

To Codified? N 1st Read 10-21 2nd Read 1-21-22 3rd Read 4-26-22 Under Suspension NO

ORDINANCE NO. 2021 - 05

INTRODUCED BY MAYOR AND COUNCIL AS A WHOLE

AN EMERGENCY ORDINANCE DETERMINING THE PERIOD OF TAX EXEMPTION FOR AN IMPROVEMENT TO REAL PROPERTY OWNED BY OAKWOOD CENTER, LLC. LOCATED IN OAKWOOD COMMUNITY REINVESTMENT AREA NO. 1 AND AUTHORIZING THE MAYOR TO ENTER INTO A MUNICIPAL INCOME TAX REVENUE SHARING AGREEMENT WITH THE BOARD OF EDUCATION OF THE BEDFORD CITY SCHOOL DISTRICT

WHEREAS, The Mayor, as Housing Officer, certifies that improvements to the commercial property in Oakwood Community Reinvestment Area No. 1, owned or to be owned by Oakwood Center, LLC. (hereinafter "OC, LLC"), qualifies for real property tax exemption under Ordinance 1991-72, as amended by Ordinances 1996-61, 2001-22 and 2019-09; and

WHEREAS, The Mayor, as Housing Officer, has given notice to the Board of Education in the school district in which the proposed tax exempted property is located pursuant to Section 5709.83 of the Ohio Revised Code; and

WHEREAS, Council Ordinance 2021-05, determine the period of such exemption:

NOW THEREFORE, BE IT ORDAINED by the Council of the Village of Oakwood, County of Cuyahoga, and State of Ohio that:

SECTION 1. To the extent the proposed improvements, more fully described in Exhibit "A" attached hereto and incorporated herein (hereinafter "Project"), to the real property located off Oak Leaf Road, also known as Permanent Parcel Numbers 795-50-014, 795-50-013, 795-49-010, 795-15-048, 795-50-012, 795-50-011, 795-49-005, 795-49-006 and 795-49-007 (hereinafter "Property"), which are all within the Village of Oakwood (hereinafter "Village") and Oakwood Community Reinvestment Area No. 1 and owned by OC, LLC or its successor in interest, will increase the market value of the real property improvements, such amount shall be, and hereby is, exempt from real property taxation pursuant to Ordinance 1991-72, as amended by Ordinances 1996-61, 2001-22, and 2019-09, and Section 3735.67(D)(2) of the Ohio Revised Code for a period of ten (10) years, beginning in the year following the calendar year of certification of the above to the County Auditor by the Village Housing Officer after the completion of each building. Said exemption shall cover seventy-five (75%) of the dollar amount by which the improvements increase the market value of the real property improvements. Any additional development on the balance of the Property already present or land contiguous to the Property, similar in nature to the improvements presently proposed, will be granted similar tax incentives provided such development occurs within six (6) years following completion of Phase I improvements. In addition, seventy-five per cent (75%) of the tap-in, permit and review fees, as well as the abatement application fee, shall be waived for the construction of these facilities and items related thereto, as and for additional economic incentives to OC, LLC, for the Project.

SECTION 2. The period of said exemption shall terminate before the end of ten (10) years, but after the first year of exemption, if the Housing Officer finds and certifies, after notice to OC, LLC and an opportunity to cure, delinquency in a payment of property taxes for the Property, or that the property has not been maintained in compliance with the Village's ordinances and regulations due to the negligence of the owner..

SECTION 3. OC, LLC agrees to pay the sum of Twelve thousand and 00/100 Dollars (\$12,000.00) per year for a period of fifteen (15) years to the Board of Education of the Bedford City School District (hereinafter "Board"). OC, LLC agrees to commence said payments in the second year in which OC, LLC receives a tax abatement as provided herein and continue said payments thereafter on or before June 1 of each succeeding year for a total of fifteen (15) yearly installments.

SECTION 4. If, during the first ten (10) years following commencement of the incentives referenced in Section 1 above, OC, LLC or its successor(s) in interest shall cease operations at the Property but move or continue those operations at a different location outside of the Village, it shall reimburse to the County Fiscal Officer for proper distribution a proportional amount of the tax incentive dollars saved as a result of this Ordinance to the point operations have ceased which shall be the proportion the square footage of the building(s) that have ceased operation bear to the total square footage of all buildings that have been constructed pursuant to said Exhibit "A". In calculating the foregoing, the amount to be reimbursed shall be reduced ten percent (10%) for each year OC, LLC or its successor(s) in interest has remained in operation at the Property. The reimbursement amount shall be forgiven to the extent that tax and other public revenues generated by OC, LLC are replaced by those of a subsequent tenant.

SECTION 5. In the event the real property tax, as it is presently constituted, is eliminated by the State of Ohio and if a new tax, in whatever form, replaces said real property tax and, in the further event abatement from the payment of the new tax is permitted by applicable law, the Village agrees to allow for the substitution of the new form of abatement for the abatement described herein, provided the new abatement bears the same proportion to the new tax that the present abatement bears to the present tax and provided further that the substitution is permitted, in whole or in part, by State and /or local laws and is approved by any governmental entity having jurisdiction over such matters including, but not limited to, the local school board. Said substituted abatement shall continue for the remaining duration of the existing abatement.

SECTION 6. A Municipal Income Tax Revenue Sharing Agreement between the Village and the Board, a copy of which is attached hereto and incorporated herein as Exhibit "B" is hereby approved. The Mayor be and he is hereby authorized to execute such Agreement on behalf of the Village.

SECTION 7. This Ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health, safety and welfare of the inhabitants of the Village, the reason for the emergency being that the same relates to the daily operation of a municipal department and the preservation of time-sensitive economic development opportunities for the benefit of the Village and its residents, therefore, provided it receives two-third (2/3) of the vote of all members of Council elected thereto, said Ordinance shall be in full force and effect immediately upon its adoption by this Council and approval by the Mayor, otherwise from and after the earliest period allowed by law.

PASSED: January 26, 2021 Johnnie A. Warren
Johnnie A. Warren, President of Council
Debra L. Hladky
Debra L. Hladky, Clerk of Council

Presented to the
Mayor January 26, 2021

Approved: January 27, 2021
Gary V. Gottschalk
Gary V. Gottschalk, Mayor

I, Debra L. Hladky, Clerk of Council of the Village of Oakwood, County of Cuyahoga and State of Ohio, do hereby certify that the foregoing Ordinance No. 2021-05 was duly and regularly passed by this Council at the meeting held on the 26 day of January, 2021.

Debra L. Hladky
Debra L. Hladky, Clerk of Council

POSTING CERTIFICATE

I, Debra L. Hladky, Clerk of Council of the Village of Oakwood, County of Cuyahoga and State of Ohio, do hereby certify that Ordinance No. 2021-05 was duly posted on the _____ day of _____, 2021, and will remain posted for a period of fifteen (15) days thereafter as provided by the Village Charter and determined by the Council of the said Village.

Debra L. Hladky
Debra L. Hladky, Clerk of Council

DATED: _____

EXHIBIT A

Village of Oakwood

Community Reinvestment Area (CRA) Application & Tax Increment Financing (TIF) Application

1. (a) Please provide name of property owner(s), legal business name, main office address and other contact information, of the property owner(s):

Oakwood Center, LLC

Property Owner

McBee Supply Corp.

Property Owner's Operating Tenant

Oakwood Center, LLC

Property Business Name

5300 Lakeside Avenue, Cleveland, OH 44114. Federal Tax ID# 85-3920457

Property Owner Mailing Address & Federal Tax ID#

Brad Buescher

Contact Person

216-535-0274

Daytime Phone#

bbuescher@interstate-mcbee.com

Email & Website Address

(b) Business Organization:

Corporation, Partnership, Sales Proprietorship, LLC, Joint Venture, Franchise, Start-Up or Other (specify)

Oakwood Center, LLC is a real estate company that will acquire the land and build the new building, possibly renovate the existing building, and administer landlord activities.

(c) List primary 6-digit North American Industry Classification System (NAICS) # 531120

2. Project Scope and Long Term Objective:

Oakwood Center, LLC and its diesel and natural gas affiliates seek to establish a new, modern corporate campus capable of handling current and future growth needs. Ownership's intent is to provide an inviting environment to retain and attract talent. Inclusive of beautiful green spaces with water features. The immediate commitment includes executive and administrative offices along with state-of-the-art distribution and light manufacturing operations. The initial 200,000 square foot facility could expand an additional 100,000 square feet depending on future needs. The Oakwood site would also allow for the future consolidation of two additional manufacturing plants, consuming 90,000 square feet, located elsewhere in Cleveland with the long-term objective of housing all Ohio operations on one Oakwood campus. \$20 million is the initial project investment based on current diligence information.

3. Nature of Business Activity @ proposed Property Site in Oakwood:

Office, Research & Development, Light Manufacturing, Warehouse/Distribution, Wholesale/Retail, Service or Other (specify) Please estimate Percentage of Total Business.

After the 200,000 square foot facility is complete, two affiliate companies (lessees) of Oakwood Center, LLC will occupy the new facility: Interstate-McBee, LLC and McBee Supply Corporation. Interstate-McBee, LLC is a sales company comprised of sales and service personnel to promote the products and services of diesel and natural gas entities falling under the Interstate-McBee brand name. McBee Supply Corp. is a wholesale distribution business with value add. The product is internal engine components for heavy-duty natural gas and diesel applications. Value add activities include kitting, assembly, gasket fabrication, engineering, quality assurance, service and support, and back office administrative functions along with executive headquarters. Approximate space and personnel breakdown by activity:

- 20,000 square feet • Executive and administrative offices: 32 full time employees (FTEs)
- 30,000 square feet • light manufacturing (gasket fabrication and silicon beading): 12 FTEs
- 40,000 square feet • kitting, assembly and packaging: 46 FTEs
- 110,000 square feet • receiving, pick and pack, shipping and inventory storage: 57 FTEs

4. Description of Proposed Facility

(a) Site Address: 7400 Oak Leaf Rd., Oakwood Village, OH 44146

(b) Permanent Parcel #(s) 795-49-010; 795-50-013 & 14; 795-15-048; 795-50-011 & 12; 795-49-005 & 6 & 7

(c) Cost of Land: \$2,354,600 (Current value of land per Cuyahoga County Fiscal Office)

(d) Project Timeline: Will Begin 2021 Be Completed 2022-23

(e) Building Description: 200,000 square foot facility comprised of modern corporate offices and high-quality concrete panel state-of-the-art warehouse. Landscape site in manner that is attractive from street/271 views,

(f) Representative design intent picture¹:



5. Project Description & 5-Year Business Plan

Please include existing as well as new products or services, which will result from this Project:

The current project is to provide a state-of-the-art corporate campus for our guaranteed lessees. The lessees need more space to support growth and productivity. Lessees and affiliates' headquarters have resided in Cleveland since 1947. Should this project move forward, then Oakwood Village would become the affiliates' headquarters for decades to come.

6. Estimate the amount to be invested by the Applicant to establish, renovate, expand or occupy the proposed Project Site:

(a) Acquisition of Existing Building(s) \$875,000

(b) Renovation/Expansion to Existing Building(s) \$900,000, if we add offices onto existing building

(c) Construction of New Building(s) \$13,000,000¹

¹ All rights not limited to trademark, copyrights and otherwise in regards to the attached photo owned by ARHAUS Furniture. ARHAUS is a local company who recently constructed a beautiful headquarters that Oakwood Center, LLC ownership finds inspiring.

(d) Machinery & Equipment	<u>See footnote'</u>
(e) Furniture & Fixtures	<u>See footnote'</u>
(f) Inventory	<u>See footnote'</u>
<u>Total New Project Investment</u>	<u>\$14,775,000 not including lessee's investments as indicated in footnotes</u>

6. Employment Opportunities @ proposed Project Site in Oakwood:

(a) See footnote' Current# Employees

(b) See footnote' Current Annual Payroll

(c) Relocation and/or Consolidation of Operations

Will the project involve the relocation of employment positions or assets from one Ohio location to the proposed Oakwood Project Site? See footnote'

(d) If yes, please name the site affected by the relocation to Oakwood & the impact of the relocation on that site detailing the number of employees and/or assets to be relocated: See footnote'

(e) see footnote'¹⁰ Estimate # New Employees the Applicant will cause to be created @ proposed

Oakwood

Project Site. Please list total employment level by full & part-time and permanent & temporary:

(f) Estimate Annual Payroll for Year 1

(g) Estimate Annual Payroll for Year 5

7. (a) The Applicant requests the following tax incentives:

CRA abatement of 75% for 10 Years covering real property improvements as described above.

We are requesting tax incentives so Oakwood Village can be competitive with alternate options in Florida and Texas. 0.41 Tax Increment Financing (TIF). The Bedford City School District (BCSD) will receive 40% of the real property taxes that would have been distributed to it by the County Treasurer for the first 10 years but for the TIF exemption. For years 11-15, the BCSD will receive 10% of the real property taxes that would have been distributed to it but for the TIF exemption. For the second 15 years, the BCSD will receive 100% of the amount it would have received but for the TIF exemption.

(b) Reasons requesting tax incentives (please be quantitatively specific):

To be competitive with alternative options in Florida and Texas.

8. Delinquencies

² The new building will provide the flexibility for up to 100,000 sf of expansion, which holds the potential for another \$6,500,000 of property value. Moreover, a potential manufacturing plant with special requirements would hold the potential for another \$8,000,000 of property value.

³ Machinery and equipment for lessee - \$1,800,000

⁴ Furniture and fixtures for lessee - \$2,000,000

⁵ New inventory for lessee - \$1,500,000

⁶ 147 current, full time employees would move to the new facility, when facility is move-in ready. These are guaranteed lessees' employees.

⁷ \$6,000,000 is the current payroll of lessees' 147 employees.

⁸ Lessees would relocate all personal, machinery, inventory, assets and operations from their shared 5300 Lakeside Avenue, Cleveland Ohio 44114 location.

⁹ Affiliates/lessees will vacate a leased building located at 5300 Lakeside Avenue, Cleveland, Ohio 44114. The 5300 Lakeside Avenue landlord will re-lease the vacated space to a new tenant. All affiliates' personnel, inventory and assets would relocate to Oakwood Village with the exception of two manufacturing plants in Cleveland. Two diesel fuel systems manufacturing plants will remain in the Cleveland Lakeside area employing approximately 110 full time employees.

¹⁰ Guaranteed lessees' full time employees payroll year 1 \$6,000,000; estimated year 5 \$7,000,000+. Guaranteed lessees estimate at least 30 new full time jobs over the five-year timeframe. Affiliates prefer full time employees over temporary employees as even the lower skilled positions require training and experience to become productive. By opening up the labor pool to Akron and other counties more convenient to Oakwood Village, affiliates hope to operate with little or no temporary employees.

Does the Property Owner/Applicant owe:

- (a) Any delinquent taxes to the Federal Govt. State of Ohio or a political subdivision?
No
- (b) Any moneys to the Federal Government, State or a state agency for the administration or enforcement of any environmental laws? No
- (c) Any other moneys to the State, a state agency or a political subdivision of the State that are past due, whether the amounts owed are being contested in a court of law or not?
No
- (d) If yes to any of the above, please provide details of each instance including, but not limited to, the location, amounts and/or case identification numbers.

9. Legal Proceedings;

- (a) Are there any current or pending lawsuits involving any principals of or the Applicant?
No
- (b) If yes, please provide details and attach any supporting documents relating to the lawsuits.

----REQUIREMENTS & CERTIFICATIONS----

- (a) Submission of this application expressly authorizes the Village of Oakwood to contact the Ohio Environmental Protection Agency to confirm statements contained within this application including, Item #8, and to review applicable confidential records. As part of this application, the Applicant may also be required to directly request from the Ohio Department of Taxation or complete a waiver form allowing the Department of Taxation, to release specific tax records to the Village of Oakwood for consideration of this request.
- (b) The Applicant affirmatively covenants that the information contained in and submitted with this application is complete and correct and is aware of the ORC Sections 9.66(C)(I) & 2921.13(F)(1) penalties for falsification which could result in the forfeiture of all current and future economic development assistance benefits as well as a fine of not more than \$1,000.00 and/or a term of imprisonment of not more than six months.
- (c) The Applicant agrees to supply additional information upon request.

Oakwood Center, LLC
Name & Title of Property Owner (Typed or printed)

[Signature] 11/23/2020
Signature & Date
"Jrea, Jun 3r, CJaiwll&tl'Unler', LL-C..

Submit complete application to:

Gary V. Gottschalk
Mayor
Village of Oakwood

Phone: (216) 346-7073
dhammell@oakwoodvillageoh.com

**EXHIBIT A
PROPERTY**

Village of Oakwood

Permanent Parcel Numbers

The entirety of the following parcels:

795-50-014
795-50-013
795-49-010
795-15-048
795-50-012
795-50-011
795-49-005
795-49-006
795-49-007

EXHIBIT B

MUNICIPAL INCOME TAX REVENUE SHARING AGREEMENT

This Agreement is made this ____ day of _____, 2021 by and between the Village of Oakwood (the "Village") and the Board of Education of the Bedford City School District (the "District").

WITNESSETH:

WHEREAS, the Village may, under the authority of the Ohio Revised Code, grant an exemption from taxation for real and/or personal property as a result of certain development occurring in the Village's Community Reinvestment Area No. 1; and

WHEREAS, the Village and District may agree, although in this case the Village is not obligated, to compensate the District by a certain percentage of the amount of income tax revenue realized from the proposed development or a lump sum amount; and

WHEREAS, Interstate-McBee LLC. (the "Owner"), has proposed development in the Village's Community Investment Area No. 1 which will result in the abatement of real property taxes for a certain period of time; and

WHEREAS, the Village and District desire to enter into this Agreement which will be beneficial to both parties:

NOW THEREFORE, in consideration of the exchange of the mutual covenants expressed herein, the parties hereto agree as follows:

1. The Owner is proposing to build a series of two (2) buildings, the first being a 200,000 square foot office/warehouse facility (expandable to 300,000 square feet) and the second a 100,000 square foot manufacturing facility both of which are to be located off Oak Leaf Road on property known as Permanent Parcel Nos., 795-50-014, 795-50-013, 795-49-010, 795-15-048; 795-50-012, 795-50-011, 795-49-005, 795-49-006 and 795-49-007 within the Village (hereinafter referred to as the "Project"), which is located in the Village's Community Reinvestment Area No. 1.
2. The Village is proposing to grant Owner or it's successors in interest a 75% real property tax abatement for any increase in fair market value the construction of each of the two buildings comprising the Project causes to such property for a ten (10) year period for each building.

3. Commencing with the second year of tax abatements , the Village shall pay to the District an amount equal to Fifteen percent (15%) of the income tax revenues received by the Village as a result of the occupancy by way of lease, ownership or otherwise of any employer in the Project's buildings. Said payments shall continue thereafter on a yearly basis until a total of Fifteen (15) annual payments have been made.
4. The Village agrees to submit such payment to the District no later than June 1st of the year following any year to which this Agreement applies.
5. This Agreement may be modified or amended by the parties only in writing signed by both parties to the Agreement. The invalidity of any provision of this Agreement shall not affect the other provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first listed above.

Village of Oakwood

The Board of Education of the Bedford City
School District

By: _____

Mayor Gary V. Gottschalk

By: _____

Superintendent Andrea Celico

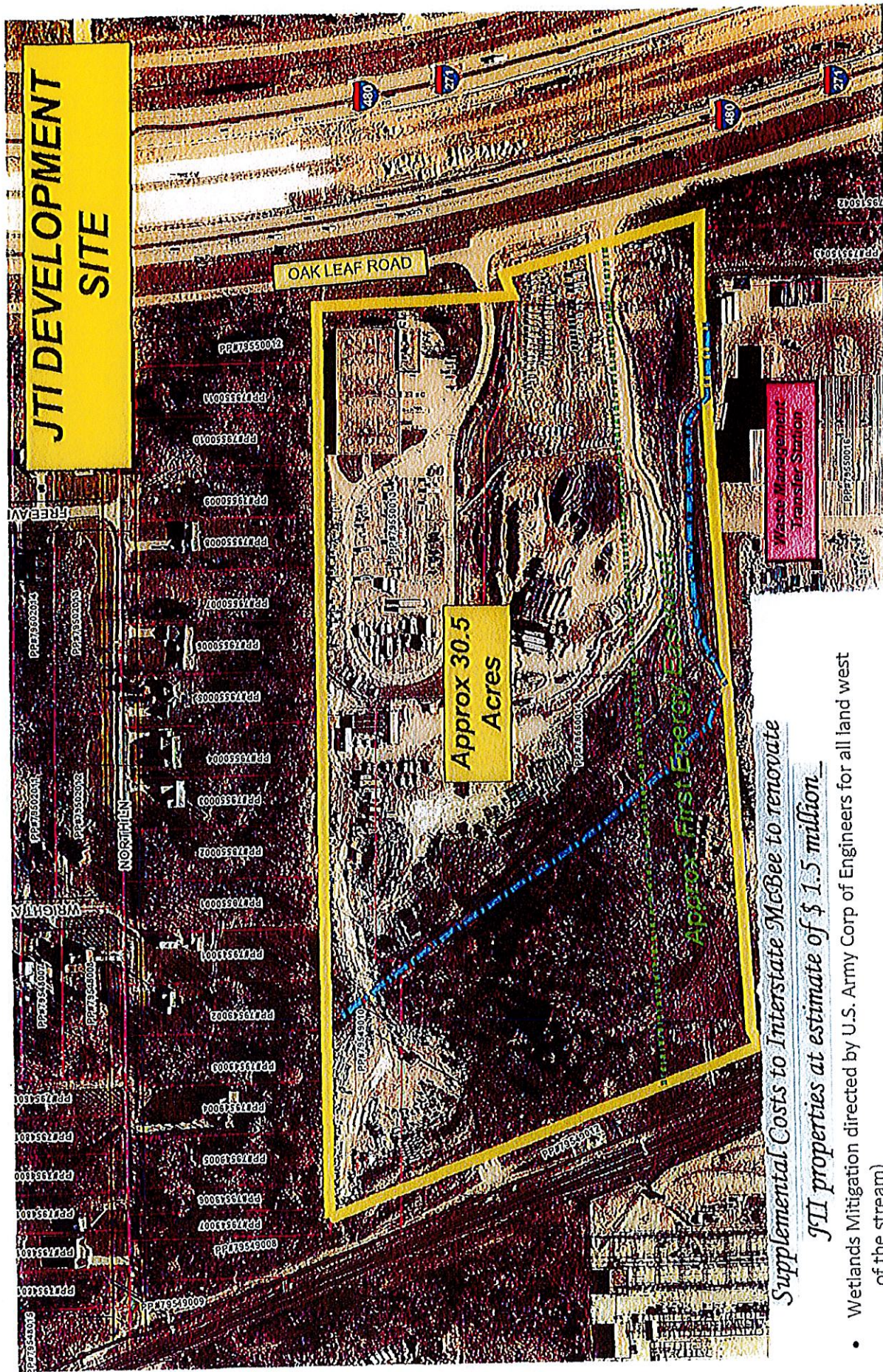
APPROVED AS TO LEGAL FORM

By: _____

President of the Board of Education

James A. Climer

Law Director, Village of Oakwood



Supplemental Costs to Interstate McBee to renovate

JTI properties at estimate of \$ 1.5 million

- Wetlands Mitigation directed by U.S. Army Corp of Engineers for all land west of the stream)
- Relocation of stream deemed "regulated waterway" by Army Corp of Engineers
- Stabilization of "unstable subsoil due to previous fill activities from a geotech study
- Mounding & landscaping to screen Waste Management Transfer Station facility
- Avoid construction around First Energy high power lines

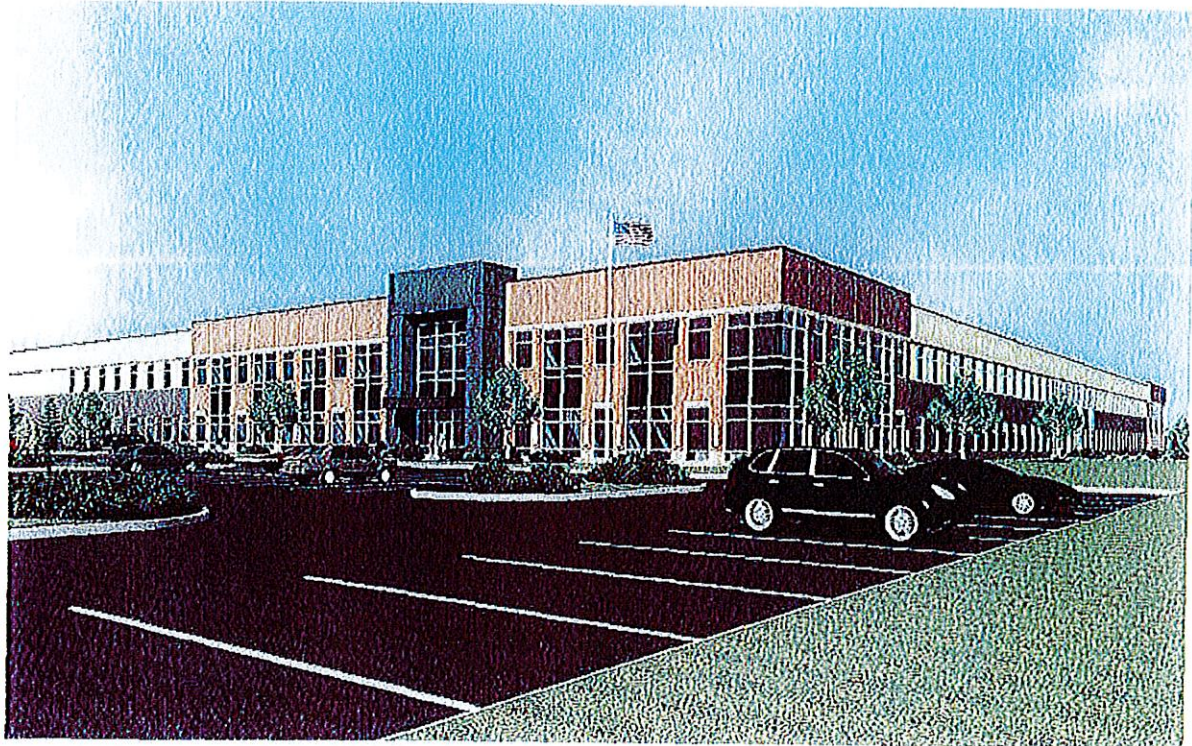


INTERSTATE-McBEE



Proposing to establish a state-of-the-art corporate campus on the current JTI site off Oakleaf Road in Oakwood Village

Based in Cleveland since 1947, Interstate Mc-Bee is one of the world's premier manufacturers of a wide variety of revolutionary fuel components that dramatically reduced exhaust particulates and sufficiently improve fuel economy for rail, power generation, mining, marine, heavy truck & military applications.



PROPOSED AREA-WIDE ROADWAY IMPROVEMENTS FOR PREMIER DEVELOPMENT SITE

