

# COUNCIL CHAMBER

City Manager  
05/04/10

## City of Mentor

### ORDINANCE NO. 10-O-38

#### AN ORDINANCE AUTHORIZING THE EXECUTION AND DELIVERY OF A MENTOR INCENTIVE TAX CREDIT AGREEMENT WITH STERIS CORPORATION, AND DECLARING AN EMERGENCY

WHEREAS, STERIS Corporation (the "Company") plans to consolidate its operations at its Mentor campus through the construction of a new facility and the renovation of existing facilities (hereinafter referred to as the "Project"), provided the appropriate development incentives are available to support the economic viability of the Project; and

WHEREAS, the Project will preserve existing jobs and will bring jobs and employment opportunities to Mentor and improve the economic welfare of the people of the City; and

WHEREAS, to induce the Project, the City intends to grant the Company a refundable municipal income tax credit under the terms of a Mentor Incentive Tax Credit Agreement (the "Tax Credit Agreement") between the City and the Company, a copy of which is attached hereto and incorporated herein as Exhibit "A."

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MENTOR, COUNTY OF LAKE, STATE OF OHIO:

SECTION 1. To create and preserve jobs and employment opportunities, this Council hereby authorizes the Company's refundable municipal income tax credit in connection with the Project pursuant to the terms and conditions in the Tax Credit Agreement. The City Manager is hereby authorized to execute the Tax Credit Agreement in substantially the form as indicated on Exhibit "A" hereto, with such changes as are not materially adverse to the City as such officer and the Law Director may approve, such execution being conclusive evidence of approval of any such changes.

SECTION 2. 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 an open meeting of this Council and that, except as otherwise provided by Section 121.22 of the Ohio Revised Code, all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public in compliance with all legal requirements.

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SECTION 3. That this Ordinance is hereby declared to be an emergency measure necessary for the preservation of the public peace, health, welfare and safety of the inhabitants of this City, and for the further reason that this Ordinance must be immediately effective in order to proceed promptly with the development of the Project in order to preserve and create critically needed jobs and advance and promote commercial and economic development within the boundaries of the City; WHEREFORE, this Ordinance shall take effect and be in force from and immediately upon its passage.

\_\_\_\_\_  
President of Council

PASSED: \_\_\_\_\_

ATTEST: \_\_\_\_\_  
Clerk of Council

# Memorandum

DATE: April 26, 2010

TO: Kenneth J. Filipiak, City Manager  
Tony Zampedro, Assistant City Manager

FROM: Ronald M. Traub, Director, Economic Development  
Thielman, Economic Development Administrator

RE: Mentor Incentive Grant (MIG) Request  
STERIS Corporation

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The corporation was founded as Innovative Medical Technologies in 1985 and renamed STERIS in 1987. Today STERIS is recognized as the world's pre-eminent infection prevention, decontamination control, surgical and critical care company. The company currently employees 800 with a payroll of \$74 million as of December 31, 2009.

STERIS is prepared to embark on construction of a Customer Solutions Center which will include construction of a 55,000 sq. ft., two-story building which will consolidate and connect three existing facilities. The first floor of the building will be used for Project Design & Equipment Planning and Sales departments. The second floor will be used to accommodate the relocation and alignment of multiple functional groups. The estimated capital investment is \$11.17 million.

Based on the information supplied and the MIG guidelines, STERIS qualifies for a 50% grant on the new payroll for a period of 10 years. This equates to a \$1.3 million benefit package over the life of the agreement. The company will continue in its membership with the Mentor Area Chamber of Commerce and participation with the Lakeland Community College scholarship program.

# STERIS®



**Walter M Rosebrough**  
President and CEO

April 23, 2010

Lisa Patt-McDaniel  
Director, The Ohio Department of Development  
77 South High Street  
P.O. Box 1001  
Columbus, Ohio 43216-1001

Dear Director Patt-McDaniel:

We have completed our review of the Summary of Incentives proposed to STERIS Corporation in a letter from you dated April 5. The support offered by the State of Ohio and the City of Mentor is greatly appreciated.

The professional, timely assistance provided by Special Project Manager Patricia Huddle, as well as the direct involvement of City of Mentor Manager, Ken Filipiak, was extraordinary. Both were incredibly helpful with offering advice, presenting options, and answering questions. State Representative Mark Schneider is a strong voice for the 63<sup>rd</sup> District; his involvement in securing this project is important to note.

We are pleased to accept the proposed state and local incentives valued at just over \$5 million, and look forward to receiving the formal terms and conditions of the individual programs within the proposals.

As we discussed with Ms. Huddle and City of Mentor Manager Filipiak, our interpretation of State incentive requirements is that we will satisfy the prevailing wage requirements by applying prevailing wage to the machinery and equipment aspect of the project. To receive the City incentives, we will utilize a competitive bidding process as detailed in the City's grant agreement.

We will look forward to your participation, along with Governor Strickland, on Tuesday, May 11 at 2 p.m. (tentative time) as we hold a news conference on our Mentor campus to announce details of this project to our employees and the general public.

We are truly excited to make this investment in the State of Ohio and within the City of Mentor.

Sincerely,

cc: Governor Ted Strickland  
State Representative Mark A. Schneider, 63<sup>rd</sup> District  
Ken Filipiak, City of Mentor

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### MENTOR INCENTIVE TAX CREDIT AGREEMENT

WITH

STERIS Corporation

May, 2010

### Recitals

This agreement made and entered into by and between the City of Mentor, Ohio, a municipal corporation, with its main offices located at 8500 Civic Center Boulevard, Mentor, Ohio 44060 (hereinafter referred to as "Mentor"), and STERIS Corporation, a Mentor Taxpayer located at 5960 Heisley Road, Mentor, Ohio 44060 (hereinafter referred to as "STERIS").

WITNESSETH;

WHEREAS, the City of Mentor encourages the development of real property and the acquisition of personal property in the City's Industrial Districts to increase employment opportunities for individuals; and,

WHEREAS, STERIS Corporation, as a global leader in infection prevention, contamination control, surgical and critical care technologies desires to consolidate elements of its Research and Development, Service Engineering and Training, Project Design and Equipment Planning, and Customer Operations at its Mentor campus through the construction of a new facility and the renovation of existing facilities, which consolidation efforts will create new employment opportunities and payroll income tax receipts and also maintain existing employment and payroll income tax receipts as further described in Section 1 (and hereinafter referred to as the "PROJECT") within the City of Mentor, provided that the appropriate development incentives are available to support the economic viability of said PROJECT; and,

WHEREAS, STERIS is receiving a tax credit under Section 122.17 of the Ohio Revised Code from the State of Ohio relative to this PROJECT and has requested the City of Mentor to augment the State of Ohio incentive; and,

WHEREAS, pursuant to Section 718.15 of the Ohio Revised Code, the City of Mentor, as a municipal corporation, may grant a refundable credit (hereinafter referred to as the "CREDIT") against its municipal income tax to a taxpayer that also receives a tax credit from the State of Ohio under Section 122.17 of the Ohio Revised Code; and,

WHEREAS, Kenneth J. Filipiak, the City Manager of the City of Mentor, has investigated the request of STERIS and, on the basis that STERIS is qualified by financial responsibility and business experience to create and preserve employment opportunities and to improve and preserve the economic climate of the City of Mentor, has recommended the same to the City Council of the City of Mentor; and,

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WHEREAS, the parties hereto intend to set forth their agreement with respect to matters hereinafter contained;

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained and the benefits to be derived by the parties from the execution hereof, the parties herein agree as follows (provided that any obligation of the City of Mentor created by or arising out of this agreement shall not be a general debt on its part nor give rise to any pecuniary liability of the City of Mentor, but shall be payable solely from Non-Tax Revenues as defined in Section 3 below):

### Agreements

1. STERIS shall as part of the PROJECT construct and renovate facilities at its location at 5960 Heisley Road and its location at 9260 Progress Parkway to allow for the consolidation of said facilities into a single connected facility housing a new showroom for use by its Project Design and Equipment Planning and Sales personnel for purposes of customer collaboration, and to allow for the expansion of Research and Development and Service Engineering and Training functions by consolidating these work groups already existing at the PROJECT site along with those groups relocating from facilities in operation outside of Ohio and/or through new hiring. The various PROJECT components will result in a state of the art research and development and product showroom that will result in a total investment of \$11,000,000 (Eleven Million Dollars) and create 239 new professional positions and secure the retention of 800 existing professional, administrative, and manufacturing positions. The project shall begin on or about May 1, 2010 and will be fully completed by the end of fiscal year 2012.
2. STERIS agrees to maintain its existing annual payroll of Seventy Four Million Dollars (\$74,000,000.00) at the PROJECT site in order to be eligible to receive tax credits for any single year of the agreement. This existing annual payroll amount shall be calculated on reported payroll only and shall not be calculated to include other employee benefits. STERIS will not be eligible for any tax credits from the City of Mentor for any year during the term of this agreement where it fails to meet the Seventy Four Million Dollar (\$74,000,000.00) payroll threshold for that year. STERIS will be eligible to receive tax credits for any year during the term of this agreement if it exceeds the Seventy Four Million Dollar (\$74,000,000.00) payroll threshold.

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3. Pursuant to Ohio Revised Code Section 718.15, the City of Mentor shall grant STERIS a refundable credit against the Steris Corporate Municipal Income Tax liability that is equal to fifty percent (50%) of the municipal income Payroll Withholding Taxes collected from new employees employed in the City of Mentor, Ohio at the PROJECT site as a result of the PROJECT for that portion of the Payroll Withholding Taxes generated from annual payroll which exceeds Seventy Four Million Dollars (\$74,000,000.00) for any year of this agreement. In the event the annual Corporate Municipal Income Tax of STERIS is less than credit due STERIS for any year, then the City of Mentor shall annually pay STERIS, in cash, the amount of the unused CREDIT. Any CREDIT paid to STERIS as a result of this agreement shall be provided from City Non-Tax Revenues. Payroll Withholding Taxes as used in the Agreement shall be calculated and the credit based on an income tax rate of not more than two percent (2%) or on such lesser actual percentage if authority to collect payroll taxes at two percent (2%) of income should decrease. STERIS agrees that all payments received by it from the City of Mentor shall be used for purposes other than construction.
4. The term of this agreement shall commence on January 1, 2011 and continue for a period of ten (10) years ending December 31, 2020. The tax credits are determined based on an annual payroll withheld and reported each calendar year from January 1 through December 31. Credits shall be applied and any refunds or cash payments shall be paid to STERIS on an annual basis no later than sixty (60) days after April 15th of the succeeding year or the filing of the STERIS Corporate return, whichever is later in time, for the preceding calendar year in which Payroll Withholding Taxes were paid and received in amounts in compliance with sections 2 and 3 hereinbefore. Credit and/or refund or payment for year one (1) of the Agreement is due no later than sixty (60) days after April 15, 2012 or the filing of the STERIS Corporate return, whichever is later in time; credit and/or refund or payment for each successive year of the Agreement is due no later than sixty days after April 15th of the relevant corresponding tax year or the filing of the STERIS Corporate return for that tax year, whichever is later in time. "Non-Tax Revenues" as used in this agreement means all moneys of the City of Mentor which are not moneys raised by taxation, to the extent available for the purpose of making the annual payments required hereunder, including, but not limited to the following: (a) grants from the United States of America and the State; (b) payments in lieu of taxes

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now or hereafter authorized by State statute to the extent not pledged to pay debt charges on City indebtedness; (c) fines and forfeitures which are deposited in the City's General Fund; (d) fees deposited in the City's General Fund for services provided and from properly imposed licenses and permits; (e) investment earnings on the City's General Fund; (f) investment earnings on other funds of the City that are credited to the City's General Fund; (g) proceeds from the sale of assets which are deposited in the City's General Fund; (h) gifts and donations; and (i) all rental payments which are deposited in the City's General Fund. Nothing herein shall be construed as requiring the City to use or apply to the payment of annual payments due hereunder any funds or revenues from any source other than Non-Tax Revenues; provided, however, that nothing herein shall be deemed to prohibit the City, of its own volition, from using, to the extent that it is authorized by law to do so, any other resources for the fulfillment of any of the terms, conditions or obligations of this agreement.

5. If STERIS fails to maintain the minimum yearly payroll amounts pursuant to Sections 2 and 3 for reasons other than substantiated economic hardship, or STERIS materially fails to fulfill any other obligation under this agreement, the City of Mentor shall give written notice of such and STERIS shall then have the opportunity to cure such default within a 120 day period. Economic hardship shall be defined as circumstances beyond STERIS' ability to control in the normal course of conducting business and shall be substantiated by full financial disclosure (current and past financial statement and tax returns). If such default is not cured within such 120 day period, the City may terminate or abate the grant otherwise payable pursuant to this agreement relative to the period of time for which a default is proven. Mentor shall notify STERIS of any potential default relative to minimum yearly payroll requirements within six months of the close of the calendar year for any payments required pursuant to this agreement for said year or its right to terminate or abate for failure to maintain minimum yearly payroll amounts for that calendar year is waived.
6. (a) STERIS shall maintain a membership in the Mentor Area Chamber of Commerce; and (b) STERIS agrees to competitively bid all construction contracts and substantial subcontracted work occurring as a result of the PROJECT, or to require such competitive bidding of subcontracted work from any general contractor selected by STERIS. This provision in no way limits STERIS' ability to select contracted services it determines necessary or desirable.

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7. By executing this agreement, STERIS commits to not discriminate in hiring on the basis of race, religion, sex, disability, color, national origin, or ancestry.
  8. This agreement is not transferable or assignable without the express, legislative approval of the City of Mentor provided; however, STERIS may assign any or all of its rights, interests or obligations hereunder in connection with any sale of STERIS or substantially all of the assets of STERIS.
  9. This agreement is binding upon STERIS and its successors or assigns.
  10. The annual payments due hereunder shall be made to STERIS and placed in the U.S. regular mail pursuant to Section 4 and addressed to STERIS, Inc., 5960 Heisley Road, Mentor, Ohio 44060, Attention: Walter M. Rosebrough, Jr., President and CEO.
  11. The Agreement shall be executed in three counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.
  12. The parties agree: (i) not to disclose the Confidential Information (as defined below) of the other party or its agents, to third parties (excluding a party's agents or representatives); (ii) not to use the Confidential Information except for enforcement of or in furtherance of the purposes of this Agreement; and (iii) that the Confidential Information of a party is and shall remain the property of the disclosing party.  
Confidential Information means income tax withholding receipts used to calculate the grant pursuant to Section 3, provided, however, that Confidential Information shall not include information that became known to the receiving party prior to the disclosing party's disclosure of such information to the receiving party. Nothing in this agreement shall preclude either party from releasing any information as required by law.
  13. In the event of a dispute arising out of this Agreement, the parties agree to negotiate in good faith to discuss and attempt to resolve the issues which are the subject of the dispute. If the parties are unable to resolve the dispute, such dispute shall be subject to litigation in the venue of Lake County, Ohio.

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IN WITNESS WHEREOF, the City of Mentor, Ohio, by Kenneth J. Filipiak, its City Manager, and pursuant to Ordinance No. 10-O-38 has caused this instrument to be executed in three (3) counterparts this \_\_\_\_\_ day of \_\_\_\_\_, 2010 and STERIS Corporation, Walter M. Rosebrough, Jr., its President and CEO, has caused this instrument to be executed in three (3) counterparts on this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

### City of Mentor

By: \_\_\_\_\_  
Kenneth J. Filipiak, City Manager

### STERIS Corporation

By: \_\_\_\_\_  
Walter M Rosebrough, Jr., President and CEO

### Approved as to Form:

By: \_\_\_\_\_  
Richard A. Hennig, Law Director

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## CERTIFICATE OF FISCAL OFFICER

The undersigned, fiscal officer of the City of Mentor, hereby certifies that the monies required to meet the obligations of the City for calendar year 2010 under this Agreement have been lawfully appropriated by the Council of the City for such purposes and are in the treasury of the City or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. This Certificate is given in compliance with Sections 5705.41 and 5705.44, Ohio Revised Code.

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David W. Malinowski, Director of Finance  
City of Mentor, Ohio