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MINUTES OF THE COMMUNITY ECONOMIC DEVELOPMENT COMMITTEE MEETING

Monday, March 21, 2016 – 6:30 p.m.
Mayfield Village Main Conference Room

Present: Mr. Saponaro, Mr. Marquardt, Mr. Williams,
Mayor Bodnar, Mr. Esborn, Mr. Wynne, Ms. Wolgamuth
and Mrs. Betsa

The Meeting of the Community Economic Development Committee was held on Monday, February March 21, 2016 in the Main Conference Room at the Mayfield Village Civic Center. Mr. Saponaro called the meeting to order at 6:30 p.m.

. **Approval of Minutes of Meeting of February 22, 2016**

Mr. Williams, seconded by Mr. Marquardt, moved to approve the Minutes of the Meeting of February 22, 2016.

ROLL CALL: Ayes: All
Nays: None

Motion Carried
Minutes of February 22, 2016
Approved as Written

. **New Potential Tenant at 600 Beta**

Mr. Esborn shared with the Committee a telephone call he received from Fred Binstock, the CFO of a company called Wireless Environment. They distribute products to residential and commercial that provide light without relying on electrical power. They have one product in particular called Mr. Beams which is their driver. It is manufactured in China. Wireless Environment imports it and sells it to retailers in the U.S. It is their most popular product. They are looking at 600 Beta which is the same building we were working with Magnus Equipment on. They currently have 20,000 square feet on Aurora Road in Solon (15,000 warehouse; 5,000 office). Solon is in Cuyahoga County so that raises the anti-poaching protocol. They want to take 47,000 square feet on the freeway side, the opposite of where Magnus was looking. Theoretically, if a deal with Magnus was revived, both businesses could be there at the same time.

They are looking for a 5 year lease term. \$1.5 million in payroll. 15-20 employees. They are looking at other communities. The other buildings they are looking at may be more expensive, but they are more move-in ready. It's a similar property investment as we had with Magnus. With their relocation, the owner was going to invest \$1.2 million (\$650,000 general building

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improvements; \$550,000 tenant specific improvements). With Wireless, the building owner will make a \$1.5 million investment (\$800,000 general building improvements; \$700,000 tenant specific). It is higher because they are taking more square feet.

I went to the rubric. We would get \$30,000 annually, putting them in the second bracket and giving them 10 points. Density is a tough one. We divided total payroll over square feet. That gives \$32 per square foot in payroll. We initially set this bar at \$100 per square foot for any company to get 10 points. Shortly thereafter we adjusted it for manufacturing companies. They only needed \$40 a square foot in payroll to get points.

Wireless Environment is a distributing company. They are at \$32 a square foot. They won't get the 10 points for density. They are not new to Cuyahoga County. They are not purchasing the building, they are leasing it. The building is 100% vacant so they get 5 points for moving into property with more than half vacancy. Their total score is 15. The CFO was disappointed to find out. He was hoping for something higher. I told him I was meeting with CEDC, but initially, this is where their company landed in this step of our process.

He raised the same thing Magnus did about the building being in bad shape and I told him this is not designed to be a building improvement program. He asked about property tax abatement and I told him Mayfield Village has not done property tax abatement in a long time.

Working this company through the rubric and having it come out 15 is mostly because we are getting the same revenue as we did with Magnus but Magnus got 30% for 5 years. If we went up from 15, it would increase the likelihood of relocation. Wherever we end up, based on CEDC's recommendation tonight I would want to somehow convey that to the company. An easy way to do that is a letter of intent like the one drafted for Magnus that we did not end up sending.

Mr. Saponaro stated, from the density standpoint it looks like they hit 80% in number.

Mr. Esborn replied, us, 32 out of 40.

Mr. Saponaro stated, one of the things we may have to look at is if you hit the 10 points for density, you get the whole 10 points, otherwise you will get a pro rata share of that.

Mr. Marquardt asked about \$1.5 million payroll with only 15-20 employees. That's \$75,000 each.

Mr. Esborn stated, this is the headquarters of the company and involves the CFO. We have them verify their payroll with the letter of intent. The company has grown 50% over the last 5 years. They were founded in 2006.

Mr. Wynne asked, is most of it warehousing?

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Mr. Esborn replied, yes. They have 5,000 office, 15,000 warehouse now. They are building for the future.

Mr. Williams without knowing the history of the company, it seems pointless.

Mr. Esborn stated, at the time we put the rubric together, we wanted most of it to be based on revenue. The density we wanted to maximize revenue.

Mr. Wolgamuth added, the owner occupied theory was they would be more inclined to put investment money into the property if they owned it.

Mayor Bodnar replied, I agree, Joe, we should consider that. They have the same basic payroll as Magnus. They will generate the same amount of revenue to Mayfield Village.

Mr. Williams asked, what is going on with Magnus?

Mr. Esborn replied, they were trying to renew at the current location. They pulled back on relocation. The property owner was asking for a personal guarantee from the company. From the company's perspective, there were too many things in the lease. Negotiations broke down. I reached out to Magnus again last week to check in.

Mr. Saponaro asked, do you have a recommendation on what you think the numbers should be?

Mr. Esborn replied, my recommendation coming in was let's go up to 30% for 5 years and then we have the same offer to Wireless, Magnus, Mars and Freedomia. Going with a pro rata number for density would get us from 15 to 23. There is the question going forward of the rubric and how we use it.

Ms. Wolgamuth stated, the rubric is a guide.

Mr. Saponaro replied, density, new business, owner-occupied and vacancy are certainly considerations. What comes down to it is really numbers. Let's say they came in and were not the same as Magnus, they were a half million dollars. Certainly that would take them into the first category which would require them to have a lower threshold. What's the beginning threshold? That's something we have to figure out. How low are we going to go? The points don't matter. If they fall within the category that goes from whatever the lowest is. Have you discussed a ceiling? What is the most that can be asked for in terms of an abatement?

Mayor Bodnar replied, we have not talked about it specifically. Looking at it, the most we could offer someone is 50 which may seem a little on the high side. It's a good idea to reevaluate that and see if we want to offer someone 5%.

Mr. Saponaro asked, what are other communities doing?

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Mayor Bodnar stated, maybe we should just have a standard percentage that we can bump up or down a little bit depending.

Mr. Marquardt stated, I would question numbers again, how much they really have; how much that personal income is and work off of that.

Mr. Esborn replied, we have worked off of projections with every company we have worked with eventually getting documentation on their payroll. We will get that from this company.

Mr. Williams recommended going to 30. See what the feedback is.

Ms. Wolgamuth stated, the vacancy category should be higher. We have been trying to fill this vacancy for years. Once it gets those improvements, you assume it will stay occupied.

Mr. Esborn replied, at this point, there is only one building on Beta Drive that satisfies that last category.

Mr. Wynne suggested adding another category dealing with the length of time the building has been vacant.

Mayor Bodnar asked, if Wireless moved in, would the 5 points be off the table for Magnus?

Mr. Saponaro stated, assuming the payroll is verified, the other thing you have to look at is what is their plan for growth?

Mr. Esborn stated, they are anticipating growth. He gave me a projection.

Mr. Saponaro stated, it does not have to be 5 years. You could start it a little bit lower percentage wise and do a step up on it. Every deal is different, but like George said, we are creating a benchmark so we don't want to necessarily make people think one deal is more important than another.

Mayor Bodnar asked, should we have a CEDC meeting dedicated to revising the rubric?

Mr. Saponaro stated, CEDC is a special committee. We work collaboratively. It then goes to Council and then Council votes on it and goes through the process.

Mayor Bodnar stated, the rubric seems to be a little outdated and seems not to be working for us.

Mr. Saponaro replied, sure. It's worth exploring. But with this company, are we looking to leave this meeting with here's what we are going to propose?

Mr. Esborn replied, I would like that.

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Mr. Saponaro asked, your recommendation is 30%?

Mr. Esborn replied, yes, 5 years and 30%. Unless CEDC would like to do something else, 30% would be easier going forward.

Mr. Saponaro asked, what is everyone's thought? All agreed on the 30%.

Mr. Esborn stated during the December meeting we were going to focus on the rubric and the agreement and then Magnus happened. I have been looking for an opportunity to hold a CEDC session just to retool the rubric.

Mr. Saponaro stated, come up with what you are comfortable with and bring it to us.

Mr. Marquardt asked, are these guys interested in the quality of the building?

Mr. Esborn replied, they are. That is how they argued their case, about how poor the quality is and how much is needed to be done to it.

Mr. Marquardt stated, they should talk to the landlord.

Mr. Esborn replied, their situation now is the rent at 600 Beta is attractive for that location. They are looking at other locations that might not be as attractive geographically but are move-in ready.

Mr. Marquardt asked, why isn't the landlord willing to put in more?

Mr. Esborn replied, they can't move on the improvements until they get a commitment from a tenant.

Mr. Saponaro stated, you mentioned at a previous meeting they are willing to put a large amount of improvements into the building.

Mr. Esborn agreed. The plan for Wireless Environment is a little bit larger investment because it's more of the building. They are looking at \$1.5 for this company versus \$1.2 for Magnus.

Mr. Saponaro stated, make sure we have in the agreement something along the lines a standard lease, if you have more than 2 years that you don't meet your goal, it either gets decreased or something along those lines or it can be removed. There's an incentive on their part.

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. **Motion to provide Wireless Environmental with a 30% incentive package.**

Mayor Bodnar, seconded by Mr. Williams, made a motion to provide Wireless Environmental with a 30% incentive package.

ROLL CALL: Ayes: All
Nays: None

Motion Carried

Mr. Esborn will prepare the letter of intent and send it out to CEDC for review. If there are no comments, it will be sent out.

. **Any Other Matters**

Mr. Saponaro asked, any other matters?

Mr. Esborn discussed the County's anti-poaching protocol. To be cautious, I asked Wireless Environment, have you advised Solon that you are considering relocation? He answered that he had not. I asked him if he objects to me talking to Solon. He did not want that.

Mr. Saponaro advised against. You are giving away confidential information. Brenda, what do you think?

Mayor Bodnar stated, only if they give us permission to do that.

Mr. Saponaro stated, you might want to e-mail Wireless and let them know that in the spirit of cooperation between communities, it is advisable that at the appropriate time you advise Solon.

Mr. Saponaro asked, are there any other matters? There were none.

Mr. Williams, seconded by Mr. Marquardt, moved to adjourn.

The meeting adjourned at 7:02 p.m.

Respectfully submitted,

Mary E. Betsa, CMC
Secretary - Community and Economic
Development Committee