

RESOLUTION NO. 020-17R

A RESOLUTION ACCEPTING AND APPROVING THE CITY OF SANDUSKY TAX INCENTIVE REVIEW COUNCIL'S (T.I.R.C.) RECOMMENDATIONS REGARDING CURRENT TAXATION AGREEMENTS; AND DECLARING THAT THIS RESOLUTION SHALL TAKE IMMEDIATE EFFECT IN ACCORDANCE WITH SECTION 14 OF THE CITY CHARTER.

WHEREAS, the City of Sandusky's Tax Incentive Review Council met on March 1, 2017, to review the City's tax increment financing agreements, enterprise zone agreements and community reinvestment area abatements and the Chairman of the T.I.R.C., the County Auditor, has submitted the T.I.R.C.'s recommendations to this City Commission on March 10, 2017, a copy of which is marked Exhibit "A" attached to this Resolution and specifically incorporated as if fully rewritten herein; and

WHEREAS, pursuant to O.R.C. Section 5709.85(E), this City Commission is required to hold a meeting within sixty (60) days of receipt of the T.I.R.C.'s recommendations and vote to accept, reject, or modify all or any portion of the T.I.R.C.'s recommendations and to forward a copy of this Resolution together with the Commission's recommendations to the Erie County Auditor's Office; and

WHEREAS, this Resolution should be passed as an emergency measure under suspension of the rules in accordance with Section 14 of the City Charter to ensure compliance with the statutory timeline in the O.R.C. Section 5709.85(E); and

WHEREAS, in that it is deemed necessary in order to provide for the immediate preservation of the public peace, property, health, and safety of the City of Sandusky, Ohio, and its citizens, and to provide for the efficient daily operation of Municipal Departments, including the Department of Community Development, of the City of Sandusky, Ohio, the City Commission of the City of Sandusky, Ohio, finds that an emergency exists regarding the aforesaid, and that it is advisable that this **Resolution** be declared an emergency measure which will take immediate effect in accordance with Section 14 of the City Charter upon its adoption; and
NOW, THEREFORE

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF SANDUSKY, OHIO, THAT:

Section 1. This City Commission accepts and approves the City of Sandusky Tax Incentive Review Council's recommendations as set forth in Exhibit "A" which is attached to this Resolution and is specifically incorporated as if fully rewritten herein.

Section 2. The Clerk of the City Commission be and is hereby directed to certify a copy of this Resolution together with any modifications, if any, to the Erie County Auditor.

Section 3. If any section, phrase, sentence, or portion of this Resolution is for any reason held invalid or unconstitutional by any Court of competent jurisdiction, such portion shall be deemed a separate,

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distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 4. This City Commission finds and determines that all formal actions of this City Commission concerning and relating to the passage of this Resolution were taken in an open meeting of this City Commission and that all deliberations of this City Commission and of any of its committees that resulted in those formal actions were in meetings open to the public in compliance with the law.

Section 5. That for the reasons set forth in the preamble hereto, this Resolution is hereby declared to be an emergency measure which shall take immediate effect in accordance with Section 14 of the City Charter after its adoption and due authentication by the President and the Clerk of the City Commission of the City of Sandusky, Ohio.



DENNIS E. MURRAY, JR.
PRESIDENT OF THE CITY COMMISSION

ATTEST:



KELLY L. KRESSER
CLERK OF THE CITY COMMISSION

Passed: March 27, 2017

RICHARD H. JEFFREY
ERIE COUNTY AUDITOR

247 Columbus Avenue, Suite 210 Sandusky, Ohio 44870-2635
(419) 627-7746 ecao@eriecounty.oh.gov

March 10, 2017

Sandusky City Commission
City of Sandusky, Ohio
222 Meigs Street
Sandusky, Ohio 44870

Re: Recommendations of the Tax Incentive Review Council and Community Reinvestment Area Housing Council to the Sandusky City Commission

The City of Sandusky's Tax Incentive Review Council (TIRC) and Community Reinvestment Area Housing Council (CRAHC) met on March 1, 2017 to review Battery Park and Chesapeake Tax Increment Financing Agreements and City of Sandusky Enterprise Zone and Community Reinvestment Area abatements that are currently in effect or have recently expired but still need monitored between the City of Sandusky and various Sandusky business and residential property owners.

This annual review is required by Ohio Revised Code Section 5709.85(C)(1) with the TIRC required by law to make recommendations to the Sandusky City Commission concerning the disposition of agreements in effect for the prior year. Reviews conducted in 2017 judge a company's performance for the prior year and therefore recommendations regarding these agreements apply to calendar year ending December 31, 2016.

Under Section 5709.85(E) of the Ohio Revised Code, the Sandusky City Commission must hold a meeting within sixty (60) days of receipt of the recommendations and may vote to accept, reject or modify all or any portion of these recommendations. While the minutes of the March 1, 2017 TIRC meeting are attached, a summary of the recommendations of the TIRC is as follows:

ENTERPRISE ZONE AGREEMENTS

(1) CEDAR FAIR L.P. (ADMINISTRATION BUILDING)

Recommendation: Continuation of the agreement as currently constituted.

Comments: The Company has exceeded payroll and employment projections and now employs 76 people at this location. The company is also required to make an annual scholarship payment to the City of Sandusky Schools of \$10,000 which has been met.

(2) K + K HOME DIVISION, LLC

Recommendation: Abatement expired as of December 31, 2016 (no motion necessary).

Comments: The Company has exceeded payroll and employment projections and now employs 82 full-time, 1 part-time and 33 full-time seasonal people at this location.

(3) S + S REALTY, LTD (COMFORT INN "RAIN" PROJECT)

Recommendation: Continue the agreement as currently constituted.

Comments: The Company is modestly below payroll projections but shares its employees with its other hotels, which may impact the figure. The Company now employs 81 full-time and part-time employees at the project. All fees and payments have been received as agreed.



(4) S + S REALTY, LTD (HOLIDAY INN)

Recommendation: Continue the agreement as currently constituted.

Comments: This is a 10-year, 75% real estate tax abatement on the cost of improvements. The Company employs 35 employees. Actual payroll was slightly below projections, but the Company was only open eight (8) months of the year (opened in May). If the payroll figure is annualized, it would exceed the figure in the agreement. All fees have been paid.

COMMUNITY REINVESTMENT AREA AGREEMENTS

(1) BUCKEYE COMMUNITY TWENTY-TWO, L.P. (RIEGER HOTEL)

Recommendation: Continue the agreement as currently constituted.

Comments: This is a 10 year, 75% abatement for the costs associated with the renovation of the formerly vacant property commonly called the Rieger or the Sanduskian. As of 12/31/16, the project has created two (2) full-time permanent positions and one (1) part-time permanent position. The fees have been paid per the agreement and they have binding leases for all of the commercial spaces.

(2) ROBERT AND CYNTHIA HARE – RESIDENTIAL

Recommendation: Residential CRA agreements continue automatically provided the property remains in sound physical condition.

Comments: Residential CRA projects are subject only to an exterior inspection to ensure continued maintenance and compliance with applicable City building and housing codes. The City of Sandusky completed an exterior inspection of the property on January 21, 2017 and found the property to be in exceptional physical condition and compliant with City building and housing codes. 2016 is the last year for this tax abatement.

(3) K + T PROPERTY MANAGEMENT AND DEVELOPMENT, LLC

Recommendation: Continue the agreement as currently amended.

Comments: The project has met payroll projections and made all fee payments. One unit is expected to begin tax abatement this year.

(4) SANDUSKY RENAISSANCE PROPERTIES, INC.

Recommendation: Continue the agreement as currently constituted.

Comments: As of 12/31/16, there were 10.5 new full-time equivalent jobs created. Payroll exceeded expectations with tips included. Furthermore, the third bay of the project, which houses Boom Town Coffee opened in late 2016. Annual fees have been met.

(5) TIER 3, LLC

Recommendation: Continue the agreement as currently constituted.

Comments: This is a 10-year 75% abatement to offset a portion of the property tax costs associated with the renovation and occupancy of the building located at 223 W Water Street. The hotel opened in August of 2016. Total project investment as of 12/31/16 was \$1,400,000. As of 12/31/16, the project has created eighteen (18) new employees with a total payroll of \$44,452.89. While no compensation agreement exists, the annual monitoring fee was paid as agreed.

TAX INCREMENT FINANCING AGREEMENTS

(1) BATTERY PARK TIF

Recommendation: This TIF expired on 3/16/16. No motion is necessary.

Comments: Everything about this TIF agreement was found to be in order. The existing TIF balance as of 12/31/2016 was \$15,647.29.

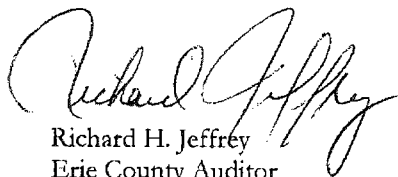
(2) CHESAPEAKE TIF

Recommendation: Continue the agreement as currently constituted.

Comments: Everything about this TIF agreement was found to be in order.

Please feel free to contact the undersigned with any questions regarding these recommendations.

Sincerely,



Richard H. Jeffrey
Erie County Auditor
Chairman of the Tax Incentive Review Council

Attachment: Minutes of the 3/01/17 TIRC Meeting

cc: Steve Poggiali, Enterprise Zone Manager

**THE CITY OF SANDUSKY, OHIO
TAX INCENTIVE REVIEW COUNCIL
MINUTES OF THE MARCH 1, 2017 MEETING**

The Tax Incentive Review Council for the City of Sandusky, Ohio met on Wednesday March 1, 2017 in the Erie County Commission Chambers, 2900 Columbus Avenue, Sandusky Ohio. The following Council members were in attendance:

- Richard Jeffrey, Erie County Auditor (Chair)
- Eric Wobser, City Manager, City of Sandusky
- Tony Bonner, Citizen Delegate, City of Sandusky
- Hank Solowiej, Finance Director, City of Sandusky
- Richard Brady, City Commissioner, City of Sandusky
- Gina Deppert, CFO/Treasurer, Sandusky City Schools
- Peter McGory, Attorney, Tone, Grubbe, McGory and Vermeeren, Ltd.
- Michael Will, Citizen Delegate, City of Sandusky

Absent Council members were:

- George Steinmann

Also in attendance were:

- Maria Muratori, Development Specialist, City of Sandusky
- Debi Eversole, Administrative Assistant, City of Sandusky
- Abby Bemis, Erie County Economic Development Corporation
- Sharon Johnson, member of the general public
- Zach Rospert, Erie Regional Planning Commission
- Steve Poggiali, Erie Regional Planning Commission
- John Rogers, Erie County Auditor's Office
- Toni Fritz, Erie County Auditor's Office

Chairman R. Jeffrey called the meeting to order at 3:00 P.M. with the following items reported on or discussed:

1. MINUTES OF THE MARCH 2, 2016 MEETING:

The minutes of the March 2, 2016 meeting were reviewed. On a motion by T. Bonner and second by E. Wobser, the minutes were unanimously approved as presented.

2. APPOINTMENT OF COUNCIL MEMBERS:

M. Muratori requested the appointment of T. Bonner and M. Will to the CRA. H. Solowiej moved to appoint T. Bonner and M. Will to the vacant seats of the CRA. E. Wobser seconded the motion. The Council unanimously voted to appoint T. Bonner and M. Will as members of the CRA.

ENTERPRISE ZONE AGREEMENTS

3. CEDAR FAIR, L.P. (NEW ADMINISTRATION BUILDING):

M. Muratori noted that this is a 10 year, 100% abatement. As of 12/31/16 the company had 76 full-time administrative employees with 18 new administrative employees and \$1,788,232 of new annual administrative payroll. An analysis by employee address indicates that 54 of 76 (71%) of all administrative employees are Erie County residents. All scholarship payments and monitoring fees have been paid on time. Ms. Muratori recommended the continuance of the abatement. The abatement expires in 2018.

On a motion by T. Bonner and second by H. Soloweij, the Council voted unanimously on continuation of this agreement.

4. K+K HOME DIVISION, LLC

M. Muratori informed the Council that this is also a 10 year, 100% abatement. This abatement expired at the end of 2016. As of 12/31/16 the company reports a total head count of 82 full-time and 1 part-time, in addition to 33 full-time seasonal at the project site. The company attributes 51 new full-time jobs, 1 part-time job, its seasonal employees and \$3,403,173.09 in additional payrolls to additional hires since inception of the agreement. An Analysis of all employees by address indicates approximately 60% are Erie County Residents. Compensation agreement payments have been made as well as monitoring fees. Since this abatement has expired, Chairman Jeffrey stated that no action is needed.

5. S+S REALTY, LTD COMFORT INN "RAIN" PROJECT

M. Muratori informed the Council that this is a 10 year, 100% abatement. As of 12/31/16 the company has 63 full-time employees (81 including part-time) with \$330,633.04 in payrolls, which is slightly lower than the agreement. The company stated that this is due to job sharing between multiple projects. 57 of the 63 employees (90.5%) are Erie County residents. All compensation agreements and monitoring fees have been paid. Ms. Muratori recommended the continuance of the abatement. 2017 is the last year for this abatement.

On a motion by E. Wobser and second by T. Bonner the Council voted unanimously to recommend continuation of the agreement.

6. S+S REALTY, LTD HOLIDAY INN EXPRESS

M. Muratori informed the Council that this is a 10-year 75% abatement. The project is complete and the business opened in May, 2016. As of 12/31/2016, the company has a total of 35 employees with \$204,405.68 in payroll attributable to the new employees. All of the fees have been paid. Ms. Muratori recommended the continuance of the agreement. It expires in 2025.

On a motion by E. Wobser and second by T. Bonner the Council voted unanimously to recommend continuation of the agreement.

7. ADJOURNMENT OF TIRC/OPENING OF THE HOUSING COUNCIL/REVIEW OF COMMUNITY REINVESTMENT AREA TAX ABATEMENT 3:07 P.M.

8. REIGER PLACE/BUCKEYE COMMUNITY TWENTY-TWO, LP

M. Muratori informed the Council that this is a 10 year, 75% abatement for the costs associated with the renovation of the formerly vacant property commonly called the Rieger or the Sanduskian. As of 12/31/16, the project has created two (2) full-time permanent positions and one (1) part-time permanent position. The payroll associated with the new employment is \$43,158, slightly shy of the \$50,000 contained in the agreement. The company promised to work to bring the payroll up to the agreement in 2017. The fees have been paid per the agreement and they have binding leases for all of the commercial spaces. Ms. Muratori recommended the continuance of the abatement. It expires in 2024.

T. Bonner moved to continue the agreement and H. Solowiej seconded the motion. Chairman Jeffrey offered his concern regarding the initiation of tax abatements, especially with senior living or subsidized housing projects. Specifically, Chairman Jeffrey is concerned that applicants initially accept the abatements but subsequently file an appeal on the base value of what the property is worth. This way, the applicant will not pay taxes on the improvements (or will pay a reduced amount of taxes) and then also ask for the original basis to be reduced. Chairman Jeffrey recommended that in future agreements, please add that “the value of the base will never go below this level during the agreement”. This will protect the schools and the City during the agreement. The motion carried with a 7/1 vote in favor.

9. ROBERT HARE-RESIDENTIAL CRA:

M. Muratori explained that this abatement is covered by the residential portion of the city’s CRA legislation which grants a 5 year-50% abatement for significant improvements to residential property. The City completed an annual exterior inspection of the property on January 21, 2017. The property is in exceptional physical condition and compliant with all applicable City building and housing codes. 2016 is the last year for the tax abatement.

10. K+T PROPERTY MANAGEMENT AND DEVELOPMENT, LLC:

M. Muratori informed the Council that this is a 10-year 100% abatement for the costs associated with the renovation of property at 300–310 East Water Street, (Southeast corner of Water and Hancock Streets). The project consists of conversion of the building into one (1) unit of retail space and ten (10) condominiums. Investment eligible for abatement is approximately \$2,400,000 with another \$620,000 of projected investment in the acquisition which is not eligible for abatement. Under City of Sandusky’s Downtown CRA legislation, residential condominium units receive 5 years and 50% abatement. The company reports spending \$3,249,000 to date with abatement started on five (5) residential units (three have since expired and one additional is expected to begin in 2017) and the commercial unit rented but remaining in the Phyllis F. Krabill Trustee name. All residential units will only be eligible for a 5YR/50% abatement and the single commercial unit receives a 10YR/100% abatement (subject to the School Compensation Agreement). Abatement on units 2C, 2D and 3A ended as of 12/31/2012 (taxes payable 2013). Ms. Muratori recommended the continuance of the abatement.

On a motion by T. Bonner and second by P. McGory, the Council voted unanimously to recommend continuation of this agreement.

11. SANDUSKY RENAISSANCE PROPERTIES, LLC:

M. Muratori informed the Council that this is a 5-year, 75% abatement. Early in 2014 the project was completed and rented to Cesare Avallone who has opened his Hearth Brickoven Restaurant in part of the space and subsequently has moved his restaurant Zinc Brasserie into the building. Total project investment as of 12/31/16 was \$325,112 (not including acquisition and equipment). As of 12/31/16, there were 10.5 new full time equivalent jobs created. While reported payrolls are somewhat less than expectations excluding tips (at \$170,311), they exceed expectations when tips are included. Furthermore, the third bay of the project, which houses Boom Town Coffee, opened in late 2016. While no compensation agreement exists, the annual monitoring fee was paid as agreed. Ms. Muratori recommended the continuance of the abatement, which expires in 2018.

On a motion by H. Solowiej and second by T. Bonner, the Council voted unanimously to recommend continuation of this agreement.

12. TIER III, LLC:

M. Muratori informed the Council that this is a 10-year 75% abatement to offset a portion of the property tax costs associated with the renovation and occupancy of the building located at 223 W Water Street (Erie County, Ohio permanent parcel number 56-00079.000). The first phase of the hotel is now open and operating. The hotel opened in August, 2016. Total project investment as of 12/31/16 was \$1,400,000. As of 12/31/16, the project has created eighteen (18) new employees with a total payroll of \$44,452.80. While no compensation agreement exists, the annual monitoring fee was paid as agreed. Ms. Muratori recommended the continuance of the abatement which expires in 2026.

On a motion by T. Bonner and second by H. Solowiej, the Council voted unanimously to recommend continuation of this agreement.

Tax Increment Financing Areas

13. BATTERY PARK TAX INCREMENT FINANCING:

M. Muratori informed the Council that the Tax Increment Financing (TIF) was created in 1986, requiring that all deposits into the TIF account be expensed on certain municipal improvements including, but not limited to, land acquisition, relocation, demolition, parks, streets, utilities, public buildings - all intended to promote further development. In 2016, there was \$30,467.92 in receipts resulting in a cumulative receipt total of \$639,381.22 since the TIF's inception. With regard to expenses, there were \$110,483.89 in expenses (used to demolish the Surf's Up structure) resulting in a cumulative expense total of \$623,733.82 since the TIF's inception. The existing TIF balance therefore, as of 12/31/2016 was \$15,647.29. This TIF expired on 3/16/16.

14. CHESAPEAKE TAX INCREMENT FINANCING:

M. Muratori informed the Council that this TIF was created in 2004, requiring that all deposits into the TIF account be expensed on certain municipal improvements including, but not limited to, land acquisition, relocation, demolition, parks, streets, utilities, public buildings - all intended to promote further development within the TIF district. In 2016, there were \$583,026.73 in receipts. In the same time, there was \$429,597.01 in expenses. As such, at 12/31/16, the balance was \$620,726.74. Ms. Muratori recommended the continuance of the existing agreement as currently constituted.

On a motion by T. Bonner and second by G. Deppert, the Council voted unanimously to recommend continuation of this agreement.

15. AJOURNMENT:

On a motion by T. Bonner and second by H. Solowiej, Chairman R. Jeffrey adjourned the meeting at 3:20 P.M.

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