

RESOLUTION NO.: 26-2020
INTRODUCED BY: Henry

A RESOLUTION AUTHORIZING THE CITY OF RICHMOND HEIGHTS TO ENTER INTO AN AGREEMENT REGARDING PAYROLL TAX SHARING WITH THE RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT AS A RESULT OF THE COMMUNITY REINVESTMENT AREA TAX EXEMPTION FOR THE BUILDING ADDITION AT ONE INTEGRITY PARKWAY IN THE CITY.

WHEREAS, pursuant to Ohio Revised Code 3735.67 and the City's pre-1994 Community Reinvestment Area ("CRA") legislation, as properly amended, the City's Housing Officer (the Mayor) will be certifying a CRA property tax exemption for an approximate 13,000-square foot addition to an existing building (the "Addition") at 1 Integrity Parkway in the City for such tax exemption to commence in 2020;

WHEREAS, the owner of the existing building and its new Addition at 1 Integrity Parkway in the City is CGF Realty, LLC, and the employer at the subject property is its affiliated company, Selman & Company, LLC ("Selman");

WHEREAS, this Council has determined to enter into an agreement with the Richmond Heights Local School District to share 50% of the payroll taxes of "New Employees" of Selman, as defined by Ohio Revised Code §5709.82, for the period that the tax abatement is in effect which is contemplated to be a 100% exemption of the property taxes on the Addition beginning in 2020 and to be in place for a period of fifteen (15) years.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Richmond Heights, State of Ohio, that:

Section 1: The Mayor is authorized and directed to enter into an agreement on behalf of the City of Richmond Heights with the Richmond Heights Local School District ("School District") with the following terms, and as approved for form and correctness by the Director of Law:

- a. Commencing with the calendar year 2020, the City of Richmond Heights will pay to the School District 50% of the payroll taxes levied and collected from New Employees of Selman at the site at 1 Integrity Parkway on an annual basis during the tax exemption period (contemplated to be 15 years), provided that said annual payroll of Selman's New Employees equals or exceeds one million dollars; and
- b. The annual payment set forth in Section 1.a. of this Resolution will be made to the School District by February 28 of the year following the year of the annual Selman payroll that is subject to the 50% annual payment of payroll tax revenues to the School District. (For example, the first payment that is subject to the provisions of Section 1.a. of this Resolution will be made on or before February 28, 2021.)

Section 2: The Director of Law is directed to draft an agreement with the terms in

Section 1 to be given to the School District for its acceptance by its Board.

Section 2: It is found and determined that all formal actions of this Council concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council and any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

Section 3: This Resolution shall take effect and be in force from and after the earliest period allowed by law.

PASSED: 4-28-20

APPROVED: 4-28-20

David H. Roche, Mayor

ATTEST: Betsy Traben
Betsy Traben
Clerk of Council

Eloise Cotton-Henry
Eloise Cotton-Henry
President of Council



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And via hand-delivery to the Clerk of Council's Office

Date: May 7, 2020

To: Richmond Heights City Councilmembers and Clerk of Council, Betsy Traben

From: David H. Roche, Mayor

Cc: R. Todd Hunt, Director of Law

Re: Mayoral Veto of Council Resolution No. 26-2020 and Objections to the Resolution

Pursuant to this memorandum and Charter Section V-6, I hereby notify the Richmond Heights City Council that I have vetoed Resolution No. 26-2020, passed by the Council on April 28, 2020. (See Resolution No. 26-2020 attached hereto.) My objections to the Resolution are as follows.

Resolution 26-2020 directs me to enter into a one-sided agreement with the Richmond Heights Local School District that has a long-term (15 years) detrimental and negative impact on the City government.

Transferring money from the City's General Fund to the School District with effectively no restrictions or chance for future negotiations or legal interpretations is unacceptable to me. The impact on the City is estimated to be in excess of \$700,000 over a 15-year time period. I should not have to remind you of the dire financial straits the City is beginning to face in income tax collections due to the COVID-19 pandemic, the closure of a 50+ employee business at the Airport,

and a request by a company in the City for a 3-year tax refund due to the downturn in business. The conservative estimated loss of tax revenues to the City in 2020 is \$140,000 for these two items.

It is one thing to be an enthusiastic supporter of the Schools, which I have been for a long time; however, it is another matter altogether to transfer funds from the City to the Schools over a 15-year term and far in excess of what the School District would have received in real estate taxes had a tax abatement not been available to the new company moving into the City. As Mayor, I have a fiduciary obligation to the City and its taxpayers to make wise use of City income taxes and to provide necessary services to its citizens and those nonresidents working in Richmond Heights.

Taxation without representation is also unacceptable to me. Income taxes that I and all other citizens, businesses and employees working in the City pay to the City should be used for City necessary services and not be used for long-term funding of the School District, which like all other school districts in Ohio are funded through real estate taxes.

In this situation, the City has repeatedly offered – once in April of 2019, again in early October of 2019, and several times since October 2019 -- to pay to the School District on an annual basis the real estate taxes that will be abated over the 15 years on the site that received the tax abatement. Numerous times for over a year, it has been explained directly to the School District officials, both in writing and verbally, the meaning of making the School District “whole” as to the real estate taxes on the Selman & Company project.

It is my studied understanding from a reading of the state statute governing this matter –Ohio Revised Code Section 5709.82 – that the purpose of the statute is to reimburse and make the School District whole for the real estate taxes that will be abated for the building improvement receiving the abatement. It is not the purpose of this statute for the School District to be paid more than those real estate taxes. However, the School District is demanding and threatening to sue the City over in this instance for much more than being made whole. Also, the School District is demanding even more than 50% of the payroll taxes for the new employees at the site of the improvement – i.e., the 13,000 square-foot Selman building addition that is receiving the tax abatement. The School District is demanding 50% of the entire Selman payroll for 15 years.

In addition, I am reminding the Council that in the fall of 2018, Council authorized by Resolution a Job Creation Grant to Selman & Company for an amount to be paid by the City equaling 10% of the net amount of payroll taxes received by the City from Selman for a 5-year period. This was a necessary grant in order to have Selman agree to relocate to Richmond Heights and helped to make up for the higher income tax rate in Richmond Heights compared to the lower income tax rate at its former location in Mayfield Heights. Therefore, if the Council proceeds with agreeing to pay the School District 50% of Selman’s payroll taxes, the City will receive only 90% of the remaining 50% of the payroll taxes.

I suggest to those on City Council who want to financially support the Schools, they should initiate a committee supporting passage of a levy to benefit the School District.

I highly recommend that we do not enter into a long-term income tax sharing agreement which has not yet been drafted and does not fully maintain the legal rights of the City under State law and, therefore, veto Resolution No. 26-2020.