

TIPP CITY SPECIAL COUNCIL MEETING

Council Meeting

TIPP CITY, MIAMI COUNTY, OHIO

June 30, 2016

The following Council Members answered roll call. President Joe Gibson, Carrie Arblaster, Katie Berbach, John Kessler, Tom Merritt and Matt Owen.

City Staff in attendance include: City Manager Tim Eggleston, Interim Law Director Kevin Lantz, Assistant City Manager Brad Vath, Police Chief Eric Burris and Clerk of Council Janice Bates. Reporter Nancy Bowman was also in attendance.

Guests signing the register include: Bob Archer, Larry Cook and Rick Heidl.

Approval of Agenda

Ms. Berbach moved to approve the agenda. Mr. Owen seconded. Motion carried.

Resolutions

A resolution authorizing and directing the City Manager to enter to enter into an Enterprise Zone Agreement with Repacorp and an Income Tax Agreement with the Tipp City Exempted Village School District.

City Manager's Comments: On June 23rd, the Economic Development Committee met to discuss the proposed Enterprise Zone and was recommended unanimously to have Council approve the agreement. Which is a 10 year, 75% abatement of real property taxes for the proposed project. Under the proposed Enterprise Zone Agreement, Repacorp is require to make the Tipp City Exempted Village School District "whole" by reimbursing them 100% of the estimated tax revenues that the schools would have received without a tax abatement agreement. This legislation also authorizes the City Manager to execute an Enterprise Zone Agreement with Repacorp and an Income Tax Agreement with the Tipp City Exempted Village School District allowing the City to retain 100% of local income tax revenues from this project.

Ms. Berbach moved to approve. Mr. Owen seconded. Ms. Arblaster stated as she reviewed the materials for this proposed agreement, she did not see some type of crisis within the business or some sort of potential for the investment of the business. Ms. Arblaster requested Mr. Vath speak to the necessity of the abatement. "While I understand it will be helpful and advantageous for the company to have this type of abatement as they look to expand...maybe if you could speak to that. As I didn't see that come through in the application and it gave me pause". Mr. Vath stated, "Repacorp has three different production facilities in three different states. Arizona, Wisconsin and here in Tipp City. Theoretically, this project could have been located in any of those three states. An incentive, I think, is important to Repacorp and I won't speak directly for them, but an incentive will make it advantageous for them to locate this particular project here. Tony Heidl, Repacorp President was at the School Board Meeting an indicated that this is a very large commodity type of a project and getting the prices as low as possible is very important because of the sheer number of products they are producing. Anything they can do to lower the costs of the product for the company makes it more advantageous. If we can get it lower here in Ohio there is a better chance to keep the project

here in Ohio versus in Wisconsin or in Arizona. Those are the two principle reasons. There is a timing necessity because the project, as relayed to me, needs to be under construction and completed by January. Some things may have changed since they finished the negotiations. There is a very short time window when we had to get construction started, and this special Council meeting and before the School Board. Normally, we would have had City Council act on it first, but because of timing we needed to get this done as soon as possible”.

Ms. Arblaster stated she had heard there was some confusion about the “being made whole part”. “Is the portion of the property tax that they are being whole on is just the 75% and so the school is still missing 25%? Or are they being made whole for the entire amount, not just the amount being abated”. Mr. Vath stated “It is very confusing and I am not a school official, but there are basically two different functions. We will all get 25% of the real property taxes for the project. The 75% that would be abated, every political jurisdiction that gets real property taxes would not get property taxes for that. The difference is the foundation. They will get foundation dollars from the state of Ohio. In talking with our Bond Counsel, that for every dollar of property taxes they get, they lose \$0.43 of that dollar for the foundation. There would be a calculation completed to make up those dollars that they would have gotten less the foundation 43% deduct for that 75%. We would have to come up with those final figures; there are preliminary figures in the agreement that Council had been provided. Those final figures would be calculated and agreed to”.

Ms. Arblaster inquired, “If the City stands to actually see more dollars coming into the door, then how is this abatement still helpful and competitive for them”? Mr. Vath stated, “An Income Tax Agreement between the City and the Tipp City Exempted Village School District. Under the Ohio Revised Code, if we do not have an Income Tax Sharing Agreement, we are required because their payroll will be over \$1 million dollars for the employees of this particular project, to share 50/50 of our local income tax with the school district. Because we are doing the “making whole” provision, on the real property tax, the school district agreed to sign the Income Tax Agreement so the City would not have to share their share of the income tax with the school district. There really isn’t a negotiation between the City and Repacorp itself. It is basically a wage tax. Repacorp’s employees are the ones who are paying 1.5% local income tax. Those are the figures that were also provided to Council. I have no idea what the corporate net profit is going to be from this business venture so I would not want to guess what that is. Really, the burden falls upon the employees. The employees will be paying the City of Tipp City and we will be receiving 100% of that versus the 50% if we didn’t have the Income Tax Sharing Agreement”. Ms. Arblaster stated it is “a potential net increase for the City. We are not quite sure what the deficit would be for the school because we don’t have exactly how many jobs will be created and at what amount of income tax will be garnered. It is saving the employer the dollars to be able to be more competitive on their bid because the taxes are essentially shifted to income rather than real property.” Mr. Vath stated “they are still going to make a cash payment from the businesses bottom line to make “the school districts whole”. “They will still be doing that as a company”.

President Gibson inquired of “the upside” of this. What does this bring to the City? President Gibson stated he had received similar comments as Ms. Arblaster. President Gibson added he too was at the School Board Meeting and the issue was raised that “we are giving this corporation a huge break” and does that cause everyone else’s taxes to go up more? President Gibson asked Mr. Vath to explain that this is a “net plus” for everyone involved. Mr. Vath reviewed the project highlights. This proposed project is a new business venture that Repacorp is getting into. This is facilitating and necessitating the expansion of their existing building. Their existing building is located on a parcel that is located within what is called a CRA (Community Reinvestment Area). This particular expansion is on a new parcel that they would be acquiring which is outside the CRA, but is in an Enterprise Zone. Repacorp plans to spend \$1.8 - \$2 million dollars in improvements for the actual building itself and some retention basin modifications. They will be adding approximately 40,000 square feet for manufacturing and warehouse operations. They will be creating 40 jobs over a three year period. Which will equate to approximately \$1.7 million dollars in estimated payroll. With an average wage of \$20.40/hour. These are highly skilled employees because of this particular process. “We are projecting on that \$1.8 - \$2 million dollars, or estimating that \$1.4 million dollars will be captured as real property tax increase”. In speaking with the County Auditor, no one is paying for the loss that President Gibson mentioned earlier. Benefits are local income taxes are how we fund our Police, Fire and General Administration. That brings in revenue for us and helps to support our day-to-day operations, and allows us to provide the services that our community members, businesses and industries enjoy. It will create jobs, hopefully creating housing and wealth generation within the community and helps Repacorp expand within our community. “They have been a great corporate partner in Tipp City since the early 1970’s”. President Gibson stated (according to the memo and materials provided to Council) this exact model has been used in the past for a variety of companies including: Transfreight and Broadway Hair Studio. “This has been used by both good sized employers as well as smaller folks and my experience is that it has been something successful for all parties”. Mr. Vath agreed. “We’ve had positive results back when some of these agreements were in place when we could abate tangible personal property tax that is no longer taxed in the State of Ohio. Now it is just real. It has been very beneficial for this particular project because it is outside of a CRA, the only way to abate the real property taxes is to go through an Enterprise Zone. It has been beneficial and it has worked well and we have no issues with this particular program”.

**Citizen Comments on
Items not on the
Agenda**

Rick Heintl of 1655 Evanston Road, Tipp City approached the podium. Mr. Heintl stated the abatements will assist his company in being competitive in employee retention to include salaries and benefits. Mr. Heintl shared the story of his companies beginnings to where they are now and moving into the future. Mr. Heintl stated his company has been making label for this company for the past two years and now is the time to expand. The project known as “Big Bertha” is making RFID chips (anti-theft devices) for major retailers. Mr. Heintl invited Council to the facility to see the process and how they make the labels.

Ms. Arblaster thanked Mr. Heintl for his candor and his willingness to “sign his name on the dotted line” to make the school district whole. “I appreciate your work and I intend to support this and you and this endeavor

and I thank you very much for your transparency and walking me through some of the questions. I wish you the best and wish you well”.

A vote was taken on the resolution. Motion passed 6-0. Resolution 15-16 was declared adopted and President Gibson affixed his signature in witness thereto.

Adjournment

Mr. Kessler moved to adjourn. Ms. Berbach seconded. Motion carried. Meeting adjourned at 6:35 pm.

Joseph Gibson, President of Council

Attest: _____
Janice Bates, Clerk of Council



