

**Minutes of the Meeting of the Economic Development Committee of Council
Held in the Caucus Room of the Municipal Building
On Monday, February 17, 2020
6:30 P.M.**

The Chairman, Ward 3 Councilman Tony Moore, called the meeting to order.

Committee Members Present:

Chairman, Ward 3 Councilman Tony Moore

Ward 1 Councilman Bob Butkowski; Councilwoman-at-Large Tammy Holtzmeier

Others in Attendance:

Ward 2 Councilman Dennis McBride; Law Director John Gasior; Rusty Hood, Bendix Commercial Vehicle System; Nestor Piuma, Bendix Commercial Vehicle System; Mayor Bryan Jensen; Councilman-at-Large Craig Witherspoon; Ward 4 Councilman Scott Radcliffe; Council President Brian Fischer; Finance Director Bill Logan; Mike Sakal, reporter, Westlife; Planning and Economic Development Coordinator Pam Fechter; City of Avon IT Technician Aaron Jenkins; Kevin Martin, reporter, Morning Journal

Discussion of Incentives – Bendix Commercial Vehicle System, LLC

Mayor Jensen introduced Mr. Hood and Mr. Piuma and stated that this process has taken us just over five years. Most of Council has been involved every step of the way in terms of talking to Bendix about coming to Avon. The one thing that we all know is that at one point, Elyria was talking to Bendix and once Bendix had decided that they wanted to build a new facility, that is when we became part of the conversation. The Mayor then turned the discussion over to Mr. Hood and Mr. Piuma for their presentation.

Mr. Hood said that he wanted to thank everyone very much. It has been a long journey and when they first embarked on that journey they did look at other options – at some sites in Cuyahoga County as well as some out of State sites, so at the end of the day they are thrilled to be staying in Lorain County and are really excited about making their new home in Avon. He said that they could not do it without the package that Avon has put together so they are extremely appreciative of that. He said that Mr. Piuma would walk them through a little bit about the project and then they would talk a bit about what they do in Lorain County outside of making and testing braking systems and active safety technologies. They are very committed to the community, to the schools and many other charitable causes and they would talk about that as well.

Mr. Piuma said that he would start by introducing Knorr-Bremse and Bendix to everyone so that they have an idea of what we are bringing to the table as far as business and type of product, and type of environment technology. Then later, as Mr. Hood said, he is going to walk us through what Bendix does with the community. We pride ourselves for being very involved with the community; you will see our numbers as far as level of involvement of our employees which is pretty impressive.

Mr. Piuma stated that Knorr-Bremse was founded in 1905 so it is over 100 years old. It is now publicly traded since October of 2018. It was the biggest public ITA in Europe in that year. It is listed in the Frankfurt stock exchange, not in the United States. There are 29,000 employees worldwide, with a worth of \$7.8 billion dollars, the last time he did the math, so it is very sizable. There is 5-1/2% investment in research and development and again, that is something that we bring here which is a strong focus on innovation and new products. Our products are always cutting edge; the latest and greatest you can find

in what we do. You can see on the chart that there were 186 million euros in 2017 in investments. There are 100 locations in 30 countries. We are two divisions: the commercial vehicle system and the rail division. Bendix is in the commercial vehicle system. We are number one worldwide in most of the products that we do, which is anything related to active safety and brake steering systems for commercial vehicles. Basically, we control the whole vehicle from sensing with cameras and radars to getting all that information and processing that, making decisions when to apply the brakes and when to turn, anything related to making the vehicle autonomous we make it. So of course in the era which we are entering, of autonomous driving, we are in the core of the whole system.

Mr. Piuma stated that Bendix was incorporated in 1930 in Elyria, Ohio. In North America, we are at \$1.3 billion dollars for the last year, with 3,400 employees, and that includes the United States, Canada, and Mexico. That is what we administrate from here and we have some influence on the South American portion, too, in different areas. Again, the major product is what he has explained: electronic and advance driver assistance systems. They also have other products like integrated modules for example; they do the whole module that the driver interfaces with, air brake charging related to compressors in supplying the air to the braking systems, and then we also have distance vibration engine dampers and this is not a very well known product but every engine has one of those and they make a big part of what the market needs, not only for trucks, but also for pickup trucks and smaller vehicles.

Mr. Piuma said that Bendix facilities included plants in Acuna, Mexico, Bowling Green, KY, Huntington, IN, Lebanon, TN, and N. Aurora, IL. Distribution sites are in Huntington, Sparks, NV, Montreal in Canada, and Mexico City, Mexico. The main Research and Development facility is what they have today in Elyria, moving into Avon. There are also R&D facilities in Kalamazoo, MI, Irvine, CA, Acuna, Mexico, and Vancouver, British Columbia. He added that their customers are basically anybody who makes commercial vehicles.

Mr. Piuma said that he would pass the presentation on to Mr. Hood, who will give them an idea as to what they do as far as their involvement with the community. He said he just wanted to mention that they do have two focuses: one of them is global care, which is administrated from Knorr-Bremse in Europe and then we have the local care, which is local administrated.

Mr. Hood showed the chart of an overview of the variety of engagement that Bendix has in our communities. He said that they take corporate responsibility and sustainability very seriously. They have a great culture that they have built within the organization for many years and they are very proud of it. It is a combination of grants, donations, fund raisers and they have a very active, get-involved program where employees can nominate projects on any scale up to \$3,500. for possible funding and/or to get involved themselves. They also really encourage employees to give some volunteering time to go out and get involved in some of these projects or really any type of volunteering that they feel they are called to do. They are very supportive of that so Avon will be getting all of that with the folks that they will be bringing over with them.

Mr. Hood pointed out some of their local sponsorships: United Way, National Kidney Foundation, the ALS organization, Blessing House, Save Our Children, and a variety of other miscellaneous causes in Lorain County. He said that they are very active and focused on education, in both the global care and local care areas. They have been extremely active in a variety of Lorain County schools, probably 8 or 9 separate Districts, including Avon. Mr. Piuma added that, being so technologically oriented, of course anything related to STEM (science, technology, engineering, math), Bendix sponsors that; they sponsor that in all the schools in the area. They are also big in sponsoring robotics. So in all the school systems in the Lorain

area, they are very strong on pushing and helping, mainly anything related to technology. Mr. Hood said that Habitat for Humanity is also another area where they have a lot of engagement from their organization. In the last five years they have spent \$170,000. on seven homes and employees worked on building the houses.

Mr. Piuma stated that the graph he was showing was a snapshot of their get-involved grants; these are the smaller-scaled grants where the employees can come and nominate various projects. He said it shows the funding that Bendix has put towards that, the number of projects they have had on an annual basis and also the number of people that were benefited. So again, this is all part of what the Bendix family will bring to this community. We are very happy that we are going to be able to stay engaged in a lot of the other Lorain-based communities that we are still working with and we are very committed to continuing to do that.

Mr. Piuma said that the level of involvement that they have is the pride of the company. They have around 21% employee involvement in Bendix overall and in Elyria itself, 51% of the employees are involved and they keep pushing it up. So in a building with 550 people, you have an army of maybe 300 people working and doing something in the City, so it is pretty impressive.

Mr. Piuma stated that Bendix was named one of the safest companies in the U.S. last year, so they have a rate of accidents that is very low; it is one-tenth of the industry average. Someone then asked if the dollars that were shown earlier on the graph being donated to United Way and some of the other organizations, if those were Bendix dollars and the employees also contribute. Mr. Piuma responded that they were all Bendix dollars. Normally the employees come with a project and they are involved in that organization and we will give them the money at some level we determine. Mr. Hood added that it comes with the necessary due diligence but as Mr. Piuma said, the employee has to be the project champion and be heavily engaged in it. Mr. Piuma said that another thing they do at Bendix which is very strong is anything related to health and lifestyle. Bendix always has in its cafeteria a vegan menu and they have a program of earning health points. Employees get a very big discount in their medical insurance by accumulating those health points so employees are encouraged to do certain tests, be a non-smoker, etc. Mr. Hood added, yes, there is a very significant wellness program, and a curriculum that employees can take in addition to doing these tests.

Mr. Hood asked Mr. Piuma to talk a bit about part of what they want to do with the campus in Avon. Mr. Piuma said that he would mention a couple of things shown on the display. They have land of about 60 acres; the covered area total is close to 200,000 sq. ft. There is a main building and a drive-through garage in the back, with five bays of drive-through so they are going to have a flow of the trucks. The main building is around 189,000 sq. ft. and is a two story building with an L shape surrounding the core. He pointed out the lab which is just one story and there is about 70,000 sq. ft. of lab in there. There will be parking for 700 employees; the capacity of the building is 670 – 680 depending on how we arrange it. There will be a waking trail close to the front and they will do the landscaping for that area. The other thing that they are not showing there which is not part of the initial project, is on the left side they will have a small test track if they decide that it makes sense for them to have it there. Of course if they have a track, they will have mounds, etc. for safety purposes. They want to keep all of the woods that they can. Mr. Piuma stated that if you go back on Schneider Court you will see that is all clean now, ready for the construction. The ground work will start around April although it could be a little earlier depending on permits and other work there. The pre-cast, which is part of the structure, the shell of the building, is going to be ready in June, 2020, so you will see the building core and shell being built. The finish will be

November, 2021, and it could be maybe a month earlier, but just take 2021 as the final date for us to be moving in there.

Mr. McBride noted that most of their employees live in Lorain County and western Cuyahoga County and Mr. Piuma said, yes, all the way up to Strongsville and a little further out; some people commute up to one hour. Mr. Butkowski asked, when they open in 2021, what is the number of employees they are looking to start with at that time and Mr. Piuma said they would call it 550 or maybe a little higher.

Mayor Jensen stated that one of the reasons he asked Bendix to go into the depth that they did tonight is because all of us take these incentives so seriously and what it means to the community, and also for us to do our due diligence to look at the company. We are looking at \$55 million dollars in investment for the building itself and another \$55 million dollars in wages and so when we look at that we know this is a company that is going to stay here for a long time. Also, we learned of the impressive history of the company. He then asked Mr. Piuma and Mr. Hood to explain to Council a little bit about why this incentive is important to them.

Mr. Piuma stated that the main reason they are building this new building is to attract and retain talent. When we started looking at this, we saw several offers and Avon was one of them. He thought that this was a very visible place, the area is so vibrant and is the right area to attract talent. That was the goal; everything revolved around attracting and retaining talent. Bendix is a very innovative company and that is what keeps them afloat; they are always one step ahead of the competition. To do that, you need millennials, you need a certain level of people and you need to make them part of the place where they are working and he thought that this corridor here is second to none this way. But he said that he wanted to make sure that they understood that Bendix did have better financial offers but they had to weigh everything and to him, he does not think there is a community in the area more vibrant than Avon at this point, so that is why they are here.

Mayor Jensen said, so we are before the Economic Development Committee tonight to ask for a recommendation for the 90% incentive, to go to the Work Session tonight with the Ordinances and then to vote on them next week. Mr. Logan stated that the two sides have agreed to a 90% Community Reinvestment Area agreement: 90% property tax abatement on the improvements (the \$55 million which is what is in the estimate now) over a 14 year period. That is around \$1.1 million per year. Following that 14 year CRA period, would be a separate Ordinance on tonight's agenda for what is called an income tax grant, and that income tax grant is 25% of the total withholding tax, the payroll tax, that Bendix would be withholding from their employees. That would be in the form of a check back from the City at the end of whatever fiscal year it is for that 25%. That is year 15 through year 21, a seven year period. This is what the City of Avon has on the table.

Mayor Jensen added that when payroll taxes start moving in, the City of Avon will start generating some revenue. Bendix did not ask us to give it all back at once, so at the end of year 15, we will start giving back the 25% but it allows us to collect money early and then all through the agreement so when you look at it over the course of 30 years, it is a value to the community. And this is a company that is a world headquarters and there are not many opportunities to get a world headquarters. This is the kind of company that we are looking for and so the Mayor said that again, he is asking the Committee to come out of this meeting with a recommendation for the tax incentives and that next week we will vote on them.

Mrs. Holtzmeier noted that the incentive as it is shown to them, assumes that there are about 550 employees coming and she asked if that was the move-in number. Mr. Logan responded, yes, and as Mr. Piuma said, he thought it is a little more. Mrs. Holtzmeier noted, so Bendix is coming in day one meeting our expectations for the minimum employee standards of the incentive and since they said that capacity for the building is about 670 - 680, there is still opportunity to grow the business by 130 or 140 more employees before they max out. As the Mayor said, it is not every day that you have an opportunity for a world headquarters. The kind of tax revenue that Bendix can bring to our City is very generational. It will help us to plan well for the tax implications for our residents for years to come. Bendix has been around for a long time and is making an investment in our community and that is very clear.

Mr. Butkowski stated that he looks at Bendix building on Chester Road as a catalyst for the rest of Chester Road. He asked if they foresaw any of their suppliers or any other integrated supply chain folks to potentially move in to be closer to them since vertical integration is kind of the key in manufacturing. Mr. Piuma said, no, and the reason is that their facility is basically research and development for now. We are basically the brain of the group so what we do here is develop all the products. The good news is that the land that they have is big enough so one day manufacturing is a possible project. Mr. Butkowski said that he visualizes it being a catalyst not only for integration for manufacturing but maybe other smaller businesses that might be subsidiaries of Bendix or might be feeding into their industry.

Mr. McBride said that the thought of Bendix being a catalyst in Avon is a good point. Maybe it would not be related vendors but the fact that Bendix is here and is a world headquarters is an attraction. He is assuming there will be appropriate signs in front of the building, showing it off. Ms. Fechter said, so Bendix is a world headquarters and up the road is the Duck Tape world headquarters, so she thought it just starts to build this energy in the area. And The Jacobs Group is out there hard pushing property on Chester and a lot of it is retail because that is their forte, but she thought that this design will make people much more aware of what is along I-90 in that area on Chester Road so it is a win for everyone.

Mr. Moore stated that he was very glad to hear Mr. Piuma mention that they wanted to save all the trees that they could. A lot of people are just clearing the trees out when money is a driving factor and it is impressive to hear of the process that Bendix is taking, the process of looking at the overall picture, because it is easy to get caught up in all that money. Mr. Piuma said that they tried to keep as many of the trees as they could; it just makes you sad to see those huge, very old trees cut down.

Mayor Jensen stated that it should be noted that when given the opportunity to say something that was not going to happen such as bringing more manufacturing, you did not get a lie from Mr. Piuma and Mr. Hood. They said it is possibly out there but it is not part of what we are negotiating; we are negotiating here what we can do. The Mayor stated, what they have promised to do, he thought that you will see in everything that they said and that is why he and his staff have felt so comfortable in dealing with Bendix. The Mayor said, so if no one has any further questions, he would ask for a recommendation from the Economic Development Committee.

A motion was made by Mr. Butkowski and seconded by Mrs. Holtzmeier to recommend the economic development Community Reinvestment Area package and grant as defined by the Finance Director, and the vote was all ayes.

Ms. Fechter said that recently Bendix was voted the most ethical company and Mr. Hood said, yes, two years ago. Mr. Piuma said that he was so proud of this company. Remember that they work on safety on the roads and are continuously working on and lobbying for safer laws. So again, it is not only a high tech

company but it is a tech company that has a very strong social meaning to him. Mr. Hood said that their research shows that over 1 billion people wake up every day and are going to be dependent on some form of a Knorr product whether they are getting on a high speed rail or freight rail or in a commercial vehicle. They take that very seriously. Mr. Piuma added, and they will have a market for the upcoming century with autonomous driving; that is what they do. Mrs. Holtzmeier said that so many communities that were once manufacturing, thriving communities always complain about brain drain, that their young people leave because they cannot find opportunities or they find better opportunities somewhere else. For Bendix to be a technology company that is so active in STEM – if they cannot be where they currently are, she was glad that they can still stay in Lorain County and keep our brain power here.

Mayor Jensen said that one other thing that he wanted to point out to this corporation is the fact that every single one of our Council members is here so that tells you how important we feel that it is. So we have a Committee of three that will bring this forward but all the other Council members are here to hear your presentation and to support you coming to Avon so he thought that is a tribute to what Bendix means to this area. He thanked Bendix for staying in Lorain County and knowing that all those things they said will still stay within that area and will still strengthen the County and we are thankful for that. Mr. Hood and Mr. Piuma thanked everyone very much and said that they really appreciate the commitment and the support.

Mr. Moore adjourned the meeting at 7:12 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council