

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT (this "Agreement"), is entered into as of the 10th day of September, 2018, by and between the CITY OF HUDSON, OHIO, a municipal corporation with its main offices at 115 Executive Parkway, Suite 400, Hudson, Ohio 44236 (hereinafter referred to as "Hudson"); and the HUDSON CITY SCHOOL DISTRICT, with offices located at 2400 Hudson-Aurora Road, Hudson, Ohio 44236 (hereinafter referred to as "School District").

RECITALS

WHEREAS, Hudson has encouraged the development of real property located in areas of Hudson designated as Community Reinvestment Areas under Section 3735.66 of the Ohio Revised Code ("ORC");

WHEREAS, the City Council of Hudson by Resolution No. 10-28, adopted February 3, 2010, designated an area within Hudson as "Community Reinvestment Area #3A" ("CRA Area #3A");

WHEREAS, Manneschi & Benedetti Properties, LLC (hereinafter referred to as "M&B") desires to construct a large national corporate headquarters building (the "Project") on Parcel #6 at Hudson Crossing Parkway, Hudson, Ohio 44236 (the "Property") for CEIA USA, Ltd. (hereinafter referred to as "CEIA"), which is located within the boundaries of CRA Area #3A, provided that the appropriate development incentives are made available to M&B and CEIA to support the economic viability of the Project;

WHEREAS, effective March 17, 2010, the Director of Development of the State of Ohio determined that CRA Area #3A contained the characteristics set forth in ORC Section 3735.66 and confirmed CRA Area #3A as a Community Reinvestment Area under ORC Chapter 3735;

WHEREAS, Hudson, M&B, and CEIA have negotiated the terms of a Community Reinvestment Area Agreement (the "CRA Agreement") which provides to CEIA and M&B a real estate tax abatement of fifty (50%) percent for a fifteen (15)-year period (the "Tax Abatement") commencing with the first tax year for which the improvements that comprise the Project situated on the Property would first be taxable were the Property not partially exempted from taxation (the "Year of Commencement");

WHEREAS, both Hudson and the City of Twinsburg are signatory communities to the Summit County Intergovernmental Memorandum of Understanding for Job Creation and Retention and Tax Revenue Sharing (hereinafter, the "Summit MOU") which provides that when a business and/or employer relocates from one signatory community ("Departing Community") to another signatory community ("Destination Community") based upon economic incentives or financial assistance that is offered by a Destination Community then, pursuant to the Summit MOU, the Destination Community must share a portion of the revenues generated by the relocated business with the Departing Community;

WHEREAS, the Summit MOU recommends a two-tiered approach to revenue sharing between the Destination Community and the Departing Community based upon the average annual payroll of the last two full calendar years of the relocating business prior to its relocation;

WHEREAS, Tier One relocations involve the relocation of a business which, based on the average payroll of the last two (2) full calendar years prior to the relocation, had an annual payroll of less than \$3,500,000 and constituted less than five (5%) percent of the aggregate income tax revenue of the Departed Community. In the first year of a Tier One relocation, the Destination Community pays forty (40%) percent of the new income tax revenue received by the Destination Community from the relocated business to the Departed Community, thirty (30%) percent in the second year, and twenty (20%) percent in the third year after relocation;

WHEREAS, Tier Two relocations involved the relocation a business which, based on the average payroll of the last two (2) full calendar years prior to the relocation, had an annual payroll of more than \$3,500,000 or constituted more than five (5%) percent of the aggregate income tax revenue of the Departed Community. In the first year of a Tier Two relocation, the Destination Community pays fifty (50%) percent of the new income tax revenue received by the Destination Community from the relocated business to the Departed Community, forty (40%) percent in the second year, thirty (30%) percent in the third year, twenty (20%) percent in the fourth year, and ten (10%) percent in the fifth year after relocation;

WHEREAS, CEIA is currently located in the City of Twinsburg and, therefore, CEIA's relocation to Hudson triggers Hudson's obligation to share new income tax revenue generated by CEIA with the City of Twinsburg pursuant to the Summit MOU's Tier One income tax sharing plan for up to three years after CEIA's relocation;

WHEREAS, the parties to this Agreement are interested in finding a means by which the School District may be compensated for its foregone real estate tax revenues as a result of the Tax Abatement, and, for that reason, the City has agreed to provide additional compensation to the School District;

WHEREAS, the School District recognizes that the revenue sharing obligations contained in the Summit MOU coupled with the obligations contained in this Agreement may constitute a significant financial burden for Hudson and, therefore, the School District has agreed to offset and defer portions of the Additional Compensation payments due under this Agreement, as "Additional Compensation" is defined and described below, by the full amount Hudson pays to the City of Twinsburg pursuant to the Summit MOU in any year where Hudson owes a payment to both the School District and the City of Twinsburg pursuant to this Agreement and the Summit MOU;

WHEREAS, Hudson and the School District agree that the amount of Additional Compensation due to the School District that is offset and deferred shall be due to the School District beginning with the year immediately following the year in which Hudson's obligations pursuant to the Summit MOU are completed. Hudson and the School District further agree that the total amount of Additional Compensation that is deferred shall thereafter be equally distributed over the remaining years in the Term of this Agreement and shall thereafter be paid by Hudson to the School District as additional annual payments in the same manner as the Additional Compensation as defined herein (the "Deferred Payments");

NOW, THEREFORE, IT IS AGREED by and among the parties as follows:

Section 1. As provided in this Section 1, Hudson and the School District shall share equally all "New Revenue" generated by the Project for the time period commencing with the calendar year following the Year of Commencement of the Tax Abatement and for a period of fourteen (14) consecutive years thereafter (all fifteen (15) years being the "Term"). "New Revenue" shall consist of: (1) the taxes levied and collected by Hudson on the income of employees of CEIA at the Project; (2) the property taxes generated from the Project that are payable to the School District that are not subject to the Tax Abatement; and (3) the property taxes generated from the Project that are payable to Hudson that are not subject to the Tax Abatement. "New Revenue" shall not include property taxes that are currently generated on the value of the Property prior to the construction of the Project or any fees for services charged by Hudson to the Project, M&B, or CEIA, jointly or severally.

On or before August 31st of each year during the Term, Hudson shall pay to the School District an amount equal to fifty percent (50%) of the New Revenue from the prior tax year (starting with the year following the Year of Commencement) less the amount of property taxes generated by the Project payable to the School District that are not subject to the Tax Abatement. This payment obligation shall be known herein as the "Additional Compensation".

During the Term of this Agreement, if Hudson shares income tax revenues with the City of Twinsburg pursuant to the Summit MOU, then the Additional Compensation due to the School District in that year shall be reduced by an amount equal to the amount paid by Hudson to the City of Twinsburg pursuant to the Summit MOU's revenue sharing obligations.

For illustration purposes only, if in year one of this Agreement Hudson owes the School District \$5,000 (pursuant to this Agreement) and owes the City of Twinsburg \$1,000 (pursuant to the Summit MOU), then Hudson would pay the School District \$4,000 in year one and defer the balance of \$1,000 (a Deferred Payment) to be paid to the School District beginning in the year immediately following the year Hudson has satisfied its revenue sharing obligations to Twinsburg pursuant to the Summit MOU. Similarly, if in year one of this Agreement Hudson owes the School District \$500 (pursuant to this Agreement) and owes the City of Twinsburg \$501 (pursuant to the Summit MOU), then Hudson would not pay the School District any monies in year one and defer the balance of \$500 (a Deferred Payment) to be paid to the School District in the year immediately following the year Hudson has satisfied its revenue sharing obligations pursuant to the Summit MOU.

Beginning with the year immediately following Hudson's completion of its Summit MOU revenue sharing obligations with the City of Twinsburg, Hudson shall pay the School District an additional annual amount equal to the total amount of previously Deferred Payments divided by the years remaining in the Term of this Agreement. For illustration purposes only: if the total amount of Deferred Payments owed to the School District equals \$12,000 during the first three (3) years of this Agreement, then Hudson would pay the School District \$1000 per year in addition to any Additional Compensation owed to the School District in each of the remaining twelve (12) years of this Agreement.

Each payment under this Agreement shall be accompanied by Hudson's calculation, in reasonable detail, of the Additional Compensation then due and payable to the School District and of any Deferred Payments, and without violating laws relating to confidentiality of

municipal income tax information, shall include a summary of the payroll on all employees of CEIA employed at the Project during the prior tax year and the income taxes paid to Hudson on that employee payroll with respect to that tax year.

The School District may from time to time, with reasonable advance notice, review the records of Hudson relating to the municipal income taxes or other taxes it derives from the Project or the Property, in each case to the extent such information may be made available to the School District without violating applicable laws, including laws relating to confidentiality of municipal income tax information.

The following examples are solely for illustration purposes with respect to the calculation of the Additional Compensation payable by Hudson during the Term.

Example 1 – Years in Which Hudson Is Making Payments Pursuant to the Summit MOU

Based on information provided to Hudson by M&B and CEIA, the estimated annual payroll generated by the Project will be \$2,900,000. This annual payroll will generate approximately \$58,000 in withholding income tax revenue per year based on Hudson’s current income tax rate of 2% of gross wages. The estimated amount of property taxes generated from the Project that are not subject to the Tax Abatement that are payable to Hudson and the School District is \$63,508 per year. Therefore, the total annual New Revenue from the Project is estimated to be \$121,508. The revenue sharing obligations pursuant to the Summit MOU are estimated to be \$23,200 payable to the City of Twinsburg.

In this example, and based on these estimated amounts, Hudson would then make an annual payment of Additional Compensation to the School District in the amount of \$0.00 as shown in the following calculation:

50% of New Revenue	\$60,754
Less: Property taxes generated from the Project that are payable to the School District that are not subject to the Tax Abatement	<u>\$60,383</u>
Total Additional Compensation to School District	\$371
Offset By: Amount of payments made by Hudson to Twinsburg pursuant to the Summit MOU	<u>\$23,200</u>
Total Additional Compensation to School District after offset by Hudson’s payments to Twinsburg pursuant to the Summit MOU	\$0.00
Total Amount of Deferred Payments due later to School District	\$371

Example 2 – After Hudson Has Satisfied Its Obligations Pursuant to the Summit MOU

Based on information provided to Hudson by M&B and CEIA, the estimated annual payroll generated by the Project will be \$2,900,000. This annual payroll will generate

approximately \$58,000 in withholding income tax revenue per year based on Hudson's current income tax rate of 2% of gross wages. The estimated amount of property taxes generated from the Project that are not subject to the Tax Abatement that are payable to Hudson and the School District is \$63,508 per year. Therefore, the total annual New Revenue from the Project is estimated to be \$121,508. The estimated total amount of Deferred Payments during the three years Hudson and Twinsburg will share revenue pursuant to the Summit MOU is \$1,110.

In this example, and based on these estimated amounts, Hudson would then make an annual payment of Additional Compensation to the School District in the amount of \$463.50 as shown in the following calculation:

50% of New Revenue	\$60,754
Less: Property taxes generated from the Project that are payable to the School District that are not subject to the Tax Abatement	\$60,383
Plus: (Total Deferred Payments ÷ Years Left in the Term) or (\$1,110 ÷ 12)	<u>\$92.50</u>
Total Additional Compensation to School District	\$463.50

Hudson and the School District acknowledge that New Revenue from the Project will vary from year to year.

Hudson and the School District agree that the Additional Compensation is in lieu of any income tax sharing required by ORC Section 5709.82 and shall be calculated solely as provided in this Section 1 regardless of any provisions or requirements of ORC Section 5709.82 to the contrary.

Section 2. The School District hereby acknowledges its receipt on August 30, 2018 of a copy of the CRA Agreement and represents and warrants to Hudson that, through a resolution duly adopted by its Board of Education, the Board of Education has: authorized the execution and delivery of this Agreement by the School District; that this Agreement is a legal, valid and binding obligation of the School District; and the School District has waived the requirement of ORC Section 3735.671(A)(1) that Hudson must certify a copy of the CRA Agreement to the School District no later than 45 days prior to the City Council of Hudson approving the CRA Agreement.

Section 3. Hudson hereby represents and warrants to the School District that, through an ordinance or resolution duly adopted by its City Council, the City Council has authorized the execution and delivery of this Agreement by Hudson and that this Agreement is a legal, valid and binding obligation of Hudson.

Section 4. Hudson represents and warrants that it will not execute the CRA Agreement between itself and M&B and CEIA in any form except the form that is approved by the School District, will, as a condition of the continuing validity of this Agreement, execute the

form of the CRA Agreement approved by the School District, and may not amend the CRA Agreement in any way without the prior written consent of the School District.

Section 5. Hudson and the School District agree that this Agreement may not be used as precedent for the negotiation of compensation payable to the School District with respect to any future tax incentives that Hudson provides to businesses operating or owning property within its boundaries.

Section 6. All payments, certificates and notices which are required to or may be given pursuant to the provisions of this Agreement shall be sent by registered or certified mail, postage prepaid, or by recognized overnight national commercial delivery service and shall be deemed to have been given or delivered when so mailed to the following addresses:

If to Hudson:	City of Hudson, Ohio 115 Executive Parkway Suite 400 Hudson, OH 44236 Attention: City Manager and Finance Director
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If to the School District:	Hudson City School District 2400 Hudson Aurora Road Hudson, Ohio 44236 Attention: Superintendent and Treasurer
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Any party may change its address for receiving notices and reports by giving written notice of such change to the other party.

Section 7. This Agreement shall be construed, interpreted, enforced, and the rights of the parties determined, in accordance with the laws of the State of Ohio.

Section 8. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same valid instrument, and either party to this Agreement may execute this Agreement by signing any such counterpart.

Section 9. This Agreement may be amended or modified by the parties only in writing, signed by both of the parties to this Agreement.

The City of Hudson, Ohio, by Jane Howington, its City Manager; and the Hudson City School District, by Phillip T. Herman, its Superintendent, and Kathryn L. Sines, its Treasurer; have caused this instrument to be executed as of the date first set forth above.

CITY OF HUDSON, OHIO

By: Jane Howington
Jane Howington, City Manager

HUDSON CITY SCHOOL DISTRICT

By: Phillip T. Herman
Phillip T. Herman, Superintendent

By: Kathryn L. Sines
Kathryn L. Sines, Treasurer


APPROVED AS TO FORM.



Matthew J. Vazzana, City Solicitor

CITY FISCAL OFFICER'S CERTIFICATE

The undersigned, Finance Director of the City of Hudson, Ohio (the "City"), hereby certifies that as of the above date, the monies, if any, required to meet the obligations of the City during the fiscal year 2018 under the foregoing Agreement have been lawfully appropriated by the City Council of such City for such purposes and are in the Treasury of the City or in the process of collection to the credit of an appropriate fund, from any previous encumbrances.



Jeffrey Knoblauch
Finance Director
City of Hudson, Ohio
Date: 10/9/2018