



COMMUNITY DEVELOPMENT • 1140 Terex Road • Hudson, Ohio 44236 • (330) 342-1790

MEMORANDUM

Date: July 31, 2023
To: City Council
From: Katie Behnke, Economic Development Manager
Re: Summit County Intergovernmental Memorandum of Understanding for Job Creation and Retention and Tax Revenue Sharing

Background

The City of Hudson participates in the Summit County Intergovernmental Memorandum of Understanding for Job Creation and Retention and Tax Revenue Sharing (“MOU”) which aims to encourage collaboration among communities in Summit County and dissuade poaching of major employers through incentives. The MOU has been adopted by all but two communities (Stow and Twinsburg Township). From 2014 to 2018, the city collected an additional \$302,908 in income taxes for jobs that moved to Twinsburg under an incentive. Beginning with 2022, the city has paid the City of Green a portion of our income taxes collected from Diebold Nixdorf as they received a Jobs Creation Grant as part of their relocation to Hudson. The full agreement and signatory pages are attached as an addendum to this memo.

Originally, the legislation was reviewed and re-adopted annually by the participating communities but during the COVID-19 pandemic, the group did not convene and has not gathered since. The changes to the economic landscape create challenges to the way this legislation operates. For example, a business that historically had all employees in the office that has moved to a hybrid or largely remote employment model for their long-term strategy will logically seek out smaller office space in the coming years. They will likely look within the same community and if they are unable to find an appropriate space, will look in the neighboring communities as to not increase commutes for their hybrid and in office employees. These corporate moves are very likely to occur and are not the result of poaching, but rather a large shift in the change in the employment model. Additionally, the MOU is silent on how employees working from home should be considered in this analysis as it was not a pervasive issue at the time the MOU was written.

Following the discussion in the City Council Workshop on March 14, 2023, Staff reached out to other Economic Development professionals within Summit County to discuss the future of this agreement. Feedback was extremely limited as many communities within the county do not have fully dedicated Economic Development professionals. Staff discussed the MOU with the Economic Development team at Summit County and was informed that a meeting is going to be scheduled this year although a date has not been set.

In preparation for this meeting, the Economic Development Manager and Assistant City Manager - Finance reviewed the existing agreement and proposed changes to discuss including the items below:

- Propose tax-sharing should only be triggered when payroll exceeds a certain dollar threshold, irrespective of whether an incentive was offered. If the aim of the agreement is to share revenue when meaningful employers move between communities without impeding the Economic Development professional's ability to retain them within the county, we should remove incentives as a criteria for revenue sharing.
- Propose significantly increasing the payroll threshold from \$3,500,000 which equates to \$70,000 in tax income. The current threshold is less than a quarter of a percent of our income tax and therefore feels too low to be a meaningful business relocation to require the administrative burden of tax sharing.
- Propose changing the language in a split relocation to the income tax gained in the destination communities at the time of the split location not to exceed the income tax lost in the departed community shall constitute the base for determining whether all destination communities shall share revenue. The current model penalizes the destination community if jobs are converted to remote or hybrid as part of the change.

Next Steps

After considering these discussion points, Staff would like Council's feedback on the proposals and whether these changes would make it more palatable to remain members of the agreement.