

**Minutes of the Meeting of the Economic Development Committee of Council  
Held in the Council Chambers of the Municipal Building  
On Monday, October 5, 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:**

Clerk of Council Barbara Brooks; Law Director John Gasior; Mayor Bryan Jensen; Ward 4 Councilman Scott Radcliffe; Councilman-at-Large Craig Witherspoon; Planning and Economic Development Coordinator Pam Fechter; Finance Director Bill Logan; Kevin Martin, Reporter, Morning Journal; Gabrielle Christman, Hunter International; Council President Brian Fischer

**Discussion of the Status of the Tax Incentives for Hunter International**

Mr. Moore asked Mr. Logan to discuss the abatement proposal listed on the spreadsheet that was handed out.

Mr. Logan pointed out to Ms. Christman the highlighted proposal number 5 on the spreadsheet. He stated that this proposal is a bit revised from what we had sent over to her the other day. So this proposal would basically require some job growth every year for the first 7 years. It would require 2 jobs to be created in year 1, then 3 jobs in year 2, 5 jobs in year 3, and so forth so that by the end of the 7<sup>th</sup> year, there would be 75 jobs created. That is what this is saying. And then in return, the abatement percentages would escalate. After 3 years at 10%, they would go to 20% for 2 years, 30% for 2 years, and then the final 3 years would be at 50% abatement as long as by that time Hunter has 95 total jobs and you stays at that level or goes higher. And so based on the \$3.5 million dollar investment in the building, that would be total abatement over the 10 years of \$215,600. Everything else is basically what we had looked at on the previous proposals.

Mr. Moore stated that, in trying to find that blend of helping Hunter International and not opening this up to every new business with 20-25 employees coming in for abatement, one of the magic numbers was the total payroll which was most important along with the job growth. He wanted to get Ms. Christman's thoughts on what she wanted the Committee to recommend to Council. We have been looking at this for quite some time now and want to try and find something that is fair to Hunter and to the City. We like what Hunter is doing but we also need to protect the City in making sure that everyone is not coming in asking for an abatement for 20 or 25 employees.

Mayor Jensen said that each Council member will have an opportunity to weigh in on this. As he has stressed, it is really important to him to try to keep Hunter here in Avon and so to put

something forward that might be acceptable to the company. He was out to the new location and was very impressed with what it could be over there. The City is looking to move some development in that area and Hunter's building would be that anchor place to continue that kind of development with the type of building that Mr. Christman was describing. He thought that the way it stands here, Council is acceptable to trying this and seeing how it works.

Mrs. Holtzmeier said that she had a couple questions but first she wanted to congratulate Ms. Christman and her company on receiving the Smart Business Award. It is a feather in our cap to have an Avon headquarters organization be named as a progressive organization in Northeast Ohio. She congratulated Ms. Christman and her team and said that is an excellent distinction.

Mrs. Holtzmeier then stated that she reviewed the minutes from the previous meeting and would like to just take an opportunity to clarify 3 different points to make sure that we are on the same page with what Ms. Christman's plans and intentions are for the business. She asked Ms. Christman what, if any, portion of the property, would she plan to lease or sub-lease during the terms of the abatement and Ms. Christman responded that the intention is not to lease or sub-lease any part of the property. The intention is to use it for Hunter International and for their employees. Mrs. Holtzmeier said so it would be 100% occupied by Hunter International? Ms. Christman answered, yes. Mrs. Holtzmeier noted that this is a plan for 10 years and asked, in those next 10 years from their start date, would they plan to maintain that location on Chester Road as their world headquarters, meaning they would have the majority, more than 51% of all of their employees, working out of that location? Ms. Christman responded that they have 400 employees nationwide but that would be their headquarters. That is where their operations and their leadership team will fit but she does not have any way to know that they could not have more than 100 employees in a different site or at a different location. They would not be impacting the business decisions of different operations, they would not be interim employees, but they could be external consultants.

Mrs. Holtzmeier said she would ask it in a different way. Would you foresee any plans to have the majority of employees centralized in any one location other than Avon? Ms. Christman answered, no. Mrs. Holtzmeier asked, and then again, looking at that 10-year period, from when the abatement would start to finish, if that property would ever be sold or transferred, would Ms. Christman have any difficulty in having part of the clawback be that the abatement itself is cancelled? Ms. Christman said, no. Mrs. Holtzmeier said that for her, in looking at this, aside from the numbers themselves, really the devil is in the details: how well do you cross the t's and dot the i's of any agreement. She said she thought that the last time Ms. Christman was there they said that they always hope for the best for their businesses and want to help support them, but responsibly, for the taxpayers they have to plan for the worst and in that, she would say that she could be supportive of an enterprise zone abatement as long as in our clawback provision, we include a specific language that meets those three points we just talked about. The first being that there would be a minimum of 90% of their building to be used for Hunter International business. As Ms. Christman said that they will be 100% occupied by Hunter and will not sub lease, we want to maintain that in a clawback. The second point is that Hunter maintains what they consider their world-wide headquarters here and specify that the Avon location would have the

largest concentration of their total workforce at that facility. And then the third, as language of the clawback, that there is a measure to reduce the tax abatement if the property is ever sold or transferred for more than the construction estimate used to calculate the value of this abatement, which right now is a \$3.5 million dollar number. And that that would of course cancel that abatement and that clawback would come into effect.

Ms. Fechter stated that, as far as the employees at the world headquarters, Ms. Christman will be committing to 20 people working there and then hiring all the new hires. She has about 400-500 people who work throughout the country but there will only be 20 as the leadership/executive team in the building built by the company here; the base will be 20 to start. Mrs. Holtzmeier said, and “throughout the country” are the key words there. Concentrated in Avon is really the important aspect for us when we are using it as a template for other businesses in the community that are asking how this works for them.

Ms. Fechter said it is her understanding that when we do an enterprise zone agreement, it is done in the name of the property owners and if the property were sold, the abatement would automatically end and not just automatically transfer to the new owner. Mr. Gasior explained that the new entity would apply to Council for an amendment to allow them to step in but also, in an enterprise zone agreement such as this, you are going to bind the employer to the agreement as well because usually the property owner is not the same person as the employer, so you have to include both of them in the enterprise zone agreement. So clawback provisions have to be interchanged with the employer and the property owner. But that is in the drafting.

Mayor Jensen stated that just so Council remembers, too, this was just Phase 1 of the goals for the company and he thought that it still has not been decided which phase is going to go first. Ms. Christman said that was correct. Mayor Jensen so that will be something that will be discussed but again the goal is to continue to grow on that piece of property with Hunter International. As we have said, this is something different that we have never come across before and that makes it exciting in a lot of ways but it also means that we have to walk a little bit slower and get everything in place. He added that he still thought it could work and be very positive.

Mr. Butkowski said that he would like to hear what Ms. Christman’s thoughts were in looking at this proposal. Ms. Christman responded that she thought that it was progressive and it is achievable. She said, as they have talked about many times, they would not be doing this if they did not think it would be and so over the course of 10 years, they certainly think that it is achievable and she hoped that they can do more than just deliver, not only in terms of the number of employees but in what they can do for the community as well.

Mr. Butkowski said that as part of Ms. Christman’s discussion before, she had also mentioned creating about 100 jobs and this proposal was based on 75 jobs. As he looked at the proposal, in the last 3 years there is an abatement just to maintain that number and his concern is if we pass this proposal that it will open us up for more folks to come in and ask for an abatement if they maintain their employees. Ms. Christman has stated that she can get to 100 employees so he

would modify this proposal to add 9 more employees for those last 3 years with their additional payroll so we can get to those 100 employees.

Ms. Christman said that she understood where Mr. Butkowski was coming from with that but she does not think it is equitable with how other abatements have been structured in terms of employment goals being met over the course of 36 months and so she thought that this is fair in stretching that time frame out for hiring. Mr. Butkowski's modification is not what she sees as equitable or fair in what has been passed prior, so when you look at a company that has 20 employees now, you are more than tripling that number, almost quadrupling that number.

Mr. Butkowski asked, when Ms. Christman talks about other abatements in the past, what is she referring to? Ms. Christman answered, other abatements that are front-loaded with the number of jobs created so like if we look at Custom Culinary or L&W Engineering, she thought that they added 16 new jobs and they added those in the first 36 months and maybe they are going to have 40 employees total so it is not equitable as to where Hunter is starting and where they are trying to go. She does not know the exact numbers of Custom Culinary but she knows it is structured in that same way that their targets for hiring were lower in terms of the total numbers but also lower in terms of the numbers of years that they had to commit to. In addition to that their percentages were higher. So she understands that it is a balancing act with Hunter because they are light on the front but they will get heavier on the back as they continue to grow but being cognizant of that dynamic, she does not think that is being equitable or consistent with others. Mr. Butkowski said, but on the back-end the percentage of the abatement continues to go up while Hunter is maintaining as opposed to growing and if we are talking about economic development, we want to see growth for those last 3 years to be able to account for that abatement.

Mayor Jensen said, just to defend that a little bit, the reason that it stopped where it did is not because Ms. Christman did not think there was going to be any growth but at that point we wanted to see that number before jumping to the 50%. We wanted to see that number stay there for the next 3 years and so the ultimate goal was to get to almost 100 people in employees but that does not mean that the company is going to stop growing. It is just for our purposes in terms of an abatement; we set goals of how many they could get. We wanted to see when we got to the end of year 7, that there were 95 employees in total. The 75 new employees plus the 20 that were retained. We really felt, as the Administration, that we were ok as long as those numbers were hit so that was deliberate on the Administration's part. Again, we are hoping that this is the first step and that we will grow together. Hopefully we will be in Phase 2 of it and there will be a whole different talk of abatement. Again, that was not Ms. Christman's intention to just to stop it there; that was the Administration saying let's get through the 10 years and be on to our next phase of it.

Mr. Butkowski said that he understood but he thought that the point of an abatement is to give an incentive for a company to grow and we want them to grow. He wants them to have 150 employees; the problem is what we are agreeing to is less than that so we have to look at the least common denominator here and if there is no incentive to grow, what is the point at that

point to provide an abatement? If we are going to have economic development we want to develop and grow and continue to grow. Ms. Christman had mentioned that she could get to 100 employees relatively easily so it should not be that big of a deal to go from 75 to 100, whether it is within the first 5 years or 10 years. Just adding 9 more jobs every year for the last 3 years should be more than attainable and then that could justify why we would be giving that abatement.

Ms. Christman stated that unfortunately she does not agree because other abatements have not been structured that way. 10-year abatements do not have to deliver employment numbers in years 4 to 10 and so this proposal is progressive, it is fair, and she feels comfortable with what is on paper. It creates 75 new jobs in the City of Avon for folks who will hopefully be part of this community. Hunter still gets to a total number of employees that is achievable and fair with it ending at a 50% abatement. If there is an abatement that is structured where you are asking for employment numbers like that all the way out to years 7-10, please tell her but those abatements are likely at 60% or 75%. So if there is an abatement that you want to reference, she would be happy to look at it and go back to the drawing board.

Mr. Butkowski asked Ms. Fechter about previous abatements. Ms. Fechter stated that L&W was 75% for 10 years, 60 jobs retained and an existing payroll of \$2 million dollars, 20 jobs created in a year with additional \$700,000 in payroll. They constructed a 72,000 sq. ft. stamping press plant with a \$14 million dollar investment. Jenne's abatement was declining; it was 75% for 3 years, 60% for 3 years, and 50% for the remainder. It was their third abatement but they had 131 retained jobs with an \$8 million dollar payroll. 24 new jobs were required in the first 3 years, adding another \$1,900,000 payroll. Total payroll of \$9,934,000. There was a 65,000 sq. ft. addition with an investment of \$24 million dollars. Regarding the abatement for Custom Culinary, they had 27 retained jobs, and existing payroll of \$1.1 million, 17 new jobs were required in the first 3 years for \$684,000. They constructed a 13,000 sq. ft. addition with a \$6 million dollar investment.

Mr. Butkowski stated, so the jobs were front-loaded because the payroll is coming in in the front end where these are more back-end loaded with regard to the payroll so that is where you can be a little more aggressive on the front end because you are getting the payroll that is going to be the accumulative time left on that abatement, where Hunter's is more back-end with the number of employees and the payroll going up later on in the abatement. So it pays for itself on the front end more. Ms. Fechter noted, and Custom Culinary was only given 50% for the 10 years. Mr. Butkowski asked, and then how much additional for the land and the build-out? Ms. Fechter said that they had already had the land and that \$6 million dollars was the investment for the build-out of the building and she was not sure what the total investment is now. Mr. Butkowski stated, so taking that into consideration, he thought that his ask was not that out of line with what we have provided in the past, especially when Ms. Christman said she could make those numbers as far as employees.

Ms. Christman stated that over 10 years she cannot forecast what is going to happen outside of business factors that she can or cannot control. She understands Mr. Butkowski's perspective

but she does not feel comfortable putting it on paper, especially if they are staying at 50%. But she felt that this proposal is equitable and fair while still helping develop Chester Road and giving them the ability to hire the employees and attract the talent to the area.

Mayor Jensen confirmed with Ms. Christman that she would not have an objection to how the proposal is set up at this point and Ms. Christman said, no, she would not. She added that there is some wording that we would need to work through as to the employees and really understanding that headquarters piece. She said that they are really looking for two phases of growth on this property so she hoped that they can be at a point during this time period where they are coming back to develop the second phase. She added that she would be comfortable voting on this tonight. Mayor Jensen stated that this Committee moves it to full Council and full Council then votes on it.

Mrs. Holtzmeier noted that the spreadsheet shows the first year as being 2022 and asked if that was a valid number to start. Ms. Christman answered that she thought that it was. They have talked with the builders this week and feel like they are 8 months from when they put a shovel in the ground and that is going to be dependent on the abatement decision. Mrs. Holtzmeier asked about how long their construction season lasts and Ms. Christman said she would not know. They have plans and prints ready to go; if they could have a decision from Council and could be ready to get going, she would think that as soon as the weather breaks in 2021, they would start, hopefully March, maybe February. But she thought the forecast is that they could be done in 8 months.

Ms. Fechter stated that she just wanted to add in to help everybody keep this in mind that this is not a normal company that came in front of us. This is a corporate headquarters that came to us from Jobs Ohio. Jobs Ohio found that Hunter was a very important company to the area and wanted to keep them so that is how they involved us. Usually it is us bringing Jobs Ohio in but they were at Jobs Ohio first. So as far as setting a precedent, this is not a normal company that is just starting down the street. This is a corporate headquarters whose numbers are not in Avon but are out there across the country and so that is why we are looking at them to begin with. So it is not going to set a precedent; we do not have a lot of world headquarters coming in to speak with us to begin with, so just to keep that in mind.

Mr. Moore asked if the Committee wanted to make a motion to send this to Council and Mr. Butkowski made the motion. Mrs. Holtzmeier seconded it and stated that she would add to that motion, the recommendation of Option 5 and that the three provisions of the clawback be included in the language. Mr. Moore said that he agreed and was in favor of sending this to Council, with Mrs. Holtzmeier's additional provisions. The vote was unanimous.

Mr. Moore adjourned the meeting at 7:01 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council