

City of Hudson
Tax Incentive Review Council
October 15, 2013

Mr. Wiedie called to order the meeting of the Tax Incentive Review Council (TIRC) at 2:05 pm in the Town Hall meeting room.

Roll Call:

The following members were present:

- Mr. Jeff Knoblauch, Finance Director, City of Hudson
- Mr. Bill Wooldredge, Hudson City Council
- Mr. Chuck Wiedie, Chair, Economic Development Director, City of Hudson
- Mr. David Zuro, Board of Education, Hudson City School District
- Ms. Stacy Vavruska, Deputy Fiscal Officer, Summit County Fiscal Office
- Mr. Dexter James, Ameriprise Financial
- Ms. Carolyn Konefal, President, Hudson Chamber of Commerce

Mr. Wiedie explained that Ms. Kathryn Sines, Treasurer of the Hudson City School District, was also present as a non-voting representative.

Minutes: The Council reviewed the minutes from the 2012 meeting. Mr. Wooldredge motioned to approve the minutes. Ms. Vavruska seconded the motion and the minutes were approved by unanimous voice vote.

Community Reinvestment Area Agreements

Face-Off, LLC (WBC Group DBA Meyer Distributing)

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND FACE-OFF, LLC WAS APPROVED ON AUGUST 10, 2010. THIS AGREEMENT COVERED THE CONSTRUCTION OF A 62,000 SQUARE-FOOT HEADQUARTES AND DISTRIBUTION CENTER IN THE HUDSON CROSSING BUSINESS PARK. THE COMPANY COMMITTED TO AN INVESTMENT OF \$5 MILLION FOR THE CONSTRUCTION OF THIS FACILITY. THIS PROJECT ALLOWED FOR THE CREATION OF 140 FULL-TIME EMPLOYEES WITHIN 36 MONTHS OF OCCUPANCY. THE PAYROLL ASSOCIATED WITH THESE JOBS WAS TO BE APPROXIMATELY \$6.7 MILLION. THE AGREEMENT CALLED FOR A 100% ABATEMENT FOR A PERIOD OF 15 YEARS.

BASED ON INFORMATION PROVIDED BY THE COMPANY THEY HAVE MADE A REAL PROPERTY INVESTMENT OF \$6,364,164 AS OF 12/31/2012. THEY ALSO REPORT HAVING 123 FULL-TIME EMPLOYEES WITH AN ASSOCIATED PAYROLL OF \$8,098,031.00.

Comments:

Ms. Elizabeth Cross, Treasurer for WBC Group, LLC, was present as a representative for the company. Mr. Wiedie asked if the numbers reported at the end of 2012 were still accurate today. Ms. Cross said they were. Mr. James asked if the company was still on target to reach 140 full-time employees. Ms.

Cross said yes we are on pace to hit that number. Mr. Wiedie stated if there were no other questions he would entertain a motion.

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

T.J.E. Real Estate, LTD. (GEM EDWARDS)

Background: THIS COMMUNITY REINVESTMENT AREA (CRA) AGREEMENT BETWEEN THE CITY OF HUDSON AND TJE REAL ESTATE CALLED FOR A 100% ABATEMENT FOR 12 YEARS. THIS AGREEMENT COVERED AN EXPANSION OF THE COMPANY'S EXISTING FACILITY AT 5460 HUDSON INDUSTRIAL PARKWAY. THIS AGREEMENT WAS APPROVED ON JANUARY 16, 2003. THE COMPANY WAS TO INVEST APPROXIMATELY \$2.8 MILLION IN THIS EXPANSION. THE COMPANY ALSO COMMITTED TO THE RETENTION OF 58 FULL-TIME EMPLOYEES WHILE CREATING 24 NEW FULL-TIME POSITIONS. THE PAYROLL ASSOCIATED WITH THE RETAINED EMPLOYEES WAS \$2.6 MILLION AND THE NEW EMPLOYEES WOULD GENERATE APPROXIMATELY \$885,000 OF NEW PAYROLL.

THE COMPANY HAS INVESTED THE \$2.8 MILLION IN THE ACTUAL EXPANSION AND SHOWS, AS OF 12/31/2012, HAVING A TOTAL OF 102 FULL-TIME EMPLOYEES. THIS NUMBER WOULD COVER THE 58 THAT WERE TO BE RETAINED WHILE CREATING 44 NEW POSITIONS. THE COMPANY DID NOT SUPPLY PAYROLL NUMBERS ASSOCIATED WITH THESE 102 EMPLOYEES.

Comments: Mr. Dee Edwards, CFO of GEM Edwards, was present as a representative for the company. Mr. Wiedie asked what the current payroll is. Mr. Edwards responded that the current payroll is \$6,500,000. Mr. Wiedie asked if you have an updated employee count. Mr. Edwards said we are currently at 86. Mr. Wiedie asked why the job numbers have gone down. Mr. Edwards responded that factors outside our control in the healthcare industry have created some cutbacks. Mr. Wooldredge asked if GEM Edwards was still profitable. Mr. Edwards said yes. Mr. Knoblauch noted that GEM Edwards has continually hit their numbers and has been an asset to the Hudson community. Mr. Wiedie stated if there were no other questions he would entertain a motion.

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

Hudson Park, LLC (Universal Screen Arts)

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

THE PROJECT INVOLVED THE CONSTRUCTION OF AN APPROXIMATELY 77,000 SQUARE-FOOT HEADQUARTERS AND WAREHOUSE FACILITY. THIS CONSTRUCTION WOULD ALLOW FOR THE CONSOLIDATION OF THREE OTHER FACILITIES IN HUDSON. THE COST OF THE NEW CONSTRUCTION WAS ESTIMATED TO BE \$2.7 MILLION. AS A RESULT OF THE CONSOLIDATION OF THE THREE FACILITIES, THE COMPANY WOULD RELOCATE 104 FULL-TIME POSITIONS TO HUDSON WITH AN ASSOCIATED PAYROLL OF APPROXIMATELY \$3.9 MILLION. THE COMPANY FURTHER COMMITTED TO THE CREATION OF 16 NEW, FULL-TIME POSITIONS, WITH A PAYROLL OF \$330,271.00. THE NEW POSITIONS WERE TO BE IN PLACE WITHIN 36 MONTHS OF OCCUPANCY.

BASED ON THE INFORMATION SUPPLIED BY THE COMPANY, TOTAL EMPLOYMENT AS OF 12/31/2012 WAS 116. THIS NUMBER WOULD COVER THE 104 RETAINED JOBS AND 12 NEW POSITIONS. THE PAYROLL REPORTED WAS \$6,000,000.00. EMPLOYMENT NUMBERS ARE DOWN BUT PAYROLL NUMBERS ARE UP FROM LAST YEAR.

Comments: Mr. Matt Bender, CFO for Universal Screen Arts, was present as a representative for the company. Mr. Wiedie asked to explain the current numbers. Mr. Bender said that some of the Hudson staff was moved to another location but they are looking to bring back higher paying, administrative positions, to the Hudson location. Mr. Wiedie stated if there were no other questions he would entertain a motion.

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

Job Creation Grant Agreements

Beauty Systems Group, LLC

Background: THIS JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND BEAUTY SYSTEMS GROUP, LLC, WAS APPROVED ON AUGUST 18, 2010. THE AGREEMENT CALLS FOR A GRANT BACK TO THE COMPANY OF 35% OF THE INCOME TAX PAID BY THEIR EMPLOYEES FOR A PERIOD OF 5 YEARS. THE COMPANY COMMITTED TO THE CREATION OF 42 NEW FULL-TIME POSITIONS IN HUDSON WITH AN ASSOCIATED PAYROLL OF \$1.6 MILLION. ALL JOBS WERE TO BE IN PLACE WITHIN 24 MONTHS OF OCCUPANCY.

BASED UPON THE INFORMATION SUPPLIED BY THE COMPANY, AS OF 12/31/2012, THEY HAVE 30 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$1,630,636.00. BOTH THESE NUMBERS ARE DOWN SLIGHTLY FROM LAST YEAR (33/\$1.7). THEY HAVE MET THEIR COMMITMENT TO PAYROLL BUT ARE SHORT 12 POSITIONS.

Comments: Mr. Frank Fulco, Vice President of Beauty Systems Group, LLC, was present as a representative for the company. Mr. Wiedie asked is it reasonable that the 42 workers will be obtained or does that number need to be readjusted. Mr. Fulco said that the number needs to be readjusted, restructuring is possible, but we can't commit to 42. Mr. James asked what a reasonable commitment number would be. Mr. Fulco stated 32 would be reasonable. Mr. Wooldredge asked if they would still meet their payroll numbers at 32. Mr. Fulco stated yes. Mr. Wiedie stated if there were no other questions he would entertain a motion.

Motion: Mr. Wooldredge motioned to recommend that Council continue the Job Creation Grant agreement with Beauty Systems Group, LLC, Ms. Konefal seconded and the motion passed by unanimous voice vote.

Brew 1 Coffee, Co.

Background: THE CITY RECEIVED A CALL FROM MR. CRAIG WATERS, PRESIDENT OF BREW 1, ADVISING THAT DUE TO THEIR INABILITY TO RAISE THE CAPITAL NECESSARY TO SUSTAIN THEIR OPERATION, THEY HAVE CLOSED THE BUSINESS.

Motion: Mr. James motioned to recommend that Council terminate the agreement with Brew 1 Coffee, Co., Ms. Konefal seconded and the motion passed by unanimous voice vote.

Norandex Distribution, Inc.

Background: THE JOB CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND NORANDEX DISTRIBUTION WAS APPROVED ON MAY 7, 2008. THE AGREEMENT CALLS FOR A GRANT BACK TO THE COMPANY OF 50% OF THE INCOME TAX PAID BY THEIR NEW EMPLOYEES TO HUDSON FOR A PERIOD OF 8 YEARS. THIS AGREEMENT CALLS FOR THE CREATION OF 75 FULL-TIME JOBS WITH A PAYROLL OF APPROXIMATELY \$5.1 MILLION. ALL JOBS WERE TO BE IN PLACE BY 12/31/2011.

BASED ON THE INFORMATION PROVIDED BY THE COMPANY, AS OF 12/31/2012, THEY HAVE 81 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$6,030,421.

Comments: Mr. Frank Prochaska, Director of Human Resources at Norandex, was present as a representative for the company. Mr. Wiedie asked how business is. Mr. Prochaska replied that it has been up and down, but they are very optimistic moving forward. Mr. James asked if employee and payroll numbers are up or down. Mr. Prochaska said at the moment payroll and headcounts have remained the same. Mr. Wiedie stated if there were no other questions he would entertain a motion.

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

Face-Off, LLC (WBC Group DBA Meyer Distributing)

Background: THE CREATION GRANT AGREEMENT BETWEEN THE CITY OF HUDSON AND INDUSTRIAL LAND PARTNERS, LLC WAS APPROVED ON MAY 19, 2010. IT HAS BEEN AMENDED TWICE SINCE THEN, THE FINAL AMENDMENT WAS ON SEPTEMBER 18, 2013 WHICH RESULTED IN THE ASSIGNMENT OF THIS AGREEMENT TO THE WBC GROUP WITH IS THE ENTITY CHARGED WITH THE CREATION OF THE NEW JOBS. THIS AGREEMENT GRANTS BACK TO THE COMPANY 50% OF THE INCOME TAX PAID BY THEIR NEW EMPLOYEES FOR A PERIOD OF 8 YEARS. THE AGREEMENT CALLS FOR THE CREATION OF 140 NEW, FULL-TIME JOBS WITH AN ASSOCIATED PAYROLL OF \$6.7 MILLION. ALL JOBS WERE TO BE IN PLACE WITHIN 36 MONTHS OF OCCUPANCY. THE COMPANY ACTUALLY MOVED INTO THE NEW FACILITY IN 2012.

BASED ON THE INFORMATION PROVIDED BY THE COMPANY, AS OF DECEMBER 31, 2012, THEY HAVE 123 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$8,098,031.00.

Comments: Ms. Elizabeth Cross, Treasurer for WBC Group, LLC, was present as a representative for the company. Mr. Wiedie stated if there were no other questions he would entertain a motion.

Motion: Mr. Wooldredge motioned to recommend that Council continue the Job Creation Grant agreement with Face-Off, LLC, Mr. Knoblauch seconded and the motion passed by unanimous voice vote.

Lexi-Comp, Inc.

Background: THE JOB CREATION GRANT 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. THE AGREEMENT ALSO CALLS FOR THE RETENTION OF 113 FULL-TIME EMPLOYEES WITH AN ASSOCIATED PAYROLL OF \$8,676,516. IT ALSO CALLS FOR THE CREATION OF 30 NEW, FULL-TIME POSITIONS WITH A PAYROLL OF \$1,500,000. ALL JOBS WERE TO BE IN PLACE WITHIN 24 MONTHS OF THE APPROVAL OF THE AGREEMENT.

BASED ON THE INFORMATION PROVIDED BY THE COMPANY, THEY SHOW HAVING 147 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$12 MILLION AS OF 12/31/2012. THESE NUMBERS WOULD REFLECT AN INCREASE IN NEW EMPLOYEES OF 34 WITH AN ASSOCIATED PAYROLL OF \$3.3 MILLION WHILE RETAINING ALL THEIR COMMITTED NUMBERS.

Comments: Mr. Michael Metz, Vice President of Finance for Lexi-Comp, Inc., was present as a representative for the company. Mr. Wiedie asked if the numbers reported reflect the current state of the business. Mr. Metz replied that they do, but are also looking to increase the number of employees do to increased work that must be done to support their growing international business. Ms. Konefal asked if their current physical space would accommodate the new employees. Mr. Metz said they are looking to lease an additional 6,000 square feet. Mr. Wiedie stated if there were no other questions he would entertain a motion.

Motion: Mr. Wooldredge 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.

Little Tikes

Background: THE JOB CREATION GRANT BETWEEN THE CITY OF HUDSON AND THE LITTLE TIKES COMPANY WAS APPROVED ON JULY 15, 2009. THE AGREEMENT CALLS FOR THE GRANTING BACK TO THE COMPANY 50% OF THE INCOME TAX GENERATED BY THEIR NEW 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. THE NEW JOB CREATION WAS TO BE 66 FULL-TIME EMPLOYEES WITH AN ADDITIONAL PAYROLL OF APPROXIMATELY \$1,649,000. ALL NEW JOBS WERE TO BE IN PLACE BY JUNE 30, 2012.

BASED ON THE INFORMATION PROVIDED BY THE COMPANY, AS OF 12/31/2012, THEY HAVE 406 FULL-TIME EMPLOYEES WITH A PAYROLL OF \$14,032,622. THIS WOULD MEAN THAT THEY HAVE CREATED 40 NEW JOBS. THE HEADCOUNT NUMBER IS DOWN FROM LAST YEAR (414) AS IS THE PAYROLL NUMBER (\$16,708,000).

Comments: Greg Shirk, Controller for Little Tikes, was present as a representative for the company. Mr. Wiedie asked why the numbers were a little low this year. Mr. Shirk responded that we've had some issues converting our temporary workers (156 temporary workers) into full-time employees. Those temporary employees are not reflected in our employee count or payroll numbers. Mr. James asked if they expect those numbers to go back up. Mr. Shirk said yes, we anticipate that they will, especially with the company's investment into injection molding machines, we will be adding more employees. Mr. Wiedie stated if there were no other questions he would entertain a motion.

Motion: Mr. Wooldredge 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.

Adjournment:

The meeting was adjourned at 3:32 pm

Charles E. Wiedie, Chair
Tax Incentive Review Council