

COUNCIL CHAMBER

City of Berea, Ohio

ORDINANCE No. 2015-82

By Dale A. Lange Sponsored By Mayor Cyril M. Kleem

AN ORDINANCE

APPROVING, RATIFYING AND AFFIRMING THE 2014 ANNUAL REPORT, MINUTES AND ACTIONS OF THE TAX INCENTIVE REVIEW COMMITTEE FOR COMMUNITY REINVESTMENT AREA ABATEMENTS IN THE CITY OF BEREA.

WHEREAS, the Tax Incentive Review Committee for the City of Berea meets annually to review the prior year's activities of entities that have qualified for, and participate in, Community Reinvestment Area Agreements with the City; and

WHEREAS, the annual meeting of said Tax Incentive Review Committee has been held according to law and said committee has issued its Report for 2014 Reviews and Minutes of said meeting, the same being attached hereto as Exhibit "A" and incorporated herein.

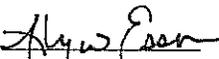
NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Berea, State of Ohio:

SECTION 1. That the Council of the City of Berea hereby approves, ratifies and affirms the 2014 Annual Report of the Tax Incentive Review Committee for Community Reinvestment Area Agreements (for 2014 activities) and the Minutes of its annual meeting, the same being attached hereto as Exhibit "A" and incorporated herein.

SECTION 2. That it is found and determined that all formal actions of this Council concerning and relating to the adoption of this Ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council and of any of its committees that resulted in such formal actions were in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

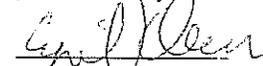
SECTION 3. That this Ordinance shall take effect and be in force from and after the earliest period allowed by law.

PASSED: December 21, 2015

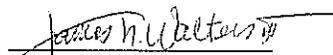
ATTEST: 
Clerk of Council

APPROVED: December 29, 2015


President of Council


Mayor

APPROVED AS TO FORM:


Director of Law

**TAX INCENTIVE REVIEW COUNCIL
August 6, 2015 & August 13, 2015**

The Tax Incentive Review Council met on August 6, 2015 and was called to order at 10:30 a.m. by Joseph Micciulla. Present: Janise Bayne, Cuyahoga County Department of Development; Joseph Farris, Cuyahoga County Department of Treasury; Marionette Richardson-Scott, Cuyahoga County Planning Commission; Daniel Smith, resident City of Berea; Ken Weber, resident City of Berea. Also present were: James Kerr, Secretariat Berea, LLC; Kevin M. Hinkel, Kadish, Hinkel and Weibel, attorney for the Berea City School District; James Weisbarth President of the Olmsted Falls Board of Education; Thomas Norton, City of Berea; and Matthew Madzy, City of Berea.

Moved by Farris and seconded by Bayne that the minutes from the 2014 Tax Incentive Review Council be approved. Vote on the motion was all ayes and no nays. The motion carried and the minutes were approved.

Mr. Micciulla reviewed the status of the City of Berea as a Post-1994 CRA community.

Secretariat Berea, LLC formerly WXZ Retail Group/Berea, LLC.

As way of introduction, Mr. Madzy explained that this project has had a positive impact for the City for several reasons including the demolition of a vacant gas station which made room for the new retail facility. Mr. Madzy stated that the CRA Agreement between the City of Berea and Secretariat Berea, LLC ("Secretariat") requires that Secretariat create at least five new full time jobs and that Secretariat has created six full time equivalent jobs. Additionally, Secretariat was to create \$185,000 in new payroll, and the payroll is currently \$176,870. According to Mr. Kerr, the payroll for the store did increase from the previous year, and is trending upwards in 2015.

Mr. Weber stated that this project did improve the area and that following this project two other residential properties were retrofitted for commercial use. It was Mr. Weber's feeling that this project was a catalyst for the later development

Motion was made and seconded that recommended that Secretariat Berea, LLC is compliant with the terms of the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

Motion was made and seconded to recommend that the City of Berea and Secretariat Berea, LLC continue the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

1230 West Bagley, LLC

Mr. Madzy stated that this CRA Agreement has been amended in accordance with previous recommendations of the TIRC. Pursuant to the CRA Agreement between the City and 1230 West Bagley, LLC, 5 jobs were to be created at the site and, in fact, 9 jobs were created. Likewise, 84 jobs were to be retained, and all 84 jobs were retained. However, \$400,000 of payroll was to be created, but only \$201,000 of payroll was created.

There was discussion about the amendments that have been made to this CRA Agreement. Additional discussion ensued about the total payroll and the fact that this payroll was generated by 1230 West Bagley, LLC, as well as tenants of the facility. Ms. Richardson-Scott suggested that the CRA Agreement be amended to reduce the amount of required payroll. Mr. Micciulla inquired as to whether the percentage of the abatement should be lowered as well.

Motion was made and seconded that recommended that 1230 West Bagley, LLC is non-compliant with the terms of the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

Motion was made and seconded to recommend that the City of Berea and 1230 West Bagley, LLC amend the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

AFR Properties, LLC

Following a brief review of the project and terms of the CRA Agreement, Mr. Madzy stated that the developer has exceeded both the required number of jobs and payroll.

Motion was made and seconded that recommended that AFR Properties, LLC is compliant with the terms of the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

Motion was made and seconded to recommend that the City of Berea and AFR Properties, LLC continue the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

Helwig Whistle Stop, LLC

Reviewing this project, Mr. Madzy stated that this facility is both first floor retail space and second floor office space. Additionally, Mr. Madzy mentioned that in 2014 the number of jobs present was less than half of what the CRA Agreement required. Mr. Madzy went on to explain that since the last

TIRC meeting, at least two businesses have corrected their filing status with RITA, new businesses have moved in and existing businesses have expanded the number of employees. All of these measures have added to a large increase in the number of jobs reported. The CRA Agreement requires that 65 jobs be created and, at this point, 56 jobs are present at the facility. Additionally, the facility was required to create \$848,000 in payroll and \$1.2 million in payroll has been generated.

Mr. Micciulla asked what percentage of the facility is currently occupied. In response, Mr. Weber estimated that the retail spaces are 50% occupied and the office spaces are 60% full. There was discussion about how available properties are marketed by the City's Economic Development Department. Mr. Smith mentioned that the number of jobs is close to those required and that the payroll exceeds the required amount.

Motion was made and seconded that recommended that Helwig Whistle Stop, LLC is compliant with the terms of the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

Motion was made and seconded to recommend that the City of Berea and Helwig Whistle Stop, LLC continue the CRA Agreement. Vote on the motion was all ayes and no nays. The motion carried.

Fieldhouse Athletics, LLC

Mr. Madzy explained that; originally, this CRA Agreement was between the City of Berea and Petrasek Properties, LLC, however, the Agreement was amended to change the parties to the City of Berea and Fieldhouse Athletics, LLC. Mr. Madzy further stated that the CRA Agreement was approved by City Council in 2014, however, the project was still under construction on December 31, 2014, so there was no job or payroll information to report.

First Avenue Improvement District

Mr. Micciulla opened the discussion about the First Avenue Improvement District ("FAID") by reviewing the FAID report submitted by the City of Berea. There was discussion about the form of the report and the meaning of each column. Mr. Hinkel distributed a project payment schedule to the members.

As a follow up, Mr. Hinkel inquired as to whether there is, currently, any outstanding debt. Mr. Madzy stated that he would have to obtain that information from Ms. Kavander, the Finance Director. Mr. Hinkel requested that the City provide the amount of the outstanding debt and when the payments on the debt were made. At this point, Mr. Micciulla suggested that

the meeting be tabled and that the TIRC clarify which information it is requesting. In response, Mr. Weber stated that what is needed is the amount of the original debt, the amount of the current debt, and what debt payments were made. Mr. Hinkel requested the entire debt structure be submitted, as well as any modifications to the debt structure. Thereafter, Mr. Micciulla asked about additional future debt plans.

Motion was made and seconded that the Tax Incentive Review Council reconvene on August 13, 2015 at 10:00 a.m. Vote on the motion was all ayes and no nays. The motion carried.

The Tax Incentive Review Council was reconvened on August 13, 2015 and was called to order at 10:00 a.m. by Joseph Micciulla. Present: Janise Bayne, Cuyahoga County Department of Development; Joseph Farris, Cuyahoga County Department of Treasury; Marionette Richardson-Scott, Cuyahoga County Planning Commission; and Daniel Smith, resident City of Berea. Also present were: Kevin M. Hinkel, Kadish, Hinkel and Weibel, attorney for the Berea City School District; Pamela Hanover, Squire, Patton, Boggs, attorney for the City of Berea; Thomas Norton, City of Berea; and Matthew Madzy, City of Berea.

Mr. Micciulla thanked the City of Berea for updating the FAID report to address the questions that were raised at the earlier TIRC meeting. In an effort to provide context for the FAID, Ms. Hanover provided an overview of the scope and area of the project.

Following this overview, Ms. Hanover explained that the first four columns of the FAID report represent the year, effective tax rate, market value and the annual payment in lieu of taxes ("PILOT") respectively. The following seven columns represent debt service payments made by the City of Berea on Urban Renewal Bonds 1, 2, 3 and 4. Mr. Micciulla inquired as to the debt service payments from the Browns. In response, Ms. Hanover stated that she could provide this information in a separate debt service schedule.

Mr. Hinkel asked about the repayment of Urban Renewal Bond 1, which was paid in full in 2005. As a follow up, Ms. Richardson-Scott inquired about the debt service payments on Urban Renewal Bonds 2, 3 and 4. In response, Ms. Hanover stated that column 12 represents debt service payments made by the City of Berea, and that the final column is the difference between the additional debt service paid by the City of Berea over and above what the property taxes would have been on the property.

Ms. Hanover then reviewed the amount, repayments, including principal and interest, as well as any refinancing on each of the four Urban Renewal Bonds. Discussion ensued regarding recent borrowings for improvements to

the building and the surrounding area in the FAID. Currently, there is \$1 million in outstanding debt.

Regarding lease payments, Mr. Micciulla asked if lease payments are currently being paid. In answering this question, Ms. Hanover explained that the lease payments that were required under the original agreement were paid on an accelerated basis as prepaid rent. All lease payments have, therefore, been made for the project.

Combining both the payments from the City of Berea and the Browns, Mr. Micciulla estimated that by foregoing \$9 million in real estate taxes, a project costing almost \$30 million was built. Mr. Smith asked whether the term of the 725 Urban Renewal Bonds is capped at 30 years. In response, Ms. Hanover stated that there is debate about whether 725 Urban Renewal Bonds can extend an abatement beyond 30 years, but she also stated that these particular bonds will not extend past 30 years. In closing, Mr. Micciulla thanked Ms. Hanover for attending and providing thorough background on this project.

Motion was made and seconded that the City of Berea is compliant in reporting the performance of the 725 Urban Renewal Bonds. Vote on the motion was all ayes and no nays. The motion carried.

Motion was made and seconded to recommend that the City of Berea continue 725 Urban Renewal Bonds. Vote on the motion was all ayes and no nays. The motion carried.

Having no further business before the Tax Incentive Review Council, there was a Motion to Adjourn and a second. Vote on the motion was all ayes and no nays. The motion carried.