

ECONOMIC DEVELOPMENT BOARD MINUTES

Thursday, February 15, 2018 at 11:00 AM
Valley Center City Hall at 121 S. Meridian Avenue

MEETING WAS CALLED TO ORDER AT 11:03 AM

THOSE IN ATTENDANCE:

Ron Colbert
Ben Anderson
Jake Jackson
Brian Jansen (filling in for normal Chamber of Commerce representative, Amy Sellens)
Ryan Shrack-Community Development Director
Katrina Rubenich-Community Development Assistant
Alan Safarik-Safarik Tool Co, owner
Paul Davis III-City Council member

MEMBERS ABSENT:

Casey Carlson
Mike Bonner

2017 MINUTES

Motion was made by Jake Jackson and seconded by Ron Colbert to approve the minutes of the February 7, 2017 meeting. Vote was unanimous.

NOMINATION FOR CHAIRPERSON

Ben Anderson was nominated for Chairperson by Ron Colbert. The nomination was seconded by Jake Jackson. Vote was unanimous.

NEW BUSINESS

- A. Hornet Cutting Systems (formerly Retro Systems) "Annual Claim for Exemption from Property Taxation". Review and make a recommendation to the City Council.

Ryan presented the following and mentioned that there is no representation from Hornet Cutting Systems present.

Date: February 8, 2018

To: City of Valley Center Economic Development Board

From: Ryan W. Shrack, Community Development Director

RE: 2018 Review of Hornet Cutting Systems (formerly Retro Systems) Annual Claim for Exemption from Property Taxation

History:

The City Council approved two exemptions to Retro Systems:

1. An exemption was granted in 2005 (by Ordinance No. 1106-05) for a \$425,000 plant expansion. This abatement expired on December 31, 2015.
2. An exemption was granted in 2009 (by Ordinance No. 1176-09) for a second plant expansion of \$625,000. This agreement expires on December 31, 2018.

Present Situation:

Hornet Cutting Systems has increased their employment from 18 employees in 2006 to 28 employees as of January 1, 2018, with a projection of 33 employees by the end of the year. The original 2006 "Tax Abatement Cost-Benefit Analysis" projected 40 employees by 2017, but experienced a shortfall due to the oil and agricultural sector slowdown in the economy.

The company has decreased employment by 3 since their report made to the Economic Development Board last year.

The company anticipates seeing a recovery this year due to the rise in the energy market.

Ben stated that he is not prepared to approve this application due to Hornet Cutting Systems not meeting the goals expected of them and the lack of representation at this meeting. Jake asked for the amount of the abatement. Ryan explained that this is a 100% tax abatement. The amount for the full abatement this year would be a little over \$21,000 and the City of Valley Center's portion of that would be roughly over \$7,400. Ben mentioned that the Board wavered on approval last year and Hornet Cutting Systems has not only failed to reach the additional employment goals but has actually decreased employment by 3. Brian expressed concern that the City of Valley Center might appear to not be "keeping their word" to other businesses considering Valley Center as a location in the future. Ben and Ryan explained that part of the original agreement was that there would be a yearly review for renewal to make sure they are progressing as anticipated. Ben stated that this is the 10th year of a 10 year agreement and that they've been given opportunity to increase. Ron Colbert stated that they had projected 40 employees by the end of 2017 and they have not accomplished that and have even lost 3 in that time. Ben stated that they have not paid taxes in 9 years and have been given plenty of opportunity to meet their goals.

After discussion of the stipulations for granting such an exemption, a motion was made by Jake Jackson to not recommend to the City Council a one-year renewal of the Hornet Cutting Systems (formerly Retro Systems) tax abatement agreement, based on their failure to increase employment. Vote was unanimous.

B. Safarik Tool Co. "Annual Claim for Exemption from Property Taxation". Review and make a recommendation to the City Council.

Ryan presented the following.

Date: February 8, 2018

To: City of Valley Center Economic Development Board

From: Ryan W. Shrack, Community Development Director

RE: 2018 Review of Safarik Tool Co. Annual Claim for Exemption from Property Taxation

History:

The City Council approved an exemption for Safarik Tool Co.:

1. An exemption was granted in October 2014 based upon significant investments made at the factory in 2014-2015. The first year of this abatement was 2016. This abatement will expire on December 31, 2021.

Present Situation:

Safarik Tool Co. has increased their employment from 14 employees in 2014 to 30 employees as of January 1, 2018, with a projection of 35 employees by the end of this year. The original 2014 approved agreement showed a projected 24 employees to be employed by the company by the end of 2015.

In February 2018, the company just broke ground to construct a new 11,000 square foot addition to the existing facility. This project is valued at over \$500,000. This will allow five machines that are currently in storage to go into operation, which will require the company to hire 5 additional full-time employees.

After discussion of the merits for granting such an exemption, a motion was made by Jake Jackson and seconded by Ron Colbert to recommend to the City Council a one-year renewal of the Safarik Tool Co. tax abatement agreement, based on their trend of increasing employment and current plans for expansion. Vote was unanimous.

OLD BUSINESS-None

ADJOURNMENT

Motion was made by Jake Jackson and seconded by Ron Colbert to adjourn the meeting. Motion was unanimous. Meeting was adjourned at 11:15 AM.

Respectfully submitted,

Ryan Shrack, Economic Development Board Secretary RS/KSR