

City of Hudson
Tax Incentive Review Council
October 2, 2012

Mr. Wiedie called to order the meeting of the Tax Incentive Review Council (TIRC) at 2:00 p.m. in the Town Hall meeting room.

Roll Call:

The following members were present:

- Ms. Kathryn Sines, Treasurer, Hudson City School District
- Mr. Tony Bales, City Manager, City of Hudson
- Mr. Jeff Knoblauch, Finance Director, City of Hudson
- Mr. David Zuro, Board of Education, Hudson City School District
- Ms. Carolyn Konefal, President, Hudson Chamber of Commerce
- Mr. Charles E. Wiedie, Chair, Economic Development Director, City of Hudson
- Ms. Stacy Dodson, Co-Chair, Deputy Fiscal Officer, Summit County Fiscal Office
- Ms. Jill Bacon-Madden, President, Hudson Economic Development Corporation
- Mr. Dexter James, Ameriprise Financial

Mr. Wiedie explained that he and Ms. Sines were present as non-voting representatives of their respective organizations due to the fact that each party had voting members present; Mr. Bales for the City of Hudson, and Mr. Zuro for the Hudson City School District.

Community Reinvestment Area Agreements

Face-Off, LLC (WBC Group, dba Myers Distributing): 6333 Hudson Crossing Pkwy

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND INDUSTRIAL LAND PARTNERS, LLC WAS APPROVED ON AUGUST 10, 2010. THIS AGREEMENT COVERED THE CONSTRUCTION OF A 62,400 SQUARE FOOT HEADQUARTERS AND DISTRIBUTION CENTER. THE COMPANY COMMITTED TO AN INVESTMENT OF \$5,000,000 FOR THIS CONSTRUCTION. THIS PROJECT WOULD ALLOW FOR THE CREATION OF 140 FULL-TIME POSITIONS WITHIN 36 MONTHS AND AN ASSOCIATED PAYROLL OF \$6,700,000. THE AGREEMENT CALLED FOR A 100% ABATEMENT FOR A PERIOD OF 15 YEARS.

REAL PROPERTY INVESTMENT ACHIEVED AS OF 12/31/2011 IS \$6,364,164. THE COMPANY REPORTS HAVING 118 FULL-TIME EMPLOYEES AS OF 12/31/2011 WITH AN ASSOCIATED PAYROLL OF \$2,623,578.26.

Comments: Ms. Elizabeth Cross, Treasurer for WBC Group, LLC was present as a representative for the company. Mr. Wiedie asked if the difference between the payroll goal committed to in the agreement and the reported payroll number was due to the amount of time the company had been operational. Ms. Cross said that was correct. The company had moved into the building in August of 2011 and the payroll numbers accounted for only part of a year. She added that the

company currently employs 120 full-time employees and plans to have 122 employees by the end of 2012. Mr. Wiedie asked if she could estimate the 2012 payroll figures. Ms. Cross said the forecasted payroll at the end of 2012 is approximately \$8.5 million. Mr. Zuro asked for clarification on the differences between the payroll commitment and the reported payroll. Ms. Cross explained that although the agreement was approved in August of 2010, the company did not move into the newly constructed building until August 2011, so the reported payroll number represents 4 months rather than 12 months. She added that the estimated \$8.5 million payroll for 2012 represents the first full year of operation. Mr. Zuro stated that the payroll estimate significantly exceeds the commitment agreement, but the employment numbers were still short of the agreement's goal. Ms. Cross said that was correct and based on current plans the company expects to reach their 140 full-time employee goal as stated in the agreement. Mr. Wiedie stated if there were no other questions he would entertain a motion.

Motion: Mr. Zuro motioned to recommend that Council continue the agreement with Face-Off, LLC, Ms. Bacon-Madden seconded and the motion passed by unanimous voice vote.

T.J.E. Real Estate, Ltd (GEM Edwards): 5460 Hudson Industrial Pkwy

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND TJE REAL ESTATE IS A 100% ABATEMENT FOR 12 YEARS AND WAS APPROVED ON JANUARY 16, 2003. THE PROJECT INVOLVED AN EXPANSION OF THE COMPANY'S EXISTING FACILITY AT 5460 HUDSON INDUSTRIAL PARKWAY. THE COMPANY WAS TO INVEST APPROXIMATELY \$2,640,000 IN THE EXPANSION. THE COMPANY COMMITTED TO THE RETENTION OF 58 EXISTING FULL-TIME EMPLOYEES AND THE CREATION OF 24 NEW FULL-TIME POSITIONS OVER A 36 MONTH PERIOD. THE RETAINED PAYROLL WOULD BE \$2,685,000 AND THE NEW PAYROLL WOULD BE APPROXIMATELY \$885,000.

THE COMPANY REPORTS HAVING 109 FULL-TIME EMPLOYEES AS OF 12/31/2011. CURRENT PAYROLL NUMBERS WERE NOT REPORTED.

Comments: Mr. Dee Edwards, CFO and Co-Owner of GEM Edwards, was present as a representative for the company. He amended his reported employment number from 109 to 125 full-time employees and stated payroll for 2011 was \$7.63 million. Current payroll year-to-date is \$5.8 million with 124 employees. Mr. Wiedie stated if there were no other questions he would entertain a motion.

Motion: Mr. Zuro motioned to recommend that Council continue the agreement with T.J.E. Real Estate, Ms. Bacon-Madden seconded and the motion passed by voice vote with Mr. James abstaining.

Little Tikes: 2180 Barlow Road

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND LITTLE TIKES WAS APPROVED ON APRIL 5,

1995. THIS AGREEMENT COVERED THE CONSTRUCTION OF A STATE-OF-THE-ART, APPROXIMATELY 500,000 SQUARE FOOT WAREHOUSE AND DISTRIBUTION CENTER. THE COMPANY COMMITTED TO AN INVESTMENT OF ROUGHLY \$14,900,000 FOR THIS CONSTRUCTION. THIS PROJECT WOULD ALLOW FOR THE CONSOLIDATION OF OTHER WAREHOUSES UNDER ONE ROOF AND THE TRANSFER OF 61 FULL-TIME EMPLOYEES FROM THOSE LOCATIONS WITH A PAYROLL OF \$2,000,000. THE AGREEMENT CALLED FOR A 100% ABATEMENT FOR A PERIOD OF 15 YEARS.

BASED ON THE INFORMATION PROVIDED BY THE COMPANY, THEY NOW HAVE 82 FULL-TIME EMPLOYEES REPRESENTING 21 NEW JOBS CREATED UNDER THIS AGREEMENT.

THIS CRA AGREEMENT EXPIRED DECEMBER 31, 2011.

Comments: Greg Shirk, Controller for Little Tikes was present as representative of the company. Mr. Wiedie explained that since the agreement expired at the end of 2011, no action was necessary.

Mr. Wiedie explained to the group that some companies would not be able to have a representative at the TIRC meeting. However, they could move forward with their review based on the information reported by these companies.

Westfad Hudson, LLC (Quatech): 5675 Hudson Industrial Pkwy

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND WESTFAD/QUATECH WAS ORIGINALLY A 100%, 15 YEAR ABATEMENT APPROVED ON NOVEMBER 30, 2004 AND SET TO EXPIRE ON DECEMBER 31, 2017. THE AGREEMENT WAS REDUCED FROM 100% TO 75% FOLLOWING THE 2010 TIRC MEETING. THE AGREEMENT WAS FURTHER REDUCED TO 50% AND 10 YEARS FOLLOWING THE 2011 TIRC MEETING. THE REDUCTION IN TERM CHANGED THE EXPIRATION DATE TO 12/31/2012.

THE PROJECT INVOLVED THE CONSTRUCTION OF A NEW HEADQUARTERS FOR THE MANUFACTURER OF ELECTRIC COMPUTER ADD-ONS. THE CONSTRUCTION COST WAS ESTIMATED TO BE \$1,350,000. THIS PROJECT INVOLVED QUATECH TRANSFERRING 50 FULL-TIME EMPLOYEES FROM AKRON TO HUDSON. THE TOTAL PAYROLL COVERING THOSE 50 EMPLOYEES WAS APPROXIMATELY \$2,015,300. THE COMPANY ALSO COMMITTED TO CREATE 25 NEW FULL-TIME POSITIONS WITH AN ASSOCIATED PAYROLL OF \$2,237,000.

THE COMPANY REPORTED HAVING 28 FULL-TIME EMPLOYEES AS OF 12/31/2011. NO PAYROLL INFORMATION WAS PROVIDED.

Comments: The Company did not have a representative present at the meeting. Mr. Wiedie said he asked the former CEO to relay to the parent company the current status of the agreement. Mr. Zuro stated that since the agreement was still in force, the Council should act on it.

Motion: Mr. Zuro motioned to recommend that Council continue the agreement with Westfad, LLC. Mr. James seconded and the motion passed by unanimous voice vote.

Hudson Park, LLC (dba Universal Screen Arts): 5581 Hudson Industrial Pkwy

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND HUDSON PARK, LLC IS A 100%, 15 YEAR ABATEMENT AND WAS APPROVED DECEMBER 31, 2003.

THE PROJECT INVOLVED THE CONSTRUCTION OF AN APPROXIMATELY 77,000 SQUARE FOOT BUILDING THAT WOULD FACILITATE THE CONSOLIDATION OF THREE OTHER FACILITIES IN HUDSON. THE COST OF THE CONSTRUCTION WAS ESTIMATED TO BE \$2,700,000. AS A RESULT OF THE CONSOLIDATION THE COMPANY COMMITTED TO RELOCATING 104 FULL-TIME POSITIONS TO HUDSON WITH A RELATED PAYROLL OF \$3,992,000. FURTHER, THE COMPANY COMMITTED TO THE HIRING OF AN ADDITIONAL 16 FULL-TIME EMPLOYEES THAT WOULD CREATE AN ADDITIONAL \$330,271 IN PAYROLL. NEW POSITIONS WERE TO BE IN PLACE WITHIN 36 MONTHS.

BASED ON INFORMATION SUPPLIED BY THE COMPANY, TOTAL EMPLOYMENT AT THE END OF 2011 WAS 120 WITH AN ASSOCIATED PAYROLL OF \$5,552,912. THE COMPANY ALSO REPORTS THAT CURRENT YEAR-TO-DATE PAYROLL NUMBERS EXCEED THOSE OF LAST YEAR AND THEY NOW HAVE 143 FULL-TIME EMPLOYEES.

Comments: Mr. Matt Bender, CFO for Universal Screen Arts was present as a representative for the company. After reading the summary Mr. Wiedie asked if Mr. Bender had any updates to share with the Council. There being no updated information and no questions by the Council Mr. Wiedie asked for a motion.

Motion: Mr. Bales motioned to recommend that Council continue the agreement with Universal Screen Arts, Ms. Dodson seconded and the motion passed by unanimous voice vote.

Mr. Wiedie informed the Council that Universal Screen Arts had been awarded by City Council a CRA to build a 220,000 square foot facility in Hudson Crossing. The existing CRA Agreement will be left in place on the existing building.

Job Creation Grant Agreements

Beauty Systems, LLC: 5700 Darrow Road

Background: THE JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND BEAUTY SYSTEMS GROUP, LLC WAS APPROVED ON AUGUST 18, 2010. THE AGREEMENT GRANTS BACK TO THE COMPANY 35% OF THE INCOME TAX PAID BY THEIR NEW EMPLOYEES FOR A PERIOD OF 5 YEARS. THIS AGREEMENT CALLS FOR THE CREATION OF 42 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$1,664,000. ALL JOBS ARE TO BE IN PLACE WITHIN 24 MONTHS.

BASED UPON INFORMATION SUPPLIED BY THE COMPANY, THEY HAVE 33 FULL-TIME EMPLOYEES AND A PAYROLL OF \$1,746,670 AS OF 12/31/2011.

Comments: Mr. Frank Fulco, Vice President of Beauty Systems Group, LLC, was present as a representative for the company. He stated he was happy to have his business in Hudson. After reading the summary background of the agreement, Mr. Wiedie asked if there had been any changes. Mr. Fulco said they were now at 35 full-time employees. Mr. Wiedie asked if there would be an opportunity to reach the agreement goal of 42 full-time employees. Mr. Fulco said the company is right where it should be in terms of employment. Mr. Wiedie estimated that with the additional employees, payroll would be around \$1.8 million. Mr. Fulco confirmed that to be true.

Motion: Mr. James motioned to recommend that Council continue the Job Creation Grant Agreement with, Beauty Systems Group, LLC, Ms. Bacon-Madden seconded and the motion passed by unanimous voice vote.

Mr. Fulco said he appreciated the City's support and that he and his employees were very happy to be in Hudson.

Face-Off, LLC (WBC Group, dba Myers Distributing): 6333 Hudson Crossing Pkwy

Background: THE JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND INDUSTRIAL LAND PARTNERS, LLC WAS APPROVED ON MAY 19, 2010. THE AGREEMENT GRANTS BACK TO THE COMPANY 50% OF THE INCOME TAX PAID BY THEIR NEW EMPLOYEES FOR A PERIOD OF 8 YEARS. THIS AGREEMENT CALLS FOR THE CREATION OF 140 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$6,700,000. ALL JOBS ARE TO BE IN PLACE WITHIN 36 MONTHS.

THE COMPANY REPORTS 118 FULL-TIME EMPLOYEES AND A PAYROLL OF \$2,623,578.26 AS OF 12/31/2011.

Comments: Mr. Wiedie stated if there were no questions he would entertain a motion.

Motion: Ms Konefal motioned to recommend that Council continue the Job Creation Grant Agreement with Face-Off, LLC, Ms. Bacon-Madden seconded, and the motion passed by unanimous voice vote.

Mr. Wiedie thanked Ms. Cross and Face-Off, LLC for having their company in Hudson. He added that the City is pleased to have the company here and that they are a real asset for Hudson.

Lexi-Comp, Inc (2 agreements reviewed): 1100 Terex Road

Background: THE FIRST JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND LEXI-COMP, INC. WAS APPROVED ON JULY 19, 2006. THE AGREEMENT WAS INTENDED TO SERVE AS HUDSON'S LOCAL MATCH OF 10% TO THE STATE OF OHIO'S JOB CREATION TAX CREDIT. THE STATE'S CREDIT WAS 60% FOR 7 YEARS. THE CITY'S MATCH WAS FOR AN AMOUNT NOT TO EXCEED \$27,000 (\$3,857.14 PER YEAR) OVER THE SAME 7 YEARS. THE JOB CREATION COMMITMENT WAS FOR 18 NEW FULL-TIME EMPLOYEES WITH AN ESTIMATED PAYROLL OF \$1,310,400 TO BE CREATED WITHIN 36 MONTHS.

THE COMPANY REPORTED HAVING 126 EMPLOYEES AS OF 12/31/2011 REPRESENTING 55 NEW FULL-TIME JOBS AND AN ASSOCIATED NEW PAYROLL OF \$4.31 MILLION.

Comments: The Company did not have a representative present at the meeting. Mr. Wiedie said Lexi-Comp has still not taken advantage of their agreement with the State. While they have exceeded the goal of this agreement the City will continue to have it on its agenda until the company ends its pursuit or the agreement expires. As it is an active agreement, we should act on it. Ms. Konefal asked if there was anything the City could do to facilitate a resolution on the company's behalf. Mr. Wiedie said he understood it to be a reporting issue between the Company and the State. The City stands ready to fulfill its obligations once the two parties execute their portions of the agreement. Mr. Zuro asked when it would expire. Mr. Wiedie said it will expire at the end of 2013.

Motion: Mr. Bales motioned to recommend that Council continue the Job Creation Grant Agreement with Lexi-Comp, Mr. James seconded and the motion passed by unanimous voice vote.

Background: THE SECOND JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND LEXI-COMP, INC. WAS APPROVED ON AUGUST 18, 2010. THE AGREEMENT GRANTS BACK TO THE COMPANY 50% OF THE INCOME TAX PAID BY THEIR NEW EMPLOYEES FOR A PERIOD OF 5 YEARS. THIS AGREEMENT CALLS FOR THE RETENTION OF 113 FULL-TIME EMPLOYEES WITH AN ASSOCIATED PAYROLL OF \$8,676,516 AND THE CREATION OF 30 FULL-TIME POSITIONS WITH A PAYROLL OF \$1,500,000. ALL JOBS ARE TO BE IN PLACE WITHIN 24 MONTHS.

THE COMPANY REPORTED HAVING 126 FULL-TIME EMPLOYEES AS OF 12/31/2011 REPRESENTING 16 NEW FULL-TIME POSITIONS. THE PAYROLL FOR THE NEW

POSITIONS IS \$1.24 MILLION. RETAINED PAYROLL IS REPORTED TO BE \$8.75 MILLION.

Comments: The Company did not have a representative present at the meeting. Mr. Wiedie said he received an email from Mr. Michael Metz, CFO of Lexi-Comp, who reported that as of today the company has 135 full-time employees and is actively trying to fill 7 positions. The company also has plans to hire 5 more soon. Mr. Metz reported the company should be at 147 full-time employees at the end of 2012. The company also has plans to hire 10 to 15 more full-time employees in 2013. The reported numbers indicate they are on track to meet the goals of their agreement. Mr. Wiedie asked if there were any questions. He then stated if there were no questions he would entertain a motion.

Motion: Ms. Konefal motioned to recommend that Council continue the Job Creation Grant Agreement with Lexi-Comp, Ms. Bacon-Madden seconded and the motion passed by unanimous voice vote.

Little Tikes: 2180 Barlow Road

Background: THE JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND LITTLE TIKES WAS APPROVED ON JULY 15, 2009. THE AGREEMENT GRANTS BACK TO THE COMPANY 50% OF THE INCOME TAX PAID BY THEIR EMPLOYEES FOR A PERIOD OF 6 YEARS. THIS AGREEMENT CALLS FOR THE RETENTION OF 366 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$15,246,000 AND THE CREATION OF ANOTHER 66 FULL-TIME POSITIONS. THESE NEW POSITIONS WOULD GENERATE APPROXIMATELY \$1,649,000 IN NEW PAYROLL. ALL JOBS ARE TO BE IN PLACE BY JUNE 30, 2012.

THE COMPANY REPORTS THAT AS OF 12/31/2011 IT HAS 414 FULL-TIME EMPLOYEES REPRESENTING AN INCREASE OF 48 NEW POSITIONS AND A CURRENT PAYROLL OF APPROXIMATELY \$16,708,000 REPRESENTING A PAYROLL INCREASE OF \$1,462,000 ATTRIBUTABLE TO THIS AGREEMENT.

Comments: Greg Shirk, Controller for Little Tikes was present as representative for the company. Mr. Wiedie asked, in light of the fact that the company was a little short on hitting their jobs target, what the future held in terms of employment. Mr. Shirk stated the company was 17 full-time employees ahead of the previous year and estimated the current employment number to be 430. He also noted that the seasonal nature of the business entailed a higher than average turnover rate on a month-to-month basis. Mr. James asked if the company had reached the goal of 66 additional full-time employees at any point during the agreement. Mr. Shirk said he was not sure but that it was entirely possible that they had. He said the company is experiencing steady, year-over-year growth and anticipated the company would have approximately 445 full-time employees by the end of 2012.

Motion: Mr. Bales motioned to recommend that Council continue the Job Creation Grant Agreement with Little Tikes, Mr. James seconded and the motion passed by unanimous voice vote.

Norandex Distribution, Inc.: 300 Executive Parkway, Suite 100

Background: THE JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND NORANDEX DISTRIBUTION, INC. WAS APPROVED ON MAY 7, 2008. THE AGREEMENT GRANTS BACK TO THE COMPANY 50% OF THE INCOME TAX PAID BY THEIR EMPLOYEES FOR A PERIOD OF 8 YEARS. THIS AGREEMENT CALLS FOR THE CREATION OF 75 FULL-TIME POSITIONS WITH A PAYROLL OF \$5,100,000. ALL JOBS ARE TO BE IN PLACE WITHIN BY DECEMBER 31, 2011.

BASED UPON INFORMATION PROVIDED BY THE COMPANY, AS OF 12/31/2011 THEY HAVE 75 FULL-TIME EMPLOYEES WITH AN ASSOCIATED PAYROLL OF \$5,904,363.64

Comments: The Company did not have a representative present at the meeting. Mr. Wiedie said after speaking with Ms. Rebecca Faulk, VP of Finance for Norandex, he understands the Company has 78 full-time employees as of today and is likely to reach 80 by the end of the year. Estimated payroll at that time would be in excess of \$6 million. Ms. Faulk relayed her apologies for not being able to attend the meeting due to an overseas business trip.

Motion: Mr. James motioned to recommend that Council continue the Job Creation Grant Agreement with Norandex, Ms. Konefal seconded and the motion passed by unanimous voice vote.

Minutes: The Council reviewed the minutes from the 2011 TIRC meeting. Mr. Zuro motioned to approve the minutes. Ms. Bacon-Madden seconded the motion and the minutes were approved by unanimous voice vote.

Adjournment:

The meeting was adjourned at 2:50 p.m.

Charles E. Wiedie, Chair
Tax Incentive Review Council

These minutes were prepared by Jonathan Ackerman, Economic Development Associate, and represent the writer's best recollection of the items discussed.