffman, IT Network Administrator
Caroline Kremer, Clerk of Council

Special Business

Report on Market Analysis for Hotels and Car Washes

Mr. Cieszkowski introduced Rick Stein, Certified Planner with Urban Decision Group. Mr. Stein was to explain his market analysis for both hotels and car washes. There were a few other sections he was studying, but he would present his analysis for hotels and car washes tonight because City Council had enacted a moratorium relative to hotels and car washes to give time to do a market analysis. Mr. Cieszkowski wanted Council to hear the analysis results before any text amendments were put before the Planning Commission relative to these two uses in the Zoning Code.

Mr. Stein explained he was analyzing a lot of different sectors of the Greater Streetsboro market, but because of the time sensitive nature of hotels and car washes, they were done first and could be discussed today. The reports had been distributed earlier for review and tonight he would talk about the results and how they got the results.

Car Washes: Mr. Stein said since 2010 the national car wash market had really taken off; since 2020-2021 there had been a noticeable uptick in revenues (26%) across the country. There had been some revolutions in the industry, notably the types of automated washes, plus the introduction of a subscription model (basic to premium levels).

He said it remained to be seen if there would be more of the pie to capture from these sorts of businesses. The car wash market in the Greater Streetsboro area included 8 car washes (4 within Streetsboro city limits). In his analysis Mr. Stein tried to estimate the revenues from those car washes and compare them to the estimated consumer expenditures. Most of the data was from third party data sources. The business data was procured from a company called Data Axel (fka Info Group, similar to a Dunn & Bradstreet). The expenditure data came through a company called ESRI, a market leader with geographic information systems. The data was collected quarterly instead of just with each census and Urban Decision Group was comfortable using it for a somewhat larger geographic area like this. They believed the market today was in balance: the consumer expenditures were estimated to be about \$3.7 million within the entirety of the market area and the estimated revenue from the existing car washes to be a total of \$3.51 million, so that was basically a balanced market.

The City was aware there was another car wash coming online on Singletary Drive by Walmart; Smart Wash would be another tunnel-style car wash. Mr. Stein thought the market may then become oversupplied by about \$1.1 million, and something would have to give, which might result in a price war. It was difficult to tell who might win and who might lose in a price war. Because demand was relatively inelastic (people won't go too very far out of their way to get a car wash), that's why the trade area was relatively compact. When someone would lose the price war and go out of business at some point, the modern tunnel-type car wash was somewhat difficult to be adapted and reused. Going forward, it was possible that consumers could be induced to spend more of their disposable income on car washes, but unlikely. He also wondered how long it would take for consumers to feel the long-term effects of recent exceptionally high rates of inflations. So far, the consumer had proved to be fairly resilient, but that would come to an end at some point. There was also the concern of what did future car ownership and future car design mean to car washes.

Although the car wash market seemed to be balanced today, it could go out of balance (oversupplied) by as much as 1.1 million once the new car wash went online.

Mr. Michniak wondered what revenue (withholding and net profit taxes) a current car wash was bringing to the City (and/or County) and what difference it would make to the City to have 1, 2, 3, or 4 car washes if the revenue was split among them. Matt Miller said Streetsboro had never actually examined the car washes. Mr. O'Malia took an over generous guess and said the City may make \$6,250/year in income taxes from each car wash that might have 10 FTE employees, but most of the car washes were very automated. Mr. Ring thought the net revenue taxes could be more than one might think because the car washes had a low cost associated with them. Mr. O'Malia said his interest as Economic Development Director was that the market would eventually get tilted substantially out of balance and car washes were unlike a factory business where he could fill an empty building with another factory type business; the car washes were very specially purpose-built buildings and very hard to convert to anything else. It was costly to knock a building down and

build something else, and the car wash lots were often very small, so it could turn into long-term blight. Mr. Michniak summarized that the City's concern was not so much the revenue, but to stave off the number of car washes to avoid future possible blight when the market became out of balance.

Mayor Broska commented that two of the car washes in town were completely unmanned/completely automated so there was no income tax revenue from them, just some net profit tax. There were two car washes on SR 14 that were more visible and subject to spontaneous use, whereas the new one to be built on Singletary Drive would be less visible from the main route and may have to attract customers to intentionally go there.

Mr. Cieszkowski commented that he had been working with Mr. Stein and the Law Department in preparation of some zoning text amendments that would go before the Planning Commission soon and the Planning Commission could make a recommendation to City Council. He didn't want to put anything before the Planning Commission until this presentation had been made to City Council.

Hotels: Mr. Stein said analyzing the hotel market was different than car washes which had local consumers and it was possible to estimate what their expenditures would be. Hotels were different because the assumption was that those that stayed at the hotels were from outside the local area and one could not draw a market area big enough, so other metrics were needed. He said he had utilized a firm called STR Data that had kept historic occupancy and revenue data for the hotel industry. They needed to understand the components of hotel demand in this area. The first era (early to mid 2000s) was when the amusement parks were here when park attendance and hotel demand/revenues lined up very closely. The other era (today) with the amusement parks gone the primary components of demand were turnpike travelers (primarily), local workers in town on a project for a temporary basis, weddings, and some extended stay hotels. There have been 24 total hotels since 1996 that he received data on; there were about 15 hotels operating in the late 1990s. Today there were 16 hotels operating in the area with 8 being within Streetsboro. There were two hotels technically still open, but currently closed for renovations; it was unknown when or if they would reopen.

They worked with about 25 years of data and they felt we were presumable on the way out of a period of exceptionally high inflation, so they made some adjustments in the math to get things into 2023 dollars. He said occupancy was just now starting to rebound which was largely because the area was shedding room supply over the last 5-6 years. Occupancy at the end of 2022 was at 55.6%, which was positive and similar to what existed in the late 1990s before so many rooms were added. The peak room supply was in 2006, but the market was trying to find itself. The demand had not rebounded. Peak demand occurred in 2007, but 2007 was the last year of operation for most of the amusement parks. There was also great demand post the great recession across the nation, which was typical of post recessionary periods.

The revenue, when adjusted for inflation, had never been lower than the last three year, keeping in mind that 2020 didn't really count; it was a horrible year across the planet for hotels. There were two other industry specific factors to consider: revenue per available room (RevPar), and average daily revenue (ADR) that he had included in his report. These factors seek to explain hotel performance and hotel efficiency. The conclusion was that this felt like a market that was still searching for the bottom. He'd be interested to see what the end of 2023 figures looked like. They

had ordered the data information before the 2023 summer travel season. He felt it would be better known after those figures were in in early 2024 if the impact of exceptionally high inflation on the average American consumer was reflected in their travel. He expected it would affect travel somewhat and could affect travel again in 2024. That was the primary reason he thought this market was still searching for the bottom.

Mr. Ring found this information interesting. He felt the free market was correcting itself. Although it had not fully corrected yet, it was correcting itself. He was opposed to asking a government entity to step in and correct the free market, especially when the data indicated that it was already doing that for itself. He thanked Mr. Stein for the analysis.

Mayor Broska said his biggest concern was that when the market would find itself, there may be some hotels that may try to still remain viable and it could end up in a price war. As the hotels might reduce the prices for overnight stays, they most likely would reduce the services and therefore not attract the travelers, but attract people that were looking for low-cost residences. That was the Mayor's biggest concern because there were already a couple of hotels that were currently on that spectrum and he didn't want to see other local hotels become competitive for the bottom. Unfortunately, when you bring in the type of clientele that wanted to spend significantly less for overnight accommodation, they bring with them some unwanted aspects too (crime, drugs, etc.). This was a concern to Mayor Broska because then those hotel locations became a burden to the police and fire departments. The police and fire staff were already busy enough and devoting an inordinate amount of time to one or two or three entities was counterproductive for the City. He'd like to find a way to correct this because he still believed with 6.5 million people coming off the Turnpike every year and heavy advertisements through the Visitor and Convention Bureau that a couple quality hotels could be supported in Streetsboro at competitive prices. He wanted to try to guard against some of the hotels working toward finding their bottom.

Mr. Ring said it was known that some of the hotels were already doing that, so he didn't know that legislative or zoning intervention for future things would stop what was already occurring. He thought the City would need to find a more productive way to not allow those hotels to let people live there, which he understood had been discussed and was a challenge to find. He didn't think preventing a Hilton or Ritz to locate in Streetsboro with a ban on hotels was the way to go to solve the current problem.

Mayor Broska noted that most small towns off of any Interstate had at least one hotel if not more, so the Streetsboro area having eight hotels was not unusual for 6.5 million travelers. He said the Bed Tax had increased and people were coming to Streetsboro and staying in our hotels, but the City needed to try to keep the price point higher.

Mrs. Field understood the free market would self-correct but she agreed with the Mayor. She had found Mr. O'Malia's packet of information exceptionally helpful to understanding what was going on in the hotels and how that was a burden on the City government, police and fire, and ultimately the taxpayers. She said she would support some sort of legislation that would benefit the community as a whole.

Mayor Broska said the administration was working on legislation that would be defensible to help clean up the problem and it would take a while to develop before any Zoning Code changes could be taken to the Planning Commission, who could then send it forward to City Council.

City Council thanked Mr. Stein for coming from Columbus to speak to them tonight.

T-7489 Purchase a 2024 Ford Truck F-450

Bill Miller said this was the chassis of the new sign truck that would get an arrow board on the back. It was budgeted for 2023. The Service Department would replace the old 2000 truck that was at the end of its life with this new truck. The old truck, which was not really worth much, would be used as a trade in when the new truck came in and he would bring that to Council at that time. One of the new hires in the Service Department would upfit the bed of the truck and build the sign board in-house to save the City money. He asked that this be passed as emergency legislation tonight.

Mrs. Field said she appreciated that Bill Miller used the resources he was given well, took good care of the equipment, and she knew that when he requested something, it was definitely needed.

MOTION: TO MOVE THIS TO TONIGHT'S REGULAR COUNCIL MEETING.

Moved by Mr. Ring, seconded by Mr. Hannan. Upon voice vote, **motion carried.**

T-7490 Contract w/O.R. Colon for Acquisition Services for SR 303/Diagonal Project

Mr. Czekaj said this intersection improvement project was scheduled for 2025, but the City needed to acquire some right of way prior to that. He wanted to get this acquisition process moving so everything would stay on schedule.

MOTION: TO MOVE THIS TO TONIGHT'S REGULAR COUNCIL MEETING.

Moved by Mr. Ring, seconded by Mr. Lombardo. Upon voice vote, **motion carried.**

Announcements

There will be a Finance Committee Meeting immediately following this meeting.

There being no further business to be addressed by this Committee, and upon motion by Mr. Hannan, seconded by Mr. Michniak, this meeting adjourned at 7:45 p.m.

ATTEST:

Caroline L. Kremer, Clerk of Council

Julie Field, Chairman