

**Minutes of the Meeting of the Economic Development Committee of Council
Held in the Council Chambers of the Municipal Building
On Tuesday, September 5, 2023**

The Chairman, Ward 3 Councilman Tony Moore, called the meeting to order at 7:00 P.M.

Committee Members Present

Chairman, Ward 3 Councilman Tony Moore

Councilwoman-at-Large Tammy Holtzmeier; Ward 4 Councilman Scott Radcliffe

Others in Attendance

Councilman-at-Large Craig Witherspoon; City Engineer Ryan Cummins; Planning/Economic Development Coordinator Pam Fechter; Finance Director Steve Presley; Safety/Service Director Duane Streator; Clerk of Council Barb Brooks; Ward 1 Councilwoman Jennifer Demaline; Ward 2 Councilman Dennis McBride; Law Director John Gasior; Council President Brian Fischer; Mayor Bryan Jensen; Resident Larry Escalante; Resident Pat Jankowski; David Keehan, President and CEO, Advanced Polymer Coatings

Discussion of Tax Abatement for Advanced Polymer Coatings

Mr. Moore asked Planning/Economic Development Coordinator Pam Fechter to begin the discussion.

Ms. Fechter stated that Advanced Polymer Coatings has been in the City of Avon since the 1960's. She said that she has been working with them for a number of years and has been going through the fact that they were thinking of leaving the City of Avon. They have a very specialty product and were looking in other areas in Lorain County as well as Cuyahoga County and a couple spots outside of Ohio as well.

Ms. Fechter said so they are looking to do a 20,000 sq. ft. expansion in Avon; their investment in the property is \$14.5 million dollars. Currently they have an existing payroll of over \$3 million and they are looking to add 10 more employees in 36 months. They have been a really strong company; they are kind of a quiet company so for those of you who do not know where they are, they are located on the east side of Jaycox Road, the very last business before the railroad tracks. A lot of people do not even know they are there. They never call the City for anything; it is a family-owned business and they just continue to move along with everything they are doing. Ms. Fechter said that she really liked on their website their core values: "F.L.I.G.H.T." - Fun, Legacy, Integrity, Greatness, Humble Pride, Teamwork, and she said she thought that speaks to a lot of us and to a lot of other businesses. She introduced David Keehan, the President and CEO of Advanced Polymer Coatings, and asked him to speak a little bit about his company.

David Keehan, President and CEO of Advanced Polymer Coatings, 951 Jaycox Road, stated that as Ms. Fechter said, Advanced Polymer has been in the City of Avon since the 1960's. His father bought the building back in 1969 and they have had a family business there ever since. He said that they want to stay in Avon; it has been a good home for them. The 20,000 sq. ft. expansion enables them to bring in more jobs. He stated that he took over as President and CEO in 2018 and since then they have added 19 jobs so they have doubled their size in a short amount of time and their expectation is to grow at 3 – 5 times in the next 5 to 10 years, which at this point is 10 more jobs but could be more.

Mr. Moore asked Mr. Keehan what his company did exactly. Mr. Keehan said that they basically make paint; it is an epoxy coating that they put on the inside of ships. That is their biggest market so they have offices in China, Korea, Turkey, all around the world.

Mrs. Holtzmeier congratulated Mr. Keehan on his tenure and the success of the company. She asked if the expansion was for a particular contract or a new line of business, or what is causing it? Mr. Keehan answered that it is the growth for them, to be able to manufacture and keep up with the demand right now. So they are doing the expansion to be able to meet the demand.

Ms. Fechter said to Mr. Keehan that he might want to mention the chemicals and Mr. Keehan said, yes, they use hazardous chemicals so it is dangerous goods so they must be built up to Code on everything. They are looking at seeing where they are going and what they are doing, so from that standpoint pushing it forward so they are ahead of the curve. Safety has always been a big concern for them and they have never had an issue but they want to stay ahead of the curve with that, and make it as worker-friendly as possible too so kind of going above and beyond. That is why when you look at the numbers of the project, it is so expensive.

Mrs. Holtzmeier asked, with the 20,000 sq. ft., is that a true expansion where the new products go there or would you retool the whole shop? Mr. Keehan said that they are going to retool the whole shop so they are going to do some shifting around but all the manufacturing and storage will be in the 20,000 sq. ft. Mrs. Holtzmeier asked if that was further away from the road and Mr. Keehan answered, yes, it is back toward the cul-de-sac back there.

Mr. Fischer said to Ms. Fechter that the bar for tax abatement in Avon is pretty high and he asked if she could compare this abatement to others that we have going. Mrs. Holtzmeier asked if first, they could talk about what the request is as they have not covered that.

Ms. Fechter said, certainly, and she has that on the sheet in front of them. She said we are asking for 75% abatement for 3 years and then 50% for 7 years. The 75% for the first 3 years is due to the high cost currently that is in place and gives them a little bit of flexibility to be able to get what they need to get the expansion started. Keep in mind that this abatement is only on the increased value of the building so it will not be on the entire property tax. It will just be on the new value that the County Auditor gives to this project once it has been completed. So historically, we have done a few abatements kind of in the same neighborhood. Custom Culinary did a 14,000 sq. ft. expansion. Their existing payroll is at \$1.1 million and their new payroll is at about \$600,000 and they were given 50% for 10 years. She thought that with the expansion of Advanced Polymer Coatings and with their investment in our community for so long, that is why we were looking at the 75% for 3 years to give them kind of a kick start to get going and then level it out to 50% for 7 years.

Ms. Fechter noted that Jenne and L&W are still on our books, Custom Culinary should be off now and Flavor Seal is off. The investment made by Advanced Polymer is up there with L&W and Jenne with the type of expansion that they are doing and she thought the biggest thing for this company is their existing payroll. If you look at L&W, we gave them an abatement of 75% for 10 years; they came in with a \$12 million dollar expansion, \$3 million in existing payroll and \$1 million in new payroll. So their numbers are similar. That was pretty long ago and she thought that they only have a couple years left of their abatement. That was their second expansion on that property and that is why they were given an abatement that second time as well. The abatement for Advanced Polymer is more so for the retaining of jobs and for asking them to please stay in Avon. They have been a great company and we would hate for them to go somewhere else.

Mr. Radcliffe stated that Mr. Keehan had said that since he took over as President they added almost 20 jobs. Mr. Keehan said that was correct; they have doubled their size. Mr. Radcliffe asked, and how far back did that happen? Mr. Keehan answered, in 2018. Mr. Radcliffe said, so in 5 years you have doubled your size in staying where you are right now and you are looking to continue to try and do that with more employees going forward. Mr. Keehan said, correct. Ms. Fechter added that she and Advanced Polymer have probably been talking for 2 or 3 years about expansion in Avon or moving to another location; they were having that constant dialogue.

Mr. McBride asked Mr. Keehan if they do all their manufacturing here in Avon or do they manufacture at other locations? Mr. Keehan said that they do it all here right now. They are looking at possibly expanding out into other locations but right now everything is done here. Ms. Fechter asked Mr. Keehan to tell the Committee about their research and development. Mr. Keehan said that they have a research and development facility there where they have actually come up with 5 new products. Research and development will double in size for them when they do this expansion.

Mr. McBride stated that Advanced Polymer Coatings is a great business to have. He has not heard of any issues with the business from the Fire Marshal and if there have been, they have probably taken care of it themselves. Ms. Fechter stated that we have had a number of meetings with the Chief Building Official as well as the Fire Marshal on the best way to put up their building to make sure it is effective. Mr. McBride said that is great and he would throw this out, not that he wants to encourage 75% tax abatement for 10 years, but if that is what Advanced Polymer needs, that is what they need to ask.

Mr. Fischer asked how this abatement request compares to Hunter International that we turned down. Ms. Fechter said that when Hunter International came in, they were doing a 30,000 sq. ft. expansion, they were making a \$3.7 million dollar investment and they had \$1.2 million in existing payroll for 20 employees, so their numbers were a bit down as far as the investment goes. Advanced Polymer Coatings is definitely making more of an investment.

Mr. Radcliffe asked about the mix of the 10 new jobs. Would Mr. Keehan say it is a good mix to say that the new jobs would be half for manufacturing and half for research and development? Mr. Keehan said that it would be a good mix of half and half with the research and development and bringing in more chemists and scientists, more kind of higher-end jobs. It is not just manufacturing jobs; and actually in those kinds of jobs, they are doing a lot right now with automation as well, to make it safer. From an automation standpoint, they keep the number of employees they have from the factory standpoint but then it gives them the ability to increase that with project engineers, research and development scientists, etc.

Ms. Fechter said, and she would just add to that, with the abatements to this date, there is a clawback so if in 3 years, Mr. Keehan does not come up with 10 new jobs, the clawback can take that money back. We are being very conservative on the \$500,000 for the new jobs to kind of give them that leeway of whether it be manufacturing or the higher-end jobs.

Mayor Jensen said that Advanced Polymer Coatings has also given back to the community. They have purchased equipment through a fund raiser for our Every Child's Playground. It is a good, corporate company and one that we always want to make sure we keep in Avon if possible. He and Ms. Fechter have always talked about what is fair for everybody because Council has to realize that anything we do, we have to be willing to do for anybody else who comes in but he does not see any reason not to help out this company and make sure they stay in Avon. We are very comfortable with everything that they have done.

It is great having a good corporate neighbor like Advanced Polymer Coatings and he would recommend from the Administrative standpoint, to approve this abatement.

Mr. McBride asked, since he threw it out, what is the abatement request; is it as stated on this sheet? Ms. Fechter said, yes, we are asking 75% for 3 years and 50% for 7 years. She said that is what she thought Council would be more comfortable with doing - kind of a little bit more to start to get them going.

Mr. McBride said, so in terms of the clawback, if the world economy takes a crash.....we have had one abatement where we chose not to exercise the clawback just because it was out of everyone's control because of the economy. It was not for lack of trying on the part of the business. Ms. Fechter stated that back in 2008 when the market crashed, the County did not exercise the clawback at that time because everybody was really hurting so they do take that into consideration.

Mayor Jensen stated that some of that clawback has changed since the time we have all been part of this. What we try to look at is that we want to leave the ability that if something does happen in the economy and they do not quite reach the numbers. then we give another year or maybe even two years to make sure that they are reached. We always look at the final payroll, not so much as the number of jobs but as a payroll and as we all know, it has increased by almost 3% so we have taken that total dollar into consideration along with the numbers but the abatement that is before you gives some of that leeway. And we are trying to make it as high as we can in the beginning to help the company get started. After that we hope that they will be doing so well that they will not necessarily need the extra help.

Ms. Fechter stated that if this is approved at a Council meeting, the next step is that she would take the Ordinance to the County Commissioners and then they make a recommendation to the State to then follow through and approve it.

Mr. Moore said that he had no problem with the abatement ask that they are looking at. He and Ms. Fechter have talked about a couple different figures and he is very comfortable with what they are looking at. Advanced Polymer has been in the community for a long time and has done a lot for the community, and we would like to keep them here. So unless anybody else has any comments, he would like to see how the other two members of the Economic Development Committee would vote so we can take it to Council.

Mr. Witherspoon said that he believed that in the past, the schools have been involved in abatements. Is that the case with this? Ms. Fechter said, yes, it will be as well and that is why we will not have this in front of City Council until the next Work Session. We have to have the time to notify the Joint Vocational School and the Avon School Board. Because of the level of abatement, they are just notified, they do not have to necessarily act upon it. We just have to notify them 14 days before we vote.

Mrs. Holtzmeier said to Mr. Keehan that she thought the longevity of his company in Avon is impressive and notable and also the fact that he has a business that continues to find new ways to grow and maintain a footprint in any economy. She was glad that Ms. Fechter reminded them about the other two abatements that have rolled off. Mr. Fischer is right in that you like to be somewhat conservative about how many of these are on at any time, what the accumulative dollar amount looks like and what that overall impact is. You want different abatements in different categories of industries and employees and payroll. It was good to hear some of that has rolled off. Mrs. Holtzmeier said that her next question after this meeting is going to be how we are making sure that everybody has met all of the requirements of the abatement. Ms. Fechter stated that they will be meeting every month to go over where they are, what

they have done, and make sure they are on track to continue and that goes on for the entire 10 years and then one year following.

Mrs. Holtzmeier stated that she was in favor of moving this abatement request forward to the entire body of Council to consider. Also It would be helpful to have as a corresponding document, the listing of abatements that they usually see in budget meetings in October.

Mr. Radcliffe said that he would also be in favor of moving this forward.

Mayor Jensen said that he had one final comment in regard to the schools as Mr. Witherspoon brought it up. At certain times, there is a reduction with the schools. Advanced Polymer is a company that is staying here and there is also an addition there, so there is a positive side to that in even 3 years in terms of the initial 75%. The schools may not be getting as much as they normally would get but once it goes to the 50% they are benefitting. And losing a company, especially in terms of that payroll, more than offsets what some people may be concerned about with the schools.

Ms. Fechter added that as they all know, we do not abate retail; the only time we look at abatement is for corporate headquarters or for industrial companies.

Mr. Moore stated so we have three members of the Committee all voting yes so we are going to move this abatement forward to Council and go from there.

Mr. Moore adjourned the meeting at 7:21 P.M.

Respectfully submitted by Gail Hayden, Assistant Clerk of Council