

MEMO

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To: The Hon. Ray McFall, Mayor, Village of Boston Heights OH
From: William J. Hinkle
Date: 7 July 2003
Re: Tax Incentive Review Council -- 2003 Meeting

In advance of the official minutes of the 2003 TIRC meeting, here are my notes:

The Tax Incentive Review Council for the Village of Boston Heights met on 26 June 2003, at the Barlow Community Center in Hudson, OH. The Village was represented by Mayor Ray McFall, (substituting for Jim Bragg) and William Hinkle. The meeting was chaired by Chuck Wiedie, the Enterprise Zone Administrator for the Summit County Executive's office. Also represented were the Summit County Fiscal Office and Hudson City Schools. Paul Gallagher represented the Summit County Council.

The only tax abatement in Boston Heights is for the benefit of McLean Company on Chittenden Road (along with Boston Heights Realty Investment LLC, which owns the land and building). The company was represented at the TIRC meeting by its CFO, Mr. James DeHart.

The McLean facility is in the Western Reserve Enterprise Zone. McLean has a 5-year tax abatement of 100% of its real property investment and 100% of its tangible personal property investment, with investment values specified in the Agreement between McLean and the Village.

In return, McLean committed to create 5 new full-time and 2 new part-time jobs at its Boston Heights facility, while using its "best efforts" to retain the former 16 full-time positions. A 3-year job creation schedule was specified in the Agreement; this period ended in June 2003.

In response to a question, Mr. Weidie stated that McLean has brought their 2002 TIRC paperwork into compliance; this included the DTE24 filing and payroll report.

Mr. DeHart stated that McLean's sales have been down for several years, reflecting the state of the entire construction machinery industry. He noted that the company had "lost money" for the past 3 years, and many of their large customers were consolidating. In his view, the 12-month business horizon was poor, while the 24-month horizon was more promising.

He stated that the Boston Heights facility currently has 17 full-time employees. Of the original 16 jobs, 2 were lost and 3 new jobs added. The new job positions were filled through all of year 2002. McLean's statewide employment roster has been reduced from 35 to 31 jobs, with some jobs being shifted to Boston Heights in order to avoid further reductions.

In response to specific questions from the members of the TIRC, Mr. DeHart supplied the following additional information:

* McLean / Boston Heights Realty Investment non-exempt taxes are paid up to date, per item #8 of the Agreement.

* All of McLean's employees are now directly employed (they were previously leasing employees from a PEO).

* McLean / Boston Heights Realty Investment has paid the required annual TIRC fee to Boston Heights, per item #7 of the Agreement; in his words: "whatever was billed, was paid".

* McLean has not yet compensated the Hudson City School district for any part of their side agreement for \$5000 in rental discounts, as the school district has not asked for it.

* McLean has adhered to the nondiscriminatory policy cited in item #15 of the Agreement.

After some discussion, it was established that the abated real property taxes for 2002 were about \$17,000, but that the abated tangible personal property taxes were not yet known. Village income tax for 2002 was in excess of \$13,500.

Mr. Hinkle moved that the TIRC recommend that the Agreement be amended to extend the job creation period by an additional year, to June 2004. He suggested that, while McLean was clearly not in compliance with the Agreement, the TIRC was permitted to consider fluctuations in the applicable business cycle (ORC 5709.85(C)(1)), and that it would be better to make note of the lack of compliance now rather than to simply ignore it for another year.

After further discussion, Mr. Gallagher moved to amend with a further statement that, if the job creation goals were not met within the extended period, the 2004 TIRC would consider suggesting a specific reduction in McLean's abatement percentage (currently 100%) for both future and past taxes. This is consistent with item #11 of the Agreement.

This motion, as amended, was approved by the Tax Incentive Review Council as its year 2003 recommendation to the Council of the Village of Boston Heights.