VILLAGE OF OAKWOOD
TAX INCENTIVE REVIEW COMMITTEE MEETING MINUTES
2024-12-10

ATTENDANCE

Erica Nikolic, President***
Johnnie Warren, President Pro-Tem**
Taunya Scruggs, Ward 1
Eloise Hardin, Ward 2
Paggie Matlock, Ward 3
Candace Hill, Ward 5*

ABSENT

Dave Tapp, Fire Department
Mark Garratt, Police Department
Matt Jones, Village Engineer
Brian Thompson, Finance Director
Carlean Perez – Recreation Director
Mary Davis, Ward 4
James Climer, Law Director
Daniel Marinucci, Chief Bldg. Official
Ross Cirincione, Prosecutor
Tom Haba, Service Director
Gary V Gottschalk, Mayor

*Arrived after roll call
*Chair of Tax Incentive Review Committee
** Committee members

Meeting opened at 5:15pm by Hill
Pledge of Allegiance
Roll Call taken

Hill: So, today I invited our Municipal Advisor Matt Stuczynski talk to us about tax incentives. So, we could learn more about them and decide where we want to get started. I know the reason we were asked to convene was for the Trescal company. But today I think a good starting point is just to get some general information. And ask any general questions that we all have. Mr. Stuczynski, thank you for coming, would you like to get started? **Stuczynski:** So, good evening, thanks for inviting me. I'm not sure the path we're thinking about entirely. What I can share with you is this. I serve as the Municipal Advisor, my primary role is debt, capital planning, accounting to some degree; when asked. Economic development, I get involved in, it's not a specialty of mine. But I happen to, for a variety of reasons, get involved in these projects around the County. I have been involved in dozens and dozens of larger and smaller projects on the economic development side. More often than not, modeling incentives and trying to measure the incentive versus the benefit. That might be how a City or a Village might consider. How to look at that model and make a determination as to what's fair. Interestingly, when you think about fairness, fairness has a number of criteria to it. And sometimes it's different between different communities and the location. As we think about the nature of the project itself. So, as an example, a community that sits on I-271 and we'll just use Oakwood as an example. You'll think about other cities, whether or not a policy regarding economic development should be the same for Beachwood versus Orange versus Oakwood versus Boston Heights versus Mayfield. They all have access to I-271. But depending on the nature of the project where it's located within the community. It may invite a heavier conversation about the nature of the project and the difficulty of the project. As an example, in Beachwood, if you had a blighted property that sat miles off the highway, but it was still in Beachwood. That might appear to be different than just the standard policy that is contemplated by way of Beachwood example, which I shared with you. I shared with you two examples, one being the City of Solon and the other being the City of Beachwood. In terms of what they offer by way of Job Creation Tax Credits. And Job Creation Tax Credit, like we like most things we do in this room, guided by the Ohio Revised Code. So, if you went to the Ohio Department of Development and looked up Job Creation Tax Credit and see the entire site. There's a portion of the site dedicated to this topic which is section 122.17 of the Ohio Revised Code, okay. I'd ask you to go look at that. It's far too much to dig into tonight. We'd never get through it, but I would suggest it to you. That's a good starting point for understanding this. Communities have a local flexibility and how they think about this Job Creation Tax Credit in particular. But of course, it's designed to incentivize companies to come to your towns. And increase the payroll within the community. So, that we can capture income taxes from that payroll withholding. In the simplest terms, that's what it's designed to do. And as I mentioned, though, every one of these projects can be thought about differently. Depending on the community that you're in and the difficulty within each of those communities. And again, difficulty meaning access by way of either traffic, utilities, water, sewer, electric, challenges to topography of the site, challenges to location from the intersection. Again, easy access in and out of the site. Whether or not the site's been blighted, whether or not the site's clean, whether or not the site has needs for remediation. All of those are considered as part of this job creation tax credit. And the incentive that you might contemplate providing a company as they think about siting in your community. But generally, what we're trying to measure is what we are forgoing by reimbursing these communities. Now, what I'll tell you is this. Anyone who's thinking about siting a business in Northeast Ohio. Knows full well to ask the question, what are you going to do for me? What are you going to do for me by way of either tax abatement or job creation tax credit, or you buy the land and give it to me. They all know to ask, irrespective of what community you're in, developers, commercial real estate people, they will ask. And the question becomes how badly, how interest we are in enticing a company to come here. Bigger the payroll, typically, the more excited we are. The more difficult the location, the more excited we are to have someone build at a location. That's been blighted or that's been available for years and years. So, it becomes not only a program. But flexibility within the program is something we have to think about. And you'll see in the Solon example that I shared with you they contemplated two criteria's. One, a new company coming into the community. And secondly, a company that's already in the city that is going is considering an expansion or increasing that payroll. So, it's not they're not separated. That can be done in both scenarios. And it's been done many times throughout Northeast Ohio. Where a company, as simple as the Cleveland Browns. Sitting in Berea, they decided that they're going to build an expansion. And they want some type of reimbursement for the additional payroll that might come into the community. Then they'll use that to offset the cost of their expansion. That's probably one of the more prominent examples that I could use. When you think about a company that's already here and they're not going anywhere. They've got a lease with the City of Berea at their facility up to 2038. But they all know to ask and people still respond to that because they know they could leave. They could go next door, or they could go to Fairview Park, or they can go somewhere else if they chose to. So, these companies do have a fair amount of leverage. When it comes to using one community as an example against another. And they do indeed use that leverage wherever they can to try to maximize the benefits of that return. So, in the case of, I'll just go to Tresca or Trescal, I'm not sure how to pronounce that. I know that the Village Council is considering a job creation tax credit for that incentive. For that company to incentivize them to not only site here. But more importantly because we care that they site here. But what we more care about is the amount of payroll that they produce. Now, they can come here all they want. But if they don't produce payroll for us. We receive nothing from them, right? So, the goal is to incentivize them to produce the maximum payroll that we can hopefully expect from them. And in return for that, the cities, villages and Oakwood Village in this case is contemplating a refund to them. To reimburse one, the owner of the building approved the building for the companies to site within that facility. And two, a portion going back to Trescal, and a third, going back to the Village. So, you know, we see this on occasion. Where an owner of a building is being compensated for their improvements to the facility. To help keep the rent down for the tenant, in this case Trescal. So, we see it happening more often. And it's these landowners, building owners are reaching out to the community saying, I'll improve this facility. I think I have a tenant; I expect to have a tenant. The tenant and I have agreed that they produce the jobs. I'll get reimbursed for my improvements. And that helps lower the rent to the ultimate tenant within that building. Dealing with one just approved by City Council in Bedford Heights a couple of years ago. You know, the challenge is just to make sure that the ordinance clearly stipulates who's getting what. And if there is a tenant that has agreed to transfer their benefit to. Or assign their benefit to the property owner that it's paid for properly. Places where I've seen it not work well is where it's behind the closed doors. That someone has agreed that they'll cite or put their employees there. But it doesn't show the transfer of the monies or the assignment of the moneys back to the landowner. As part of the ordinance that a community has approved. As long as the committee is approving it, no problem doing that. That can be done to whatever extent the Village is going to do that. And take care of not only the Village by way of income tax. But the tenant who's producing the payroll and the owner of the building who has made the improvements to the building. So, I started with a lot, let me stop for a second and just see what questions you have. And I'll move in that direction from here, okay. So, questions? Williams: So, my one question would just be, and I don't know how much you know about the Solon example you provided us. But just based on a quick glance at it, it sounds like they have a program that's in place. Like this is what they work from and no matter what company comes. This is how they make decisions? **Stuczynski:** So, it looks like it, Solon is a client of mine. But I don't get involved in their Economic Development Committee actions. But I did pull this up and I did briefly read it. It's just as I have identified, they have set parameters by way of an ordinance for a program. And the same is true if you went through City of Strongsville website. You see an economic development grid that says if you produce X in payroll, you will get Y. The same is true of a City of Westlake. And if you went to job creation tax credit programs and googled it, you'd probably find a lot more. And you'll see examples throughout the state of Ohio of different and multitude of options. This is why it becomes, even in Solon's case, a general program. But they make a point of saying still some of the conditions, some of the percentages are on a case-by-case basis. So, it gives them flexibility for a difficult project where they set general parameters. **Warren:** The way that oakwood Village, and the dynamics of our community is as far as commercial and residential. One of the things I see is that a lot of times, especially with businesses that came here. Because I've been involved with the community economic development of Oakwood Village since 1996. And what happens is that we cut the cloth to fit the pattern. Basically, like you say, companies have or communities have perimeters. But they know that those parameters are a challenge at some time. And just like you say, they may change the parameters as far as percentages of who get what in all of these things. But what happens sometimes is that the developer looked at it and they see those parameters. And they may pass up the community just because they saw the parameters. Rather than go to another community to have something more appetizing. Depending on how bad they want to move into that community. Oakwood Village is a diamond because we're right off of I-271. We're so small that you can't be too far away from the interstate because we're so small. So, it's really the proper jurisdiction of Oakwood Village, all of those are advantages. But one of the things is, it's just like I always know in development. Is that you have to cut the cloth to fit the pattern. Just like you say, you may have site conditions, improvements, and things. And those communities have gotten firms, engineering, and architectural firms because they're much bigger communities. Or they have whole departments with professionals that can investigate. And create those type of parameters for community economic development. As far as if you're going to do this, this is how much you get. But just like you said, there's a lot of communities that do it. And a lot of communities said, do not. **Stuczynski:** So again, what I would ask you is, why do people site here in Oakwood Village? **Warren:** Because of our location. **Stuczynski:** To I-271. **Warren:** Right. **Stuczynski:** And that's typically one of 5 or 6 different criteria, right. It's location, it's topography, it's availability of land, its workforce. It's a variety of those things. **Warren:** And part of business, do people have places to eat lunch and stuff. How far do they have to go to eat lunch? And all of those are dynamics too. **Stuczynski:** Amenities, those are things. We saw that Harvard and I-271 sit quiet for a long time, right? Before somebody had a good vision as to what to do there. That was probably more zoning than anything else. **Warren:** But it shot them in the foot initially. Because all of that was created by George Voinovich with the anticipation that Figgy was moving in there. Figgy backed out and then they were stuck. **Stuczynski:** Yeah, so it took a long time. But again, it's land aggregation. What we're tasked with, in my mind with the Village. It is to determine whether or not you want to decide on a program. That gives you the wherewithal to then be flexible, like Solon. Where it says, we have a program. It stipulates here we'll do X number of years, for this type of payroll. But we will make a decision on a case-by-case basis for the percentage that we will refund, right. In the case of Bedford Heights, I just mentioned where they were looking at a rehab of a building. Not a new building, a rehab of an existing building. And the other was going to put in, I think, $2 million worth of improvements. And they agreed to four years at 40%, okay. Now again, nice to access, I think it was on Aurora road; very good access. And they had a similar conversation with the Amazon people as well. How much they were going to forego by way of tax abatement or reimbursement of pilots, okay. Along with a job creation tax credit. So, sometimes these incentives are stacked on top of one another. They'll get reimbursement of TIFs, they'll get reimbursement of job creation tax credits. They might have to do something else. And in return, what we're getting is income tax. We're getting pilot payments after a certain date. Oftentimes these folks are asked to make a contribution to an education foundation for the schools. You know, you try to measure return versus what's forgone. So, again, I think what we're tasked with is a program. That Council provides some guidelines. As to the amount of payroll, the years of the incentive, and perhaps percentage refunded. As we do this on a case-by-case basis. Or you can make the grid. (inaudible) pretty inflexible if you choose to. My guidance is to make it more flexible. Because when you have smaller Villages these things, it's hard to predict. What is going to show up on your doorstep. But you can have parameters as to how you feel about a $15 million payroll versus a $2 million payroll. And you can establish, and like I said, go to Beachwood, go to our Westlake, go to I think I said Strongsville. And see again, those are big communities with a lot of industrial, with a lot of commercial office, a lot of land, right. So, I think those are nice guides. But you are slightly different than them. But not altogether, when we think about access. Because you do have tremendous access. And you probably have land that is less expensive than it would be this close to I-271 in Beachwood. Or Westlake with I-90, or Strongsville with I-71 and I-80. Which has tremendous infrastructure to those industrial parks and places like that. And I would add, in places like Beachwood, as I mentioned. They may stack this job creation tax credit. So, I want to say in Strongsville where they, and this is going to get into the weeds. Anyone who builds something new, automatically gets tax abatement. Because it's called the pre 1994 tax abatement statute. So, Strongsville in particular won't provide any type of job creation tax credit. And you'll see a (inaudible). I think it's; I'm doing this out of my head. But I think it's like $6 million in payroll. Because when we're already giving you tax abatement. We're not going to give you job creation tax credit on top of that, starting with $1 million or $2 million. The threshold is much higher than in some places. But as I mentioned, if you go and search smaller places. You'll see that the threshold might be lower. And again, not everyone has a program. Bedford Heights your neighbor doesn't have a program. They do it on a case-by-case basis. And more often than not, the conversation starts with somebody reaching out to the Mayor. The Mayor, you know, filters it back to the committee. The committee has thoughts on it. Mayor wants to know what the ask is first. Then you make a determination as to what they're intending to do with this site. And how big that payroll might be. And keep in mind, with all these, they must perform in order to get the return. There's nothing guaranteed about this. If they don't produce, they get nothing. Some people will give them some wiggle room that says if you hit 75% of the proposed threshold to get this. We may give you some breathing room for you to have a reasonable explanation. The same is true of any incentive that sits out there by way of tax abatement or other. If you intended to build X $20 million building. But your construction costs end up being $18 million, they'll give them a pass. Same is true of job creation tax credit. If, for whatever reason, pandemic, financial crisis, you know there is something that causes a delay in their ramp up. Or causes a delay in terms of their workforce meeting the thresholds that they hope to achieve. You can cancel or you can give them some breathing room. So, you have some flexibility in these programs. **Hill:** I'd like to note for the record that committee Council member Nikolic arrived at approximately 5:50p.m. **Warren:** This little, small, isolated situation with this specific project that we're talking about. The irony that I look at is this. They can move in and get 2.5%. We're going to get 2.5% of the people that they bring in anyway. And so if they're asking for a job creation tax credit or something like that. If we get more money than what we were getting, why not give it to them? You know, we're going to get 2.5% on payroll anyway. So, they're asking for us to give them something that doesn't cost the Village a dime. **Stuczynski:** To be fair, the 2.5% is partially going back to them. You're not getting clear 2.5%. They bring in a $2 million payroll and you give them 50% of it, right? **Warren:** Right. **Stuczynski:** You're only getting half of what you expected from a $2 million payroll. So, if it's split, where they're getting in the case of Trescal. 75% is going elsewhere, we only get $0.25 on the dollar, until that term goes off. So, yes, you're getting something more than you had before... **Hill:** So, to be clear with what you're saying. If they would not have come, of course, we would not have gotten anything. But once they do come, we can get 2.5%. But if we give the credit, then we're losing whatever of that 2.5% that we do give. That is the general basis? **Stuczynski:** 100% correct. **Hill:** Okay, thank you. **Stuczynski:** Yeah, there's no baseline number, but you can structure an agreement to do something like that. As we get a 2.5% of the first X. That's in fact how Scannell and Amazon negotiated with Bedford Heights. Now Bedford Heights said we're going to get $100,000 first to cover all our costs. Of policing the area around it and ambulance services into that facility. We get the first $100,000, well split after that 50\50. And again, that's a different project. That's, you know, tens of millions of dollars of improvements and a much bigger payroll. Not $2,000,000 that is a big number. But every one of these you have some flexibility in doing this based upon the project. You just want again, if Council's intention is to create the program. So, that you weigh in on the credit. Then you're creating guidelines with the opportunity to create case by case, we'll call it reviews. And possibly exceptions for something unique in town. Like the Kroger proposal that was negotiated. Again, I would ask you, I know this is a lot for a first reading. But I'd ask you to look at the Department of Development. See section 122.17 of the Revised Code, Google job creation tax credits. And again, anything I write in here, you can find something different. So, I just brought you Solon, but I brought you Beachwood because they're neighbors. I mentioned Bedford Heights does that on a case-by-case basis. They do have a similar project like the Trescal. Whereas I mentioned, the owner of the building made the improvements. And then tenant agreed to reimburse the owner for a portion. In their case, they agreed to reimburse them for all the job creation tax credit. But the city, as I mentioned in that case. Agreed to a four-year reimbursement at 40%. In your case, seven years, and I think it's 75% going to the tenant and the landlord who improved the building. Again, I don't know the history of that building. I don't know the challenges of that building. I don't know the challenges to the topography. But the good news is at seven years, you start collecting a much higher amount on a percentage basis. **Warren:** The building is in great shape; it is in a perfect location. And we have actually did some infrastructure as far as the road, partially infrastructure. For the road off the road exit, it's not too far in. But the building is in excellent shape. You don't have to incentivize the guy coming into the building because of the location or the quality of the construction. It's not like he's going into remodeling a factory. **Stuczynski:** Okay, that's good news. **Warren:** Which cost a lot more outlay too, for the developer. **Stuczynski:** So, the one thing I failed to mention. In some cases, and you'll see this likely maybe in Beachwood or elsewhere. Oftentimes the refund may be, for what we said for Bedford Heights case, four years. In this case, seven years. They make a provision that says you must stay in the community for X number of years afterwards. Otherwise, we're going to claw back on what we gave. You don't get the incentive anymore. But part of our agreement is that you can't pick up and leave after four years. After you've got yours, we didn't get anything out of it. You must stay, sometimes it's twice the length of the incentive. Sometimes it's maybe one and a half times, like the incentive. So, you will stay in that building or they are they may tie it to a lease. And if they don't continue to perform and stay. That the City or Village can claw back on that refund. So, that's a smart way of giving you some protection after the fact. Because we do see a fair amount of threats by companies as soon as the abatement burns off. And of course, the owner of the building is saying, I got another building for you. You're not getting in here. But I just built a brand-new building and they need somebody there. And you'll get something, and they have a new incentive from that community. So, we hurting each other with each one of these things. But the development community knows to ask. And they know that we would beat each other up to try to get a $2 million or a $15 Million payroll. Because we're fighting for every dollar of revenue we can. So, we do hurt ourselves and it would be wonderful if there was a coordinated effort throughout the County to not allow this. And there's been attempts to do it, but no one has successfully been able to forestall it. So, we have to be careful that we are not setting necessarily the bar for everyone else. Because I tell you what, the developers also know when they hear that a city is offering X and X is more than Y. Everyone now uses X as the example. And then they say, Well, I can go there if you don't offer what I have there. Even though the site might be different, and the challenges of the traffic may be different. They just know that this community is offering X where we were Y and they all want X, or at least they're threatening, right? And so, you have to have confidence. And what you just described, Councilman, that the building is good, the location is good. And if they don't want to come, we'll find somebody else who wants that building in that location. So, you have to have a little bit of bravado, if you will, about the location and the strength of your community and what you offer here and that you have to give up, you know, don't set the tone, set the bar high relative to your peers. Right. And your neighbor community. So, like I said, you can see Solon right there in front of you as to what they're offering. And you can find others that would help you. So, I'll stop there again and see if there's question. **Nikolic:** So, you mentioned that in seven years we start to get the money back. **Stuczynski:** The full amount back. **Nikolic:** The full amount back, so the lease is ten years, right? **Stuczynski:** Yes, (inaudible). **Nikolic:** Okay, so that time period from that until ten years. You're saying now, I don't know if the Law Director's here. Does the agreement have anything like that to say once the lease is up? **Climer:** We have a clause that says if they leave during the course of the agreement, we've get a claw back. **Nikolic:** Okay, so that is within, so that would be those three year. **Climer:** Within seven years. **Nikolic:** Within the seven, so between that seven and ten... **Climer:** I've got a check, quite honestly. **Nikolic:** Okay. **Hill:** And I apologize, what caused this meeting is that we are looking at Trescal. We have to pass that; I didn't bring you here to answer questions about that. We just needed more general information as a baseline about tax incentives. So, we can make a better decision. So, apologies for that because I didn't ask you. **Stuczynski:** Well, I think that, I mean, I know some of the circumstances. **Warren:** But it helps actually Council, it helps us because it is a smaller thing. So, that when we look at the larger ones. It's more it's more specific now with this one here. I have a better understanding too, because there were some misunderstandings that I had about the process. **Hill:** Oh, your information is extremely helpful. But I'm just saying, I know the questions are coming about a specific situation. And that wasn't why I asked you to come, so to be clear. **Stuczynski:** But I point out that, like I said, in some situations. The lease, (inaudible) beyond the agreement, is intended to make people stay. Produce the revenue that we want, we were hoping for. For a period beyond the timeline of the agreement because we want to capture the full 100%. **Warren:** So, we got to make sure the Law Director... I think, answering your question for the three years between that. We have to make sure that our agreement specifically says after year seven, Oakwood Village gets 100%. And that if the developer moves out of the building. That all of his incentives are going to be refunded back to the Village. **Climer:** All right. **Nikolic:** So, once the lease is up, what are your thoughts on negotiation points. Or things we should be considering once that lease is up? I know every case is different. But once that's up, what's some of the things relating to tax incentives we should be thinking about at that point? Do you just renew an entirely new incentive or what should we be thinking about once the lease is expired? **Stuczynski:** So, I have a pretty high stance on that that says they're there. They have costs to move, to the extent you don't have to offer them anything further, you don't. I mean, that's my stance. That said, right, if they have a materially significant payroll. And they're threatening to move, and they have an incentive somewhere else. You may have to sit down at the bargaining table with them and come back with some agreement. Like I said, I mentioned Berea and the Browns, that has happened. Previously, I can tell you, CrossCountry Mortgage and Brecksville were talking about an expansion. More often than not, you're trying to view it in the form of an expansion of their facility, not just maintenance or retention of that, right. We'll consider something, but you have to do something more. Because we entered into this seven years ago with the expectation. Our time is now, year eight, nine, ten. We're not here to give that back. So, if we're here to sit down and say, we want something. You want something, we want something. And so, it depends on the strength of that company. Outperforms, let's hope they do by fivefold. Then that's great and we may be willing to do something for them. If they've underperformed, then you have a different attitude towards that. Is that helpful? **Nikolic:** Yes, it is, thank you. **Hill:** Very helpful, thank you again for coming out. We may call on you for some more follow-up information. What we'll do is get out to the rest of Council O.R.C 122.17. **Stuczynski:** Please. **Hill:** Make sure everybody reviews the Department of Government's website and any information we get from our job creation tax credits. And then I'll send out those examples that you gave us. **Stuczynski:** Okay, there are other websites. **Hill:** This was very helpful, thank you. **Stuczynski:** Thank you, happy holidays.

Hill: May I have a motion to adjourn?

Motion to adjourn made by Warren seconded by Nikolic
YES VOTE: Nikolic, Warren, Hill
MOTION PASSED
Adjourned at 6:08 p.m.

Approved 1·28·25

Tanya Joseph, Clerk of Council

Erica L. Nikolic

Erica Nikolic, President of Council