

Ordinance No. 286-2020

AS AMENDED

**Council Members McCormack,
Brancatelli and Kelley (by departmental
request)**

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with The Sherwin-Williams Company, or its designee, to provide assistance to fund the construction of a new global headquarters to be located at Public Square West and the corner of Superior Avenue and West 6th Street; to provide for payments to the Cleveland Metropolitan School District; and to declare certain improvements to real property to be a public purpose.

WHEREAS, under Section 5709.41 of the Revised Code, improvements to real property may be declared to be a public purpose where fee title to the real property was, at one time, held by the City of Cleveland and the real property is then leased or conveyed by the City; and

WHEREAS, under Ordinance No. 285-2020, passed June 3, 2020, the City has entered into the chain of title for the Property which is more particularly described in this ordinance (the “Real Property”) pursuant to the requirements of Section 5709.41 of the Revised Code prior to the passage of this ordinance; and

WHEREAS, the Real Property is to be developed in furtherance of the City’s urban redevelopment activities and in accordance with the Cleveland 2020 Citywide Plan, a copy of which is placed in ~~File No. 286-2020-A~~ **in File No. 286-2020-B**; and

WHEREAS, under Section 5709.41 of the Revised Code, improvements declared to be a public purpose may be exempt from real property taxation; and

WHEREAS, under Section 5709.41 of the Revised Code, the owners of the improvements may be required to make annual service payments in lieu of taxes that would have been paid had the improvement not been exempt; and

WHEREAS, under Section 5709.41 of the Revised Code, the exemption may exceed 75% of the improvements for up to 30 years when a portion of the service payments so collected are distributed to the Cleveland Metropolitan School District (“District”) in an amount equal to the amount the District would have received had the improvement not been exempt; and

WHEREAS, the District has been notified of the intent to enter into the agreement authorized by this ordinance in compliance with Sections 5709.41(C)(4) and 5709.83 of the Revised Code; and

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WHEREAS, this ordinance constitutes an emergency measure providing for the usual daily operation of a municipal department; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That the improvements to be constructed by The Sherwin-Williams Company, or its designee, (“Redeveloper”), are declared to be a public purpose for purposes of Section 5709.41 of the Revised Code. The Real Property is more fully described as follows: Parcel Numbers: 101-10-002 to 015; 101-10-030 to 037; 101-10-051 to 059; 101-07-008 thru 101-07-018, and are more fully described in the file mentioned above.

Section 2. That one hundred percent (100%) of the increase in the assessed value of the Real Property subsequent to the acquisition of the Real Property by the City (the “Improvements,” as defined in ORC Section 5709.41(A)(2)) shall be a public purpose and exempt from taxation for a period commencing on the effective date of this Ordinance and ending thirty (30) years after such date, all in accordance with the requirements of ORC Sections 5709.41 and 5709.42. The terms of the agreement are as follows:

<u>Project:</u>	The Sherwin-Williams Company
<u>Project Location:</u>	Public Square/W.3 rd /W. 6 th
<u>Ward/Councilperson:</u>	Ward 3/ Councilman Kerry McCormack
<u>City Assistance:</u>	ORC 5709.41 TIF (Non-School) Economic Development Construction Grant (\$13,500,000) Job Creation Incentive Grant (Up to \$11,500,000)

Project Background

The Sherwin-Williams Company was founded in Cleveland in 1866. It is a global leader in the manufacture, distribution, and sale of paints, coating and related products. Sherwin-Williams manufactures products under a number of well-known brands marketed through its network of over 4,900 company-owned stores and facilities, as well as through mass merchandisers, home centers, hardware stores, paint dealers, automotive retailers, and industrial distributors. The Sherwin-Williams Performance Coatings Group supplies a broad range of highly-engineered solutions for construction, industrial, packaging and transportation markets in more than 120 countries.

In September 2019, the Company announced that it was conducting a nationwide search for a new location for its global headquarter operations, currently located at the Landmark Office Tower, as well as a consolidated R&D facility, currently located at multiple sites throughout the country. The search was covered nationally, with prominent coverage in Dallas and Atlanta marking those cities as potential locations. The new global headquarters will be a modern facility designed to meet the Company’s long-term future growth needs.

The Company employs full-time equivalent 3,138 employees in Cleveland, at multiple sites, with a payroll of \$347,219,356, generating an income tax of \$8,680,483 for the City.

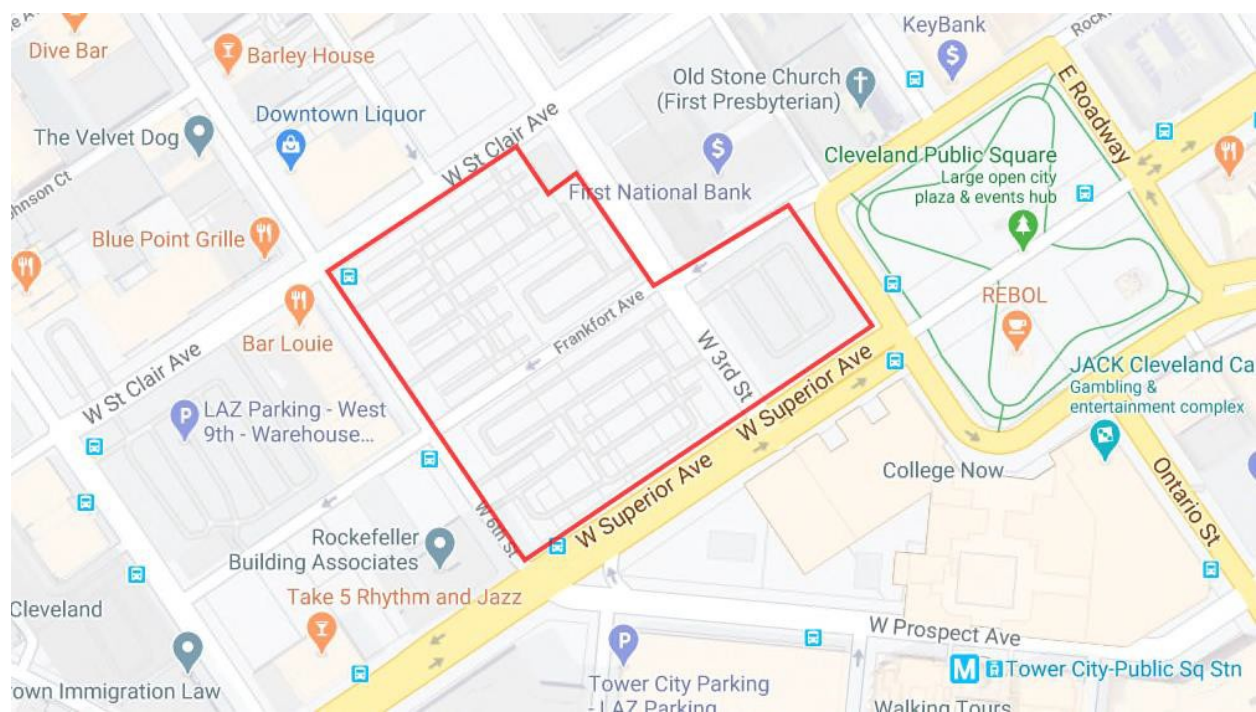
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Project Description

The Company has conditionally determined to construct its new Headquarters at the Project Site. The on-site investment is anticipated to be over \$300,000,000 and consist of a 1,000,000+ SF Class-A office facility.

The Company is currently undertaking due diligence and preliminary design work for the project. Construction on the site is anticipated to begin in 2021 with the project completed by 2025, although the timeline is preliminary at this time.

Project Site



Proposed City Assistance

In order to facilitate the company's growth in Cleveland, the City would provide the following incentives:

30-Year, Non-School TIF

The City would provide a 30-Year, Non-School TIF for the project site. The non-school portion of the TIF is approximately 40% of the total property tax value, at the current rates. The value of the building will depend on the final building design.

Economic Development Construction Grant

The City would provide a grant of up to \$13,500,000 in order to support the construction of the project. The grant funds would help to offset some of the costs of the \$300,000,000 total development on the site, including sitework, foundations, and construction.

The grant would require the Company to retain 3,138 jobs and associated payroll, generating \$8,680,483 in annual income tax, in Cleveland for ten years.

Job Creation Incentive Grant

The City would provide a grant equal to 50% of the new income taxes generated by employment in the City of Cleveland for fifteen years, up to a maximum of \$11,500,000. Funds would be appropriated annually and paid to the Company in the spring, based on submitted actual jobs and payroll at the end of each year.

The Company currently projects the net creation of 140 jobs at the new Headquarters site, with an additional payroll of \$12,530,000. This projection would lead to an annual grant of \$156,625 and a total of \$2,349,375 over the term. However, the Company is still fairly early in determining their programming, so there is an opportunity for additional growth as they plan for their future.

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Economic Impact

- Retention of at-risk 3,138 jobs in Cleveland, with the creation of an additional 140+ jobs
- Retention of at-risk \$8,680,483 in annual employment income tax and creation of an additional \$313,250 in annual employment income tax
- Over \$300,000,000 in construction, with associated construction jobs.
- Generation of significant property tax revenues for CMSD – Preliminary estimate is over \$4,000,000 annually.
- Development & elimination of several long-term vacant parking lots

Community Benefits

- Chapter 187 (MBE/FBE/CSB) Applies
- Chapter 188 (Fannie Lewis – Cleveland Resident Employment Law) Applies
- The Company will execute a Workforce Development Agreement
- The Company will pay prevailing wages on construction

Section 3. That, under Section 5709.42 of the Revised Code, the owners of the Improvements shall make service payments for a period of 30 years in lieu of the exempt taxes to the Cuyahoga County Fiscal Officer or Treasurer, or designee; the payments shall be charged and collected in the same manner, and shall be in an amount not less than the taxes that would have been paid had the Improvements not been exempt from taxation.

Section 4. That a portion of the service payments collected under this ordinance shall be distributed by the Cuyahoga County Fiscal Officer or Treasurer, or designee to the Treasurer of the District in the amount of the taxes that would have been payable to the District had the Improvements not been exempt from taxation.

Section 5. That the Director of Economic Development is authorized to enter into an agreement or agreements with Redeveloper to provide for the exemption and service payments described in this ordinance, including agreements securing the payments described in this ordinance, which agreement or agreements shall contain those terms contained in this ordinance.

Section 6. That when applicable under Section 5709.43 of the Revised Code, there is established an Urban Redevelopment Tax Increment Equivalent Fund into which shall be deposited Service Payments in Lieu of Taxes (“PILOTS” or “Service Payments”) that shall be used for financing the Improvements including project debt service, bond payments, and reimbursement of project construction costs, or for other

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economic development purposes as determined by the Director of Economic Development.

Section 7. That, pursuant to ORC Section 5709.41(E), the Clerk of this Council is hereby directed to deliver a copy of this Ordinance to the Director of the Ohio Development Services Agency within fifteen days after its passage. On or before March 31st of each year that the exemption set forth in Section 1 hereof remains in effect, the Director of Economic Development shall prepare and submit, or cause to be prepared and submitted, to the Director of the Ohio Development Services Agency the status report required under ORC Section 5709.41(E).

Section 8. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this ordinance were adopted in open meetings of this Council, and any of its committees that resulted in formal action were in meetings open to the public in compliance with the law.

Section 9. That this ordinance is declared to be an emergency measure necessary for the immediate preservation of the public peace, health, safety and welfare and to enable The Sherwin-Williams Company to proceed immediately with the approval process for and design and construction of its global headquarters facility so that it has the opportunity to commence certain pre-construction activities before the end of the 2020 construction period and create construction and permanent jobs in the City without delay; and, provided it receives the affirmative vote of two-thirds of all the members elected to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor; otherwise it shall take effect and be in force from and after the earliest period allowed by law.

SMa:nl
2-24-20

FOR: Director Ebersole