

CITY of ALBUQUERQUE

TWENTY-FIRST COUNCIL

COUNCIL BILL NO. O-14-6 ENACTMENT NO. _____

SPONSORED BY: Brad Winter

1 **ORDINANCE**

2 **APPROVING A PROJECT INVOLVING CANON INFORMATION TECHNOLOGY**
3 **SERVICES, INC. PURSUANT TO THE LOCAL ECONOMIC DEVELOPMENT ACT**
4 **AND CITY ORDINANCE F/S O-04-10, THE CITY'S IMPLEMENTING LEGISLATION**
5 **FOR THAT ACT, TO SUPPORT THE OPERATION OF A TECHNICAL SUPPORT**
6 **AND CUSTOMER SERVICE FACILITY; AUTHORIZING THE EXECUTION OF A**
7 **PROJECT PARTICIPATION AGREEMENT AND OTHER DOCUMENTS IN**
8 **CONNECTION WITH THE PROJECT; MAKING CERTAIN DETERMINATIONS AND**
9 **FINDINGS RELATING TO THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN**
10 **PREVIOUSLY; AND REPEALING ALL ACTIONS INCONSISTENT WITH THIS**
11 **ORDINANCE.**

12 WHEREAS, the City of Albuquerque (the "City") is a legally and regularly
13 created, established, organized, and existing municipal corporation of the State of New
14 Mexico (the "State"); and

15 WHEREAS, pursuant to Sections 5-10-1 through 5-10-13 NMSA 1978, as
16 amended (the "Act"), the City is authorized to provide economic development
17 assistance to eligible entities for certain projects located within the corporate limits of
18 the municipality; and

19 WHEREAS, pursuant to the Act, the City has adopted Ordinance No. F/S 04-10
20 (the "LEDA Ordinance"), approving an economic development plan for the City and
21 authorizing the City to assist economic development projects in any legally permissible
22 manner, subject to the terms of the LEDA Ordinance; and

23 WHEREAS, Canon Information Technology Services, Inc., a Delaware company
24 with its principal place of business in Chesapeake, Virginia (the "Company"), the State
25 of New Mexico (the "State"), and the City are parties to a certain letter of intent dated

1 November 5, 2013 (the "letter of intent"), in which each party committed, subject to
2 legislative approval in the case of the City, to make certain contributions towards the
3 Project, as defined below; and

4 WHEREAS, the letter of intent stated that the City's and State's contributions
5 would be in exchange for certain commitments made by the Company; and

6 WHEREAS, pursuant to the LEDA Ordinance, the Company has submitted to the
7 Council and the Albuquerque Development Commission (the "Commission") an
8 application (the "Application") requesting certain economic development assistance
9 consisting of a reimbursement of a portion of the rent payable for a facility in
10 Albuquerque to be leased and operated by the Company, in exchange for certain
11 employment commitments (the "Project"); and

12 WHEREAS, the Act and the LEDA Ordinance require that the City and the
13 Company enter into a project participation agreement meeting the requirements of the
14 Act and the LEDA Ordinance; and

15 WHEREAS, City staff has worked with the Company to prepare, and has
16 negotiated the terms of, a project participation agreement that will govern the
17 relationship between the City and the Company with respect to the Project (the
18 "Agreement"); and

19 WHEREAS, the form of the proposed Agreement has been filed with the City
20 Clerk and presented to the Council.

21 WHEREAS, the proposed Agreement contains the provisions required by the Act
22 and the LEDA Ordinance and, among other things, provides that the Company will
23 provide a letter of credit in favor of the City to secure the Company's obligations under
24 the Agreement;

25 WHEREAS, the City has obtained a cost-benefit analysis with respect to the
26 Project on the basis of information provided to the City by the Company, which cost-
27 benefit analysis shows that the City will recoup the value of its contribution within ten
28 (10) years; and

29 WHEREAS, the Application demonstrates the benefits that will accrue to the
30 community as a result of the donation of public resources and demonstrates that the
31 Company, by completing the Project, will be making a substantive contribution to the
32 community, as required by the LEDA Ordinance; and

1 WHEREAS, the Commission has considered the Project and the proposed
2 Agreement and has recommended that the Council approve the Company's proposal;
3 and

4 WHEREAS, the total amount of public money expended and the value of credit
5 pledged in each fiscal year in which money is expended by the City for the Project (and
6 any other approved projects) pursuant to the Act does not and will not exceed five
7 percent of the general fund expenditures of the City in such fiscal year; and

8 WHEREAS, the City anticipates that the State will transfer to it, for subsequent
9 transfer to or on behalf of the Company pursuant to an intergovernmental agreement
10 between the City and the State, certain funds of the State that are available for the
11 Project; and

12 WHEREAS, after having considered the Application and the Agreement, the
13 Council has concluded that the economic and other benefits of the Project to the City
14 will be substantial, that it is desirable and necessary at this time to authorize the City to
15 enter into the Agreement, and that the City's provision of the assistance contemplated
16 by the Agreement will constitute a valid public purpose under the Act; and

17 WHEREAS, there has been published in the Albuquerque Journal, a newspaper
18 of general circulation in the City, public notice of the Council's intention to adopt this
19 Ordinance, which notice contained certain information pertaining to the Project and was
20 published at least fourteen (14) days prior to hearing and final action on this Ordinance;

21 BE IT ORDAINED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY
22 OF ALBUQUERQUE:

23 Section 1. RATIFICATION. All actions not inconsistent with the provisions of
24 this Ordinance previously taken by the Council and the officials of the City directed
25 toward the provision of economic development assistance in connection with the Project
26 be approved and the same hereby are ratified, approved and confirmed.

27 Section 2. GOALS AND OBJECTIVES. The goals and objectives of the Project
28 are, as set forth in the Agreement, to create and support an economic development
29 project that fosters, promotes and enhances local economic development efforts and
30 that provides job growth and career opportunities for Albuquerque-area residents and
31 otherwise makes a substantive contribution to the community.

32 Section 3. THE PROJECT. The Project will consist of the operation of a
33 technical support and customer service facility to be located at 4041 Jefferson Plaza

1 NE, including the employment of approximately 150 full-time employees by June 1,
2 2017 and maintenance of such level of operations and employment at the Albuquerque
3 facility through June 1, 2024, in accordance with the terms of the proposed Agreement.

4 Section 4. FINDINGS.

5 (A) General. The Council hereby declares that it has considered all
6 relevant information presented to it relating to the Project and the Agreement and
7 hereby finds and determines that the provision of economic development assistance for
8 the Project is necessary and advisable and in the interest of the public and will promote
9 the public health, safety, morals, convenience, economy, and welfare of the City and its
10 residents.

11 Section 5. AUTHORIZATION AND APPROVAL OF THE PROJECT AND THE
12 AGREEMENT; APPROPRIATION OF FUNDS. The City hereby approves the Project
13 and the Agreement, which provides, among other things, that the City will contribute to
14 the Project up to \$200,000, such amount to be payable in monthly installments to
15 reimburse the Company for a portion of its rental expense upon and after beginning
16 customer service and technical support operations in Albuquerque, and that the City will
17 administer and disburse to the Company in monthly installments funds totaling up to
18 \$200,000 to be received by the City from the State Economic Development Department,
19 in exchange for which the Company will complete the Project. There is hereby
20 appropriated for the Project up to \$200,000 of City funds and, effective upon receipt of
21 such funds, up to \$200,000 of funds received from the State Economic Development
22 Department.

23 Section 6. AUTHORIZATION OF OFFICERS; APPROVAL OF DOCUMENTS.

24 (A) The form, terms, and provisions of the Agreement in the form
25 presented to the Council with this Ordinance are in all respects approved, authorized,
26 and confirmed, and the City shall enter into the Agreement in substantially the form
27 thereof, with only such changes as are not inconsistent with this Ordinance or such
28 other changes as may be approved by supplemental resolution of the Council.

29 (B) The Council authorizes the Mayor or the Chief Administrative
30 Officer of the City to execute and deliver the Agreement in the name and on behalf of
31 the City, with only such changes therein as are not inconsistent with this Ordinance or
32 such changes as may be approved by supplemental resolution of the Council.

1 (C) The Mayor, Chief Administrative Officer, City Treasurer and City
2 Clerk are further authorized to execute, authenticate and deliver such certifications,
3 instruments, documents, letters and other agreements, including an intergovernmental
4 agreement with the State Economic Development Department, and to do such other
5 acts and things, either prior to or after the date of delivery of the executed Agreement,
6 as are necessary or appropriate to consummate the transactions contemplated by the
7 Agreement.

8 (D) City officials shall take such action as is necessary in conformity
9 with the Act, the LEDA Ordinance and this Ordinance to effectuate the provisions of the
10 Agreement and carry out the transactions as contemplated by this Ordinance and the
11 Agreement, including, without limitation, the execution and delivery of any documents
12 deemed necessary or appropriate in connection therewith.

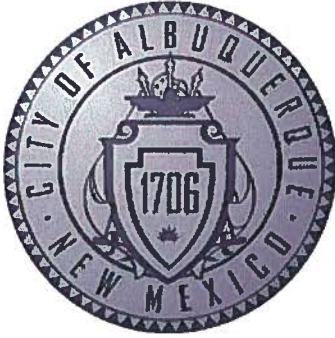
13 Section 7. SEVERABILITY. If any section, paragraph, clause or provision of this
14 Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or
15 unenforceability of that section, paragraph, clause, or provision shall not affect any of
16 the remaining provisions of this Ordinance.

17 Section 8. REPEALER. All by-laws, ordinances, resolutions, and orders, or
18 parts thereof, inconsistent with this Ordinance are repealed by this Ordinance but only
19 to the extent of that inconsistency. This repealer shall not be construed to revive any
20 by-law, ordinance, resolution, or order, or part thereof, previously repealed.

21 Section 9. RECORDING; AUTHENTICATION; PUBLICATION; EFFECTIVE
22 DATE. This Ordinance, immediately upon its final passage and approval, shall be
23 recorded in the ordinance book of the City, kept for that purpose, and shall be there
24 authenticated by the signature of the Mayor and the presiding officer of the City Council,
25 and by the signature of the City Clerk or any Deputy City Clerk, and notice of adoption
26 thereof shall be published once in a newspaper that maintains an office in, and is of
27 general circulation in, the City, and shall be in full force and effect five (5) days following
28 such publication.

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Mayor Richard J. Berry

CITY OF ALBUQUERQUE

Albuquerque, New Mexico

Office of the Mayor

INTER-OFFICE MEMORANDUM

February 21, 2014

TO: Ken Sanchez, President, City Council

FROM: Richard J. Berry, Mayor

SUBJECT: Approving a Project Involving Canon Information Technology Services, Inc. Pursuant to the Local Economic Development Act (LEDA Project 14-1)

Attached for your consideration and approval is an ordinance approving a Local Economic Development Act (LEDA) project for Canon Information Technology Services, Inc. ("Canon ITS"), and approving a Project Participation Agreement.

This project would allow the City to provide up to \$200,000 of assistance toward eligible partial rental costs for Canon ITS for facilities they lease in Albuquerque. It also provides for the City to act as administrator for State funds appropriated for the same purpose (up to \$200,000), all pursuant to qualified expenses under the State and City's Local Economic Development Act. City funding will come from the Economic Development Action (EDAct) funds. This is in exchange for Canon ITS' commitment to locate operations in Albuquerque, lease approximately 33,600 square feet, invest \$4.5 million for facility improvements and equipment, employ at least 150 by 2017, and commit to operate for a minimum of ten years. The fiscal impact analysis shows City will recoup its investment within the ten years required by the City's LEDA ordinance.

This legislation will help advance an economic development project that fosters, promotes, and enhances local economic development efforts and provides job growth and career opportunities for area residents. The Albuquerque Development Commission reviewed the project on February 20, 2014, and recommended approval.

Your consideration and approval is requested.


Approving a Project Involving Canon Information Technology Services, Inc. Pursuant to the
Local Economic Development Act (LEDA Project 14-1)

Recommended:



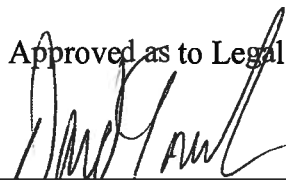
Gary Oppenahl, Director 2-25-14
Date

Approved:



Robert J. Perry 2/27/14
Chief Administrative Officer Date
JEC.
2/27/14

Approved as to Legal Form:



David J. Tourek 2/27/14
City Attorney Date

Cover Analysis

1. What is it?

This is an ordinance for the approval of a Local Economic Development (LED A) Project for Canon Information Technology Services, Inc. ("Canon ITS" or "Canon").

2. What will this piece of legislation do?

Canon ITS, Inc. is requesting project assistance in the amount of up to \$200,000 from the City. In addition, the State Economic Development Department has pledged \$200,000, to be processed as a grant to the City in support of the City's Local Economic Development Act ("LED A") project. The total of \$400,000 will finance a portion of the lease costs of Canon ITS' new customer and technical support center in Albuquerque.

3. Why is this project needed?

Canon ITS intends to locate a customer service and technical support operation at Jefferson Plaza, 4041 Jefferson Plaza, NE in Albuquerque. Canon will lease 33,600 square feet of space in the 77,300 square foot, two-story multi-tenant office building. This project is expected to generate approximately 150 new direct jobs in technical and customer support for a variety of Canon office and consumer electronic products, as well as related managerial and administrative functions. Canon ITS' Albuquerque location anticipates annual net payroll of \$4.7 million by 2016. The total average annual wage will be \$38,000 including benefits. Canon has advised the City that they anticipate more than 90% of new hires will be from the Albuquerque area. Canon has requested government assistance to partially offset the lease costs at their Albuquerque facility. The credit amount is equal to sixty percent (60%) of the actual rent cost, on a reimbursable basis. The maximum amount that Canon could receive would be \$400,000. The funding will allow Canon to use its own resources to hire employees.

The Albuquerque Development Commission reviewed the project and recommended approval at their meeting on February 20, 2014.

4. How much will this cost and what is the funding source?

The cost to the City is a maximum of \$200,000. Funding source is from Fund 305, Activity 7524010 (a.k.a., the Economic Development Action Fund) for a Local Economic Development Act (LED A) project. Funds will be used to pay a portion of Canon ITS' lease costs, on a reimbursable basis. Fiscal Impact Analysis conducted by UNM BBER shows positive fiscal impact to the City.

5. Is there a revenue source associated with this project? If so, what level of income is projected?

The State of New Mexico has committed up to \$200,000 in support of this project, to be transmitted as a grant to the City, which also would be used to partially offset the lease costs of Canon ITS.

FISCAL IMPACT ANALYSIS

TITLE: Approving a Project Involving Canon ITS, Inc
Pursuant to the Local Economic Development Act

R: O:
FUND 305

DEPT: Economic Devt.

- ☐ No measurable fiscal impact is anticipated, i.e., no impact on fund balance over and above existing appropriations.
- ☒ (If Applicable) The estimated fiscal impact (defined as impact over and above existing appropriations) of this legislation is as follows:

(SEE ATTACHED)

		2014	Fiscal Years 2015	2016	Total
Base Salary/Wages					-
Fringe Benefits at	35.54%	-	-	-	-
Subtotal Personnel		-	-	-	-
Operating Expenses			-		-
Property			-	-	-
Indirect Costs	2.50%	-	-	-	-
Total Expenses		\$ -	\$ -	\$ -	\$ -
<input type="checkbox"/> Estimated revenues not affected					
<input checked="" type="checkbox"/> Estimated revenue impact					
Revenue from program					0
Amount of Grant			-	-	
City Cash Match					
City Inkind Match					
City IDOH		-	-	-	-
Total Revenue		\$ -	\$ -	\$ -	\$ -

These estimates do not include any adjustment for inflation.

* Range if not easily quantifiable.

Number of Positions created

COMMENTS: Funding source is from Fund 305, Activity 7524010 (a.k.a., the Economic Development Action Fund) for a Local Economic Development Act (LEDA) project. Funds will be used to pay a portion of Canon ITS' lease costs for their new facility in ABQ. Fiscal Impact Analysis conducted by UNM BBER shows positive fiscal impact to the City.

COMMENTS ON NON-MONETARY IMPACTS TO COMMUNITY/CITY GOVERNMENT:

This legislation will help advance an economic development project that fosters, promotes, and enhances job growth and career opportunities for area residents. The Albuquerque Development Commission reviewed the project on February 20, 2014 and recommended approval

PREPARED BY:

Deirdre Firth
FISCAL ANALYST

APPROVED:

[Signature] 2-25-14
DIRECTOR (date)

REVIEWED BY:

[Signature] 2-25-14 *[Signature]* *[Signature]*
EXECUTIVE BUDGET ANALYST BUDGET OFFICER (date) CITY ECONOMIST

2-25-14

CANON ITS, Inc.
APPLICATION
For
LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)

I. GENERAL DESCRIPTION

Canon Information Technology Services, Inc. (CITS) will be opening a new customer support center in 2014. CITS will be renovating 33,682 square feet in an existing 77,276 square foot commercial office building. Operations are anticipated to begin in the second quarter of 2014.

II. SITE AND EXISTING CONDITIONS

A. Legal Description

The proposed project is located in Albuquerque, New Mexico, having an address of 4041 Jefferson Plaza, N.E., Albuquerque, New Mexico, 87109, also known as Jefferson Plaza. The site is located along Tracts C-3 and D-1 of the Group Nine Industrial Park.

B. Prevailing Site Conditions

CITS will be leasing 33,682 square feet in Jefferson Plaza, which is currently used as a commercial office space. Our plans are to use the existing structure and space, although some internal renovations will be required to make the space conducive to a call center environment.

C. Present Assessed Value

According to the Bernalillo County Assessor's office the present assessed value of 4041 Jefferson Plaza, N.E. is \$5,459,700. The total square footage of the building is 77,276. CITS will be leasing 33,682 square feet. Tenant improvements paid for by the landlord are estimated to be \$909,000. An additional \$18,000 in tenant improvements will be paid for by CITS, as well as \$4,636,000 in personal property.

D. Present and Proposed Zoning

Jefferson Plaza is currently zoned for commercial use. There are no plans to propose a change to this zoning.

E. Renewable Energy

This project will not create, produce nor use renewable energy.

III. PROJECT PLAN

A. Information Concerning Applicant

Canon Information Technology Services, Inc. is a wholly owned subsidiary of Canon USA, Inc. CITS was incorporated in 1998 in Chesapeake, VA and has operated from that location since incorporation.

The scope of business is to provide customer support to end users and business partners of Canon USA via telephone, email, and other web-based services such as chat, social media and knowledge base tools.

Specific services to be provided include:

- technical support for consumer and professional imaging products
- technical and service dispatch support for business imaging and office products
- social media moderation
- direct sales support for all products
- general customer service

B. Tax Issues

Canon Information Technology Services, Inc. has no outstanding substantive federal, state or local tax issues.

C. Information Concerning Products and Process

The business processes involved with this project are reliant upon telephone calls, emails, and internet connectivity. No physical products are manufactured or created in the course of this project. As such, pollution is nominal. Site improvements will include a generator to provide electricity in the event of power outages to the facility. Appropriate air quality permits will be obtained to ensure emissions from the generator are within acceptable levels. The property has been designed to accommodate the number of employees to be assigned to the facility, so traffic should not be negatively impacted. CITS maintains ISO14001 certification for all facilities, and plans to obtain certification for this project. As such, our plan is to recycle all office and electronic waste possible.

D. Competition

Hewlett Packard Corporation (HP) is the only known consumer electronics manufacturer with operations in the area, with a customer support center for personal computers. As Canon does not manufacture or market computers, we do not consider HP's operations to be a competitor in the region.

E. Effect on Existing Industry and Commerce during and after Construction

The landlord for Jefferson Plaza has hired a general contractor to oversee the build out of the office space to accommodate the customer support center. Once construction is complete, we anticipate the creation of 150-190 jobs over the next three years.

F. Land Acquisition

CITS does not presently own land in Albuquerque, nor will we will be acquiring land.

G. Description of Proposed Development

CITS will be renovating 33,682 square feet of the second floor of Jefferson Plaza prior to commencing business. These renovations include the demolition of some existing offices on the western side of the building to create an open floor plan. On the eastern side, modifications will be made to two conference rooms.

H. Infrastructure

The project will not require any additional infrastructure nor will it require the extension or relocation of utilities or road systems.

I. Area Enhancement

All renovations are internal to Jefferson Plaza, and bear no anticipated impact upon the area.

J. Local Purchasing

CITS anticipates annual local purchases of approximately \$235,000; the rate of increase in annual purchases is expected to 1%.

K. Water Conservation

Average daily and monthly water consumption will be minimal, as only two sinks are included in the break room of the leased space. Restroom facilities are located in common areas maintained by the landlord.

L. Relocation of Individuals or Businesses

No individuals, families, or businesses will be displaced or negatively impacted by the activities outlined in this plan. However, temporary travel to the East Coast may be required for training purposes. If training is required, the resident(s) may need to travel for approximately 3-4 months.

M. Number and Types of Jobs Created

- 1) Of the 150-190 positions we are forecasting to fill over the next three years, we anticipate 92% of the permanent new jobs will be filled by current Albuquerque residents. The other employees will be Virginia candidates relocating to Albuquerque.
- 2) The jobs referenced above will benefit various income levels including low, moderate and mid-range income residents.
- 3) The jobs will meet or exceed median wages for the industry within the community.
- 4) Jobs will match skills of current city residents.
- 5) Employees will be trained to fill positions.
- 6) Canon's tradition is to promote from within. As such, advancement opportunities are created as leadership and other advanced support positions become available.
- 7) The "Job Training Incentive Program" will be used.
- 8) The Company will cover 82% of health insurance premiums for employees.

N. Corporate Citizenship Policy/Plan

Requests for corporate donations should be directed to the Business Development/Corporate Communications Department in Chesapeake, Virginia. CITS encourages employee volunteerism and plans to become an active member of the Albuquerque community.

O. Positive Contributions

In addition to creating jobs, Canon intends to be a strong community partner. We are planning to engage with local charities and organizations that are consistent with our corporate philanthropic priorities.

P. Management

Doris Higginbotham, President of Canon ITS will be managing this project with the assistance of Kevin Drake, Director of Workforce Planning. Kevin Drake will assume responsibility as Site Director for the Canon ITS West location in Albuquerque, New Mexico in April 2014.

IV. PROJECT FINANCING

A. Cost of Improvements, LEDA Funding Amount and Private Financing

The total cost of improvements to the site, including the purchase of personal property, to be paid for by CITS are anticipated to be \$4.7 million. We are requesting LEDA funding in the amount of \$400,000. There will be no financing associated with this project.

B. Estimated Value After Completion

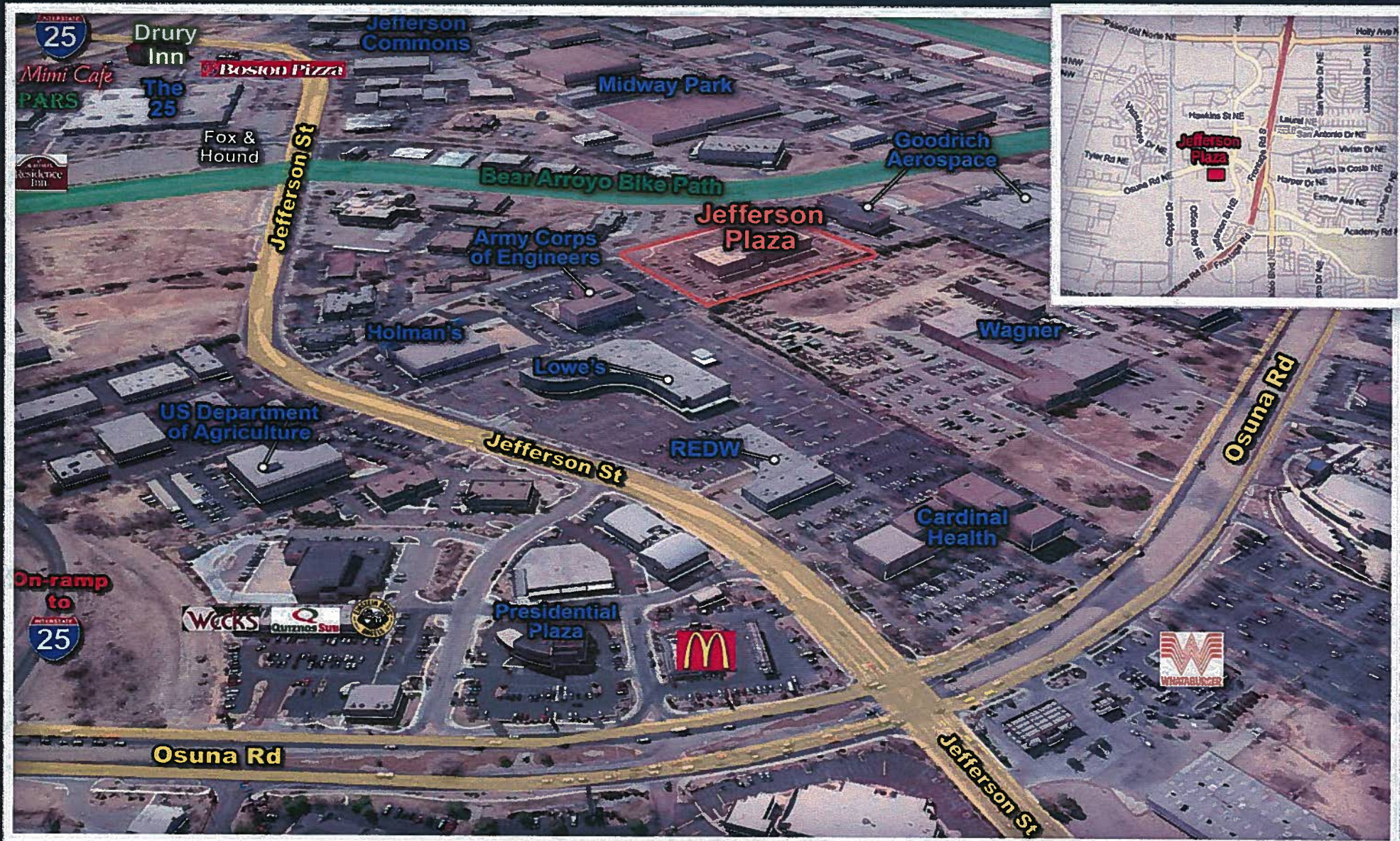
The current assessed value of 4041 Jefferson Plaza, N.E. is \$5,459,700. Tenant improvements provided by the landlord and CITS are estimated to be \$909,000 and \$18,000 respectively. CITS's cost for personal property is anticipated to be \$4,636,000.

C. Feasibility

As noted above, there will be no financing or debt related to this project.

D. Construction Schedule

Pending approval of drawings and permits, construction is scheduled to begin in January 2014. Completion and move-in is scheduled for June 2014.



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The information above has been obtained from sources believed reliable. While we do not doubt the accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. The value of this transaction to you depends on tax and other factors which should be evaluated by your tax, financial and legal advisors. You and your advisors should conduct

JEFFERSON PLAZA



\$21⁵⁰/RSF Full Service

- Class A new construction
- Available Square Footage 854 - 39,621 +/- RSF
- Abundant parking at a 5/1000sq ft ratio
- Great location with easy access to Jefferson St.
- Showers, lockers, and bike storage all on-site for your convenience

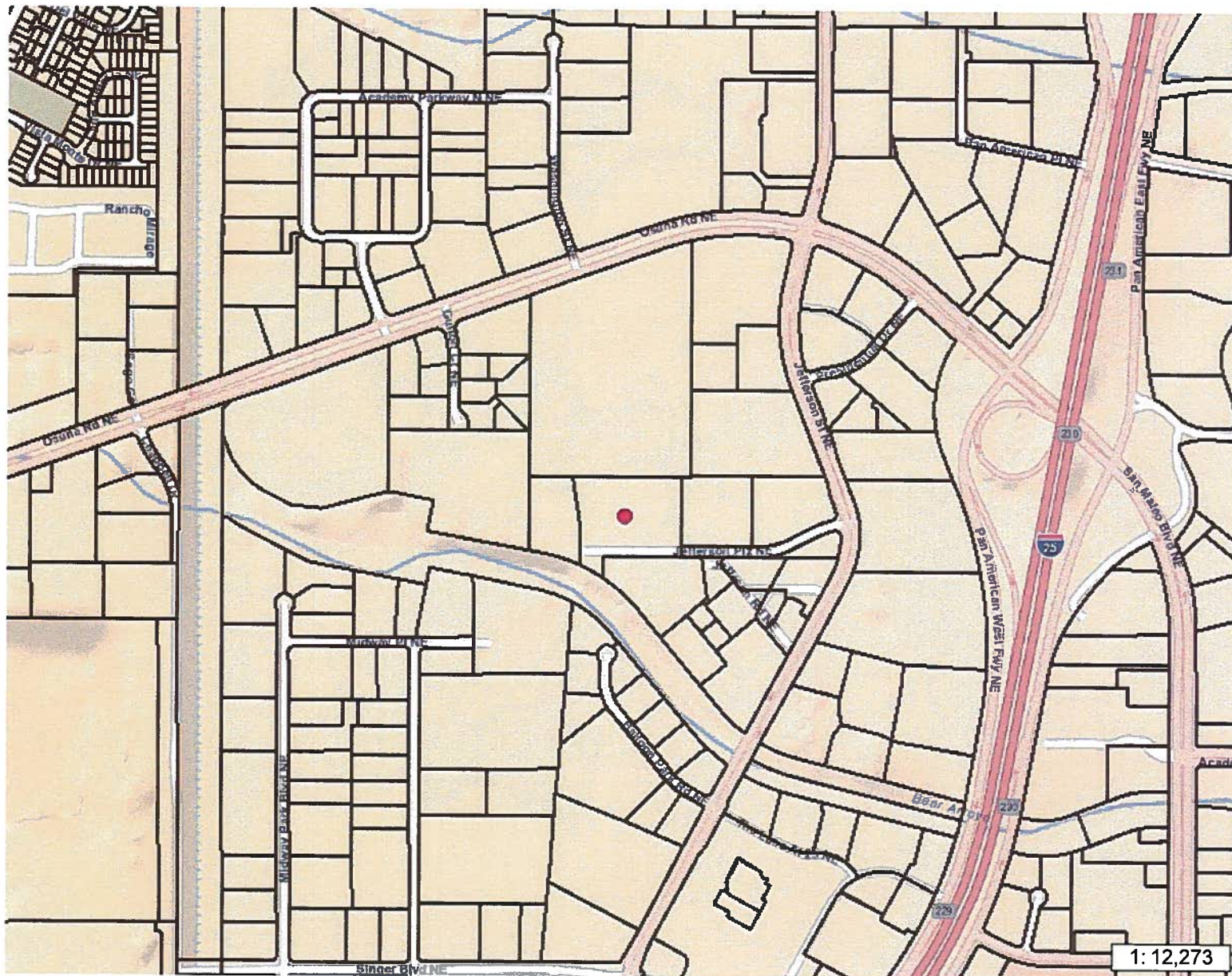


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ARGUS
INVESTMENT REALTY



Legend

- ☐ Bernalillo County Parcels
- Municipal Limits**
 - CORRALES
 - EDGEWOOD
 - LOS RANCHOS
 - RIO RANCHO
 - TIJERAS
 - UNINCORPORATED AREAS
- World Street Map

Notes

0.3 0 0.14 0.3 Miles

WGS_1984_Web_Mercator_Auxiliary_Sphere
2/4/2014 © City of Albuquerque

This map is a user generated static output from www.cabq.gov/gis and is for reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable.

THIS MAP IS NOT TO BE USED FOR LEGAL PURPOSES

1: 12,273



Professional Bio Doris Higginbotham

Doris Higginbotham grew up in Norfolk, Virginia in a very large and

loving family (she was # 5 of 7 children). She learned at an early age that building relationships and effective communications were essential to her survival and success. She attended St. Johns College majoring in English, and thought that she would eventually become a school teacher. However, other opportunities arose and her plans changed.

She spent the next 11 years working for the Department of Defense developing plans and procedures for the Navy's Total Quality Management programs. She was immersed in aircraft rework processes and even spent time inspecting fuel cells, jet engines, parachutes and much more. While government employment provided stability and security, it became boring and Doris realized that she didn't want to end up like her co-workers who were always grumbling, miserable and unhappy with their careers.

At this point, Doris stepped out of her comfort zone and launched her own business specializing in desktop publishing and graphic design. This work really suited her and she enjoyed using her creative writing skills to make a difference for her clients. After eight years of building this successful enterprise, she supported her husband and relocated to South Florida for his emerging career. Fortunately, she found an exciting opportunity with Boca Research where she was the Director of Customer Service and managed their technical support, customer service, and product quality testing operations.

In late 1996, Doris' family began pressuring her to move back to Virginia to help care for her mother. She heeded her sister's urging and sent out one resume. That one resume landed her a position with Canon and, during the next 16+ years, she progressed from Customer Service Manager to Director of Operations, VP and SVP of Operations and, in January 2013, she was promoted to President of Canon Information Technology Services (Canon ITS) where she resides today.

Doris loves what she does, is passionate about helping Canon's customers and developing her team members to their fullest potential. She takes great pride in being a part of Canon's winning team and truly enjoys making a difference. With the success that her team has generated, she is now focused on helping Canon expand its customer support operations outside of Chesapeake, Virginia by opening a second site in Albuquerque, New Mexico. This exciting new venture is sure to bring great challenge, excitement and tremendous opportunities for Doris and her team as they expand their strategies farther than they ever imagined!

Professional Bio

Kevin Drake



Kevin Drake, the father of five, was raised in Chesapeake, Virginia.

At an early age his parents instilled in him certain character traits and beliefs. Traits such as faith, unity, compassion and respect would continue to follow him into his adult years.

In 1994, in addition to pursuing a degree from Hampton University, he began working for Nations Bank, unaware of the path he was about to start. In four short years, he transitioned from a Customer Service Representative, Trainer and then into Workforce Planning. In time, the organization started its initial endeavor into a multi-site operation and acquired a location in Dover, Delaware. It was in this role he began to understand the operation and concepts of a call center. During this time, Nations Bank began its merger with Bank America; forming what is currently known as Bank of America. Eventually, this path led him to New Mexico. Over a period of 10 months, he assisted with the startup of Bank of America's call center in Rio Rancho on Picabo Street. His responsibilities included assisting with functions from IT, Training and Workforce. Shortly thereafter, he returned to the central site in Norfolk, Virginia.

In 2004, the path led him to Canon I.T.S. as a Workforce Supervisor. Eventually, his career progressed and led to other opportunities including Workforce Planning Manager, Director of Workforce Planning, and Facilities. As the organization continued to grow and prosper, it became necessary to establish a second site in the event of a natural disaster on the east coast. Because of this need, a home-coming of sorts has ensued.

Exhibit B

Canon Information Technology Services, Inc. (Canon ITS) Local Economic Development Act (LEDA) Project 14-1

1. The following list includes the number of new employees by job classification and their respective salaries:

<u>Job Classification</u>	<u>Employee Count</u>	<u>Gross Wages</u>
Director	1	\$100,000
Senior Manager	1	100,000
Supervisor	2	100,000
Scheduler	1	45,000
Human Resources	1	50,000
Trainer	1	42,000
IT/Telecom	1	45,000
Facilities	1	50,000
Printer Agent	71	2,030,000
Camera Agent	22	629,200
Sales Agent	17	473,824
Technical Support	10	286,000
National Accounts	26	662,480
BISG Agent	18	514,800
Customer Relations	3	115,440
Email Agent	4	114,400
Social Media Rep	2	61,984
Supervisor – New	<u>8</u>	<u>332,800</u>
Totals	<u>190</u>	<u>\$5,753,528</u>

2. In addition to the salaries listed above, CITS provides the following benefits to all full time employees:

Medical Insurance	Premium 82% company funded
Dental and Vision	Premium 76% company funded
Life Insurance	Premium 100% company funded
Supplemental Life	Employee funded
Accidental Death and Dismemberment	Company funded
Short Term and Long Term Disability	Company funded
401(k) Savings Plan	Company match 100% on first 1%, 50% match on the next 5% - fully vested after 2 years
Dependent Care Flexible Savings Account	Employee funded
Medical Flexible Savings Account	Employee funded
Tuition Reimbursement Plan	\$5,000 annual cap, \$20,000 lifetime cap
Paid Vacation	80 hours per year
Sick Leave	56 hours per year
Personal Time Off	56 hours per year
Paid Holidays	48 hours per year

**ALBUQUERQUE DEVELOPMENT COMMISSION
Local Economic Development Act Hearing**

February 20, 2014

LEDA-14-1: Canon ITS, Inc. Project, 2013

REQUEST: Approval of \$400,000 in Local Economic Development Act funds is requested.

PROJECT SUMMARY: Canon Information Technology Services, Inc. (“Canon ITS” or “Canon”), is requesting project assistance in the amount of up to \$400,000 of Local Economic Development Act (“LEDA”) funds to finance a portion of the lease costs of their technical and customer support operations in Albuquerque, New Mexico.

Canon ITS has informed the City of Albuquerque (the “City”) that it is locating a customer service and technical support operation at Jefferson Plaza, 4041 Jefferson Plaza, NE in Albuquerque. Canon is leasing approximately 33,600 square feet of space in the 77,300 square foot, two-story multi-tenant office building.

This expansion is expected to generate approximately 150 new direct jobs in technical and customer support for a variety of Canon office and consumer electronic products, as well as related managerial and administrative functions. Canon ITS’ Albuquerque location anticipates annual net payroll of \$4.7 million by 2016. The entry level customer/technical service positions are expected to pay \$28,600/year plus full benefits. Supervisory and management positions will range from \$42,000-\$62,000, and salaries for senior management from \$100,000-\$115,000. The total average annual wage is \$38,000 including benefits. Canon has advised the City that they anticipate more than 90% of new hires will be from the Albuquerque area.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote and enhance local economic development efforts. Qualifying entities for these incentives include private telecommunications sales enterprises that make the majority of their sales to persons outside of New Mexico, and companies in targeted industry clusters that seek to build companies in the City of Albuquerque that will provide job growth and career opportunities for Albuquerque area residents and that will otherwise make a substantive contribution to our community.

Canon has requested government assistance to partially offset the costs of their lease payments at their new Albuquerque facility. The funding will allow Canon to use its own resources to hire employees. This LEDA Project would allow Canon to receive reimbursement for a portion of their monthly lease costs. The credit amount is equal to sixty percent (60%) of the actual rent cost (with Canon responsible for the remaining forty percent each month). Canon’s initial lease rate will be \$17,121.68; a 60% reimbursement will be \$10,273.01. Beginning July, 2014, Canon’s monthly lease rate

will be \$49,540.61. The State/City reimbursement of 60% would equal \$29,724.37. Canon's monthly lease rate increases by 2.2% in September, 2016, to \$50,635.27. The State/City 60% reimbursement rate would equal \$30,381.16 at that time. The maximum amount that Canon could receive would be \$400,000.

The City of Albuquerque proposes to contribute \$200,000 toward reimbursing eligible rental costs that will benefit Canon. City funding will come from the Economic Development Action (EDAct) funds. The State Economic Development Department proposes to provide \$200,000 in funds to the City of Albuquerque to be used to partially offset Canon's lease costs. These funds would be processed as a grant to the City through an Intergovernmental Agreement. The City would then include these funds, along with its own, under the Local Economic Development Act (LEDA) to provide the requested assistance to the Project.

The financial assistance provided to the Project would be in return for Canon's location and leasing a facility in Albuquerque, and creating at least 150 full-time jobs by December, 2016. Canon also commits to operating at its Albuquerque facilities for a minimum of ten years, as delineated in the Project Participation Agreement to be entered into by Canon and the City (the "PPA"). The project, terms of the City's incentives and the PPA are subject to City Council approval.

Canon ITS, Inc. was incorporated in 1998 in Chesapeake, VA. The scope of business is to provide customer support to end users and business partners of Canon USA products via telephone, email, and other web-based services such as chat, social media and knowledge based tools.

Canon ITS is a wholly owned subsidiary of Canon, USA, Inc., and the support company for Canon products sold in the United States. Canon USA, Inc., is located in Melville, New York. Canon ITS currently employs more than 600 people and is located in Chesapeake, Virginia. The Albuquerque facility will be their second customer service facility in the country. Canon Inc. is listed as number 4 in the computer industry on Fortune Magazine's World's Most Admired Companies 2013.

The Project is compatible with the surrounding land uses in the North I-25/Jefferson Corridor area of Albuquerque. There are no significant environmental impacts associated with this Project. The Canon facility itself is not expected to generate any required additional public expense for utility or transportation infrastructure.

The Canon Application as shown in Exhibit 1 provides details of the Project. Exhibit 2 delineates the required Project Participation Agreement ("PPA") between Canon and the City. The PPA is summarized here in Section V.

As indicated in Exhibit 3, the project would have positive fiscal impacts on the City, based on the assumptions and methodology used by the University of New Mexico's Bureau of Business and Economic Research (BBER) for measuring the fiscal impact of the project. BBER was hired by the City to develop a model for evaluating LEDA projects. The City's

LEDA Ordinance requires that the project demonstrate that the City will recoup the value of its contribution within ten years.

PROJECT ANALYSIS: The project as proposed in the project application will be analyzed below in accordance with the Local Economic Development Act project criteria as provided by City Ordinance F/S O-04-10.

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a “Qualifying Entity” eligible for LEDA funding assistance. Canon ITS qualifies under the Act and the Ordinance by meeting the following definition:

***Qualifying entity.* A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

C. A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E. of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;

E. A telecommunications sales enterprise that makes the majority of its sales to persons outside of New Mexico

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City’s enabling legislation also states that applications for LEDA assistance which meet the policies and objectives of the City’s community economic development plan shall receive priority. Canon qualifies as the type of project that meets the City’s identified economic development priorities under the following categories:

(2) Private companies seeking to build, expand, or relocate facilities;

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

The project site is located at 4041 Jefferson Plaza NE in Albuquerque, NM. Canon will be leasing approximately 33,682 square feet of space in the 77,276 square foot, two-story multi-tenant office building. The 6.32 acre site is located in Tract C3-D1 of the Group Nine Industrial Park, according to the City Zone Atlas.

The Project Site is located within the City's Established Urban Area. The Site is zoned IP for Industrial Park uses. Office uses are permitted; no zone change is required for this project.

The proposed project would be consistent with the Comprehensive Plan, and the North Valley Area Plan. A map of the area and a photograph of the building are attached.

2. LAND USE:

The project site consists of a two-story commercial office building, in the North I-25/ Jefferson Corridor area of Albuquerque. Other existing employers in the area include the Army Corps of Engineers, Goodrich Aerospace, Holman's, the Girl Scouts' Council offices, and PR Newswire.

The project would support: a) An Economic Development Strategy for Albuquerque/ Bernalillo County to create a diversified economy in targeted industries and cluster industry groups; and b) The Comprehensive Plan Economic Development Policy to encourage expansion of export-based business to strengthen the economy; and encourage prospective employers willing to hire local residents and able to diversify the employment base. The project also supports the economic development priorities and objectives of the City's Local Economic Development Act.

The project would bring additional customer service/technical support operations to Albuquerque, creating an estimated 150 additional quality jobs. The proposed project in Albuquerque is the first technical support center for Canon ITS outside of their main facilities in Virginia.

This Project is not expected to generate any significant noise or waste pollution, or traffic congestion. Water use is generally for personal use by the employees. Tenant improvements are estimated at approximately \$920,000. Canon does intend to install a secondary back-up generator, to be used in case of any power outages. They will be required to go through the City's Air Quality Permit review process. The City's Air Quality staff does not anticipate any significant issues with this, and will work with Canon on any necessary permits.

3. INFILL:

As previously stated, the project site is located in an existing commercial office building in a developed area of the City. No additional water, sewer, or road construction is needed for this project.

4. DESIGN AND CONSERVATION:

The existing facility is a recently constructed concrete tilt-up/glass structure. It is an "Energy Star" facility, and is compatible with the surrounding uses.

5. RENEWABLE ENERGY:

This project will not produce any renewable energy or renewable energy products.

III. ECONOMIC BENEFITS

6. COMPETITION:

Canon ITS has no competition in Albuquerque with respect to providing technical/product support to their customers.

7. JOBS:

Canon expects to hire at least 150 employees over the next three years, potentially growing to 190. They expect that more than 90% of the permanent new jobs will be filled by current Albuquerque area residents. The other employees will be Virginia candidates relocating to Albuquerque. The employees will provide customer support to end users and business partners of Canon USA via telephone, email, and other web-based services such as chat, social media and knowledge base tools.

Specific services to be provided include:

- technical support for consumer and professional imaging products
- technical and service dispatch support for business imaging and office products
- social media moderation
- direct sales support for all products
- general customer service

Canon anticipates their local facility will be open from 8:00 a.m. to 8:00 p.m., operating with two shifts. Canon has stated that the jobs will benefit various income levels including low, moderate and mid-range income residents, and that the jobs will meet or exceed median wages for the industry within the community. Canon expects that the jobs will match skills of current city residents. Employees will be trained to fill positions, and the State's "Job Training Incentive Program" will be used.

Canon has stated it is their company's tradition to promote from within, and as such, advancement opportunities are created as leadership and other advanced support positions become available.

Canon's annual net payroll is anticipated to be \$4.7 million by 2016. The majority of the entry level customer/technical service positions are expected to pay \$28,600/year plus full benefits. Supervisory and management positions range from \$42,000-\$62,000, and salaries for senior management and specialized technical service personnel range from \$100,000-\$115,000. The Company currently covers 82% of health insurance premiums for employees. Additionally, they provide dental, vision, life, accident, and disability insurance. The company provides a tuition reimbursement plan and a 401(k) savings plan (Canon matches 100% of first 1%, 50% match on the next 5%--fully vested after 2 years). Employees have the option of dependent care and medical care flex accounts, and receive paid sick, vacation, and personal time.

Canon's proposed wages for their various positions meet or exceed the median wages for the industry within the community.

8. LOCAL PURCHASES

Canon anticipates spending more than \$950,000 on local goods and services annually, with an estimated annual increase of 3%. The company anticipates that \$235,000 of that amount will be subject to the New Mexico Gross Receipts Tax.

IV. PROJECT FEASIBILITY

9. COST/ FEASIBILITY/ FINANCING:

The combined State and City funds would be used for reimbursements of qualified real property lease expenses made directly by Canon ITS at its new Albuquerque facility. Reimbursements to Canon ITS will be made at the rate of 60% of eligible expenses delineated in the PPA, up to a total of \$400,000. Canon ITS will provide all necessary cost and payment documentation to the City of Albuquerque Economic Development Department.

Canon's initial lease rate will be \$17,121.68; the State/City reimbursement of 60% will be \$10,273.01. Beginning July, 2014, Canon's monthly lease rate will be \$49,540.61. The State/City reimbursement of 60% would equal \$29,724.37. Canon's monthly lease rate increases by 2.2% in September, 2016, to \$50,635.27. The State/City 60% reimbursement rate would equal \$30,381.16 at that time. The maximum amount that Canon could receive would be \$400,000.

Based on annual lease cost information provided by Canon ITS, the projected annual reimbursement schedule is as follows:

<u>Year</u>	<u>Canon Annual Lease Cost</u>	<u>City/State 60 Percent</u>
2014	\$331,487.02	\$198,892.21

2015*	<u>\$544,946.71</u>	<u>\$201,107.79</u>
Total	\$876,433.73	\$400,000.00*

*Note: \$400,000 represents the maximum amount of rent reimbursement that for which Canon is eligible.

The State Economic Development Department proposes to provide \$200,000 in funds to the City of Albuquerque to be used to partially offset Canon's facility rental costs. These funds would be processed as a grant to the City through an Intergovernmental Agreement. The City would then include these funds, along with its own, under the Local Economic Development Act (LEDA) to provide the requested assistance to the Project. The City of Albuquerque proposes to contribute \$200,000 toward eligible rental costs that will benefit Canon. City funding comes from the Economic Development Action (EDAct) funds.

(Eligible project assistance is found in the definition of an "economic development project" contained in the Local Economic Development Act (5-10-3 NMSA 1978), which specifies that the direct or indirect assistance may include "the purchase, lease, grant, construction, reconstruction, improvement, or other acquisition or conveyance of land, buildings, or other infrastructure...", among other items.)

These funds will be disbursed under the terms of the Project Participation Agreement (PPA). The proposal is for the combined City/State funds to cover 60% of the lease costs per month, on a reimbursable basis. Funding is subject to City Council approval. Canon will be responsible for their own and the City's fees related to the LEDA applications and associated legal or other administrative fees, including any fiscal impact analysis.

Information received from Hoover's/Dun & Bradstreet indicate a positive financial outlook both for Canon USA, Inc. and for Canon ITS (attached). Canon's full 2012 Annual Report (the most recent) can be found at:

<http://www.canon.com/ir/annual/2012/report2012.pdf>

10. DEVELOPER'S RECORD:

Canon ITS, Inc. (Canon) Canon ITS was incorporated in 1998 in Chesapeake, VA. The scope of business is to provide customer support to end users and business partners of Canon USA products via telephone, email, and other web-based services such as chat, social media and knowledge base tools.

Canon Information Technology Services, Inc. (Canon ITS) is a wholly owned subsidiary of Canon, USA, Inc., and the support company for Canon products sold in the United States. Canon USA, Inc., is located in Melville, New York. Canon ITS currently employs over 600 people and is located in Chesapeake, Virginia. The Albuquerque facility will be their second customer service facility in the country.

Canon Inc. is listed as number 4 in the computer industry on Fortune Magazine's World's Most Admired Companies 2013. Canon U.S.A., Inc. received top honors in Customer Satisfaction from J.D. Power for its line of PIXMA Multi-Function Inkjet Printers. For the 10th year in a row, Canon U.S.A., Inc. was honored with the 2013 Readers' Choice Award for Service & Reliability from PCMag.com for both Printers and Digital Cameras, and for the third consecutive year, Canon U.S.A., Inc. received the 2013 Readers' Choice Award for Service & Reliability in Camcorders as well.

11. EQUITY:

Canon is responsible for paying the full lease costs each month, and then applying to the City for a 60 % reimbursement of documented cost. They also are responsible for all other operating costs for the company during the time of the LEDA rent assistance. (Note: Canon will be involved in a separate LEDA agreement with Bernalillo County, which will also provide partial rent assistance.) Canon has stated that they also are investing approximately \$4.636 million in personal property/equipment for the facility.

12. MANAGEMENT:

Canon ITS Inc., will manage and operate the project. Doris Higginbotham, President of Canon ITS will be managing this project with the assistance of Kevin Drake, Director of Workforce Planning. Kevin Drake will assume responsibility as Site Director for the Canon ITS West location in Albuquerque, New Mexico in April 2014.

Based on the description given in the project plan, Canon management appears to be qualified to manage the project. Bios of the principals are attached to the Project Application.

13. FISCAL IMPACT ANALYSIS

As indicated in Exhibit 3, the project would have positive fiscal impacts on the City, based on the assumptions and methodology used by the University of New Mexico's Bureau of Business and Economic Research (BBER) for measuring the fiscal impact of the project. BBER was hired by the City to develop a model for evaluating LEDA projects. The City's LEDA Ordinance requires that the project demonstrate that the City will recoup the value of its contribution within ten years.

V. PROJECT PARTICIPATION AGREEMENT

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Agreement (PPA), which is the formal document which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) **The economic development goals of the project;**
- (2) **The contributions of the City and the qualifying entity;**
- (3) **The specific measurable objectives upon which the performance review will be based;**
- (4) **A schedule for project development and goal attainment;**
- (5) **The security being offered for the City's investment;**
- (6) **The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) **The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

B. Each project participation agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.

The primary terms of the Canon Project Participation Agreement are summarized below. The document is attached as an Exhibit.

1. COMPANY CONTRIBUTION

The PPA states that, in exchange for certain LEDA assistance described below, Canon ITS Inc., will undertake and complete a certain project, which is defined to include the following elements (the "Project"):

- A. Lease and occupancy of approximately 33,600 square feet of space located at 4041 Jefferson Plaza NE in Albuquerque (the "Facility"), to house a technical support and customer service center, reflecting an investment by Canon of at least \$4.5 million within the initial three years for improvements, furniture and equipment (the "Lease");
- B. Commitment to operate the Facility for a minimum of ten years;
- C. Employment of at least 150 full-time employees within the first three years of operations at the Facility at an average wage of \$38,000 including benefits, and maintenance of at least 135 full-time employees through June 1, 2024; and

The Canon ITS Application clearly demonstrates that the Company, by completing the Project, will be making many substantive contributions to the community, as required by the LEDA Ordinance.

The City has determined that the cost-benefit analysis with respect to the Project, based on assessments conducted by the University of New Mexico's Bureau of Business and Economic Research, on the basis of information provided by Canon, shows that the City will recoup the value of its contribution within ten (10) years.

2. PUBLIC SECTOR PARTICIPATION

The City anticipates receiving an appropriation of funds disbursed as a grant from the State with the direction to convey these funds for the benefit of the Canon ITS Project via LEDA. This includes \$200,000 in funds appropriated to the New Mexico Economic Development Department for fiscal year 2014. Conveyance of these funds will require the execution of an Intergovernmental Agreement, or a Memorandum of Understanding, between the City and the State.

In addition, the PPA calls for \$200,000 in funds to be committed to the Project by the City. A separate financial account must be maintained for the LEDA funds. The disbursement of all funds requires approval of the Project, the PPA and other documents, and an ordinance by the City Council.

The City and State funds combined will pay 60% of the monthly lease costs for Canon, on a reimbursable basis. The total amount of public money expended and the value of credit pledged in the current fiscal year for economic development projects pursuant to LEDA does not and will not exceed five percent of the general fund expenditures of the City in that fiscal year (a requirement of the Act).

3. ADDITIONAL COMMITMENTS AND REMEDIES

A. Job Commitment. Canon will create, and hire employees for, the following minimum total number of Jobs in accordance with the following schedule:

Canon ITS will create 150 full-time jobs by June 1, 2017. Canon ITS will maintain a level of at least 135 employees (90% of the total required jobs) through June, 2024. NOTE: Jobs/employees are defined as full-time positions as Canon ITS employees, at greater than 32 hours/week plus full benefits. Contract, part-time, and temporary workers do not count toward these employment commitments.

B. Performance Clawbacks.

Performance Requirements and Penalties:

If employment commitments contained in the PPA are not achieved, a repayment of some or all of the City's Contribution may be required. The "City's Contribution" is defined here to include all funds expended for this LEDA Project, including any funds

received as a grant from the State to the City for this Project. The contingent provisions are outlined in the PPA.

To the extent that Canon ITS does not reach employment levels of at least 150 full time employees by June 1, 2017, and maintain at least 135 full time employees (90% of the total required jobs) through December 31, 2024 (subject to Business Climate Changes as defined below and any waivers granted by the City's Chief Administrative Officer and other recourse), it will refund to the City of Albuquerque ten percent (10%) of the amount of the total City Contribution (including State funds to City) expended to date. This employment threshold will be measured annually on December 31 of each calendar year up to and including December 31, 2024 and any penalty assessed for each calendar year. Each year stands on its own; that is, the employment requirement for 2019 remains 135 full time employees, whether or not the requirement for 2018 was met or exceeded. The parties will regularly monitor the project to ensure adequate notice if penalties appear possible. "Business Climate Changes" means any substantive changes in the Canon ITS' market, outside of Canon ITS' control, that significantly impact the ability of Canon ITS to maintain profitability. (This does not apply to the shifting of Canon ITS' operations to another facility outside of Albuquerque.)

If the City determines that Business Climate Changes affect Canon ITS' ability to reach or maintain required employment levels, the City in its sole discretion may lessen or waive penalties that pertain to that portion of the original funding provided directly by the City of Albuquerque funds, but not including any funding which originated with the State as a grant to the City for this project.

C. Facility Closure Clawback. Should Canon ITS cease operations or notify the City of their intent to cease operations in Albuquerque before the end of the required ten years described in the PPA, Canon ITS shall pay to the City of Albuquerque a cash penalty equal to a percentage of the City's Contribution that has been expended up to such point in time (including the aforementioned State participation), as follows:

<u>Year</u>	<u>Percent to be Repaid</u>
1-4	100% of funds actually received
5-8	60% of funds actually received
9-10	25% of funds actually received

D. Security Interest. *(Note: The Security Interest agreement and this Section D have been added to the staff analysis subsequent to the hearing before the Albuquerque Development Commission.)* Pursuant to the Project Participation Agreement, Canon will, simultaneously with the execution of the Agreement, provide the City with a letter of credit in favor of the City, in the amount of \$400,000, to secure the performance of its obligations under the Agreement. If no amounts are owed by Canon to the City on December 31, 2024, the letter of credit will be terminated at that time.

E. Annual Reporting Requirement, Performance Review and Termination.

Canon ITS will provide annual reports to the City information on its workforce and such other information necessary for the City or its independent contractor to determine whether Canon has met its obligations under the PPA. If requested to do so by the City, Canon will request in writing from the Department of Workforce Solutions a certified report indicating the number of full-time employees of Canon from and after June 1, 2017 and annually during the term of this Agreement. Such information received from the Department of Workforce Solutions shall be provided to the City. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and objectives set forth in Section 1 of the Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition of all assets and obligations of the Project.

FINDINGS:

1. LEDA 14-1 is a qualifying entity as defined by the State's Local Economic Development Act and the City's enabling legislation (F/S O-04-10);
2. LEDA-14-1 would make positive contributions to the local economy and community;
3. Subject to final development of an acceptable Security Agreement, LEDA-14-1 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives; and
4. Subject to final development of an acceptable Security Agreement, LEDA-14-1 would adequately meet the evaluation criteria established by the City, including the requirement that the City will recoup its investment within ten years.

STAFF RECOMMENDATION:

Based on the above findings, and subject to final development of an acceptable Security Agreement, staff recommends approval of LEDA-14-1 as proposed in the project application, and the accompanying Project Participation Agreement.

Prepared by: Deirdre M. Firth, Deputy Director
Economic Development Department

HOOVERS™
A D&B COMPANY



Canon U.S.A., Inc. Profile

1 Canon Park
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Company Overview

1 Canon Park
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Canon U.S.A. has expanded its canon beyond cameras. The Americas arm of Tokyo-based printer and peripherals giant Canon sells and services office and consumer imaging equipment, including copiers, printers, fax machines, and scanners. Its focus on cameras hasn't softened, though, offering still and video digital cameras for both consumers and professionals in photography, broadcast, and motion pictures. Industrial and other products include semiconductor and LCD lithography equipment, small motors, and medical equipment such as eye care cameras and radiography systems.

Key Information

DUNS Number	041530692
Location Type	Headquarters
Subsidiary Status	Yes
Manufacturer	Yes
Company Type	Subsidiary
Ultimate Parent	Canon Inc.
Ultimate Parent DUNS	690549662
Plant/Facility Size (sq. ft.)	300,000.00
Owns/Rents	Rents
Foreign Trade	Imports / Exports
Accountant	Ernst & Young ShinNihon
Total Employees	11,167
1-Year Employee Growth	0.00%
Employees At This Location	700
Year of Founding or Change in Control	1966
Primary Industry	1103:Printing & Imaging Equipment Manufacturing
Primary SIC Code	35790000:Office machines, nec
Primary NAICS Code	333316:Photographic and Photocopying Equipment
Latitude/Longitude	40.785931 / -73.410087

Key Financials

Fiscal Year-End	December
Sales (\$ M)	\$958.00M
Prescreen Score	Low Risk

Key People

Name	Title
Mr. Toru Nishizawa	President, CEO
Mr. Kunihiro Teda	SVP, Finance and Accounting, CFO, and Treasurer
Seymour E. Liebman	EVP, Chief Administrative Officer, General Counsel, and Secretary
Mr. Yuichi Ishizuka	EVP, Imaging Technologies & Communications Group

Company Description

Operations

Canon U.S.A. oversees subsidiaries Canon Canada, Canon Latin America, and Canon Mexicana. It also has various sales, R&D, and manufacturing subsidiaries, including toner recycling facility Industrial Resource Technologies; toner cartridge and mold maker Canon Virginia; and Custom Integrated Technology, which re-purposes and repairs copy machines and printers.

Geographic Reach

The company operates from offices and subsidiaries across North and South America, including Argentina, Brazil, Canada, Chile, Mexico, Panama, and the US.

Financial Performance

The Americas account for more than one-fourth of Canon's global sales, or about \$11 billion. Revenue in 2012 fell slightly from 2011 amid continued weakness in the laser printer market.

Strategy

In 2011 it began following in the footsteps of competitors such as Xerox by creating a new subsidiary, Canon Information and Imaging Solutions, to concentrate on enterprise IT services. The company focuses on bringing software and cloud services to such areas as business process optimization, security services, enterprise resource planning, and records management. In 2012 it reinforced its products and services to the film and television production industry with the creation of the Hollywood Professional Technology and Support Center.

Canon U.S.A. established its own R&D group in 2012 and began collaborating with two Harvard Medical School affiliates in the development of medical devices (in the areas of optical imaging and robotic technologies).



Canon Information Technology Services, Inc. Profile

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Fax : +1-757-579-7193
<http://www.cits.canon.com>

Company Overview

850 Greenbrier Cir
Chesapeake, VA 23320 United States
Phone : +1-757-579-7100
Fax : +1-757-579-7193
<http://www.cits.canon.com>

Computer maintenance and repair

Key Information

DUNS Number	126487508
Location Type	Single Location
Subsidiary Status	Yes
Manufacturer	No
Ultimate Parent	Canon Inc.
Ultimate Parent DUNS	690549662
Immediate Parent	Canon U.S.A., Inc.
Immediate Parent DUNS	041530692
Plant/Facility Size (sq. ft.)	65,000.00
Owns/Rents	Rents
Total Employees	500
1-Year Employee Growth	0.00%
Employees At This Location	500
Year of Founding or Change in Control	1998
Primary Industry	1846:Electronic Equipment Repair Services
Primary SIC Code	73780000:Computer maintenance and repair
Primary NAICS Code	811212:Computer and Office Machine Repair and
Latitude/Longitude	36.788509 / -76.229632

Key Financials

Fiscal Year-End	December
Sales (\$ M)	\$25.70M
Prescreen Score	Low Risk

Key People

Name	Title
Yuichi Ishizuka	Chb-ceo
Ms Doris Higginbotham	Pres
Michael Moore	Cto
Mr Dan Bell	Vice President
Mr Brian Griggs	Director, Customer Experience Management
Terry Bartolo	Cotact Center Manager
Mitch Glick	Manager, Product Marketing-itcg Camera
Mr Scott Perriello	Senior Manager, Ntsc

City of Albuquerque - Local Economic Development Act
Fiscal Impact Analysis

Canon ITS, Inc.
City of Albuquerque Fiscal Impact
City Bond Rate 2.50%

	City Donation			Gross Receipts Taxes							Other	Total	City	Fiscal Impact		
	City Donation	Project Payments	Net City Donation	Company Employees	Indirect and Induced Employees	Company Purchases	Company Sales	Construction	Property Tax	Sales Taxes	Taxes	Revenues	Costs	Annual	Present Value	Cumulative
2014	99,446	-	99,446	17,651	6,267	10,876	-	30,565	-	-	11,539	76,898	132,458	(55,560)	(55,560)	(55,560)
2015	100,554	-	100,554	33,785	11,995	16,833	-	-	22,441	-	23,642	108,697	168,743	(82,488)	(80,476)	(136,036)
2016	-	-	-	39,730	14,105	19,067	-	-	19,722	-	28,110	120,735	81,178	19,835	18,880	(117,156)
2017	-	-	-	40,924	14,432	19,121	-	-	17,003	-	28,196	119,676	81,178	21,495	19,961	(97,196)
2018	-	-	-	42,157	14,459	19,176	-	-	14,283	-	28,284	118,360	81,178	22,898	20,745	(76,451)
2019	-	-	-	43,427	14,472	19,232	-	-	11,564	-	28,375	117,071	81,178	24,329	21,503	(54,948)
2020	-	-	-	44,736	14,463	19,288	-	-	8,845	-	28,468	115,800	81,178	25,778	22,228	(32,720)
2021	-	-	-	46,084	14,475	19,345	-	-	6,126	-	28,564	114,594	81,178	27,291	22,959	(9,761)
2022	-	-	-	47,473	14,476	19,402	-	-	3,406	-	28,663	113,421	81,178	28,836	23,667	13,906
2023	-	-	-	48,903	14,477	19,460	-	-	3,240	-	28,766	114,845	81,178	30,427	24,364	38,270

Gross Receipts Taxes, Company Employees: Gross receipts taxes on local purchases by new operating personnel employed by applicant.

Gross Receipts Taxes, Indirect and Induced Employees: Gross receipts taxes on local spending by those supported by company's purchases of local goods and services and by spending by operating personnel.

Gross Receipts Taxes, Company Purchases: Gross receipts taxes on increased company purchases of local goods and services as a result of the project.

Gross Receipts Taxes, Company Sales: Only sales in-state generate gross receipts taxes.

Gross Receipts Taxes, Construction: Gross receipts taxes on contractor receipts and on local spending by construction workers and those supported indirectly by the project.

Other Revenues: Increased employment, resulting from the project, will increase Albuquerque's population and this new population will pay taxes and various City charges for services. Taxes include property tax operating and debt service levies, franchise fees, State-shared revenue distributions other than gross receipt, permits and charges for services, including rent on city properties. In addition, franchise taxes on electricity purchased by the applicant are included.

Total Revenues: Gross receipt tax revenues and other revenues associated with the additional population resulting from the project.

Foregone Property Taxes: Property taxes that would have been paid on land, buildings and equipment financed by the IRB. Title to properties financed are held by the City and the properties are exempt from taxes during the life of the bond.

City Costs: Costs of providing City services and infrastructure to the additional population and additional employment supported by the project. Costs include general fund expenditures, the subsidy for Transit, city street fund expenditures and average spending over past 5 years in the City's Capital Acquisition less that supported by Federal funds or transfers. The cost of services provided by the city is split between businesses (based on employment) and residents (based on additional population).

Fiscal Impact, Present Value: Present value of the stream of annual net fiscal impacts discounted to current values. Here the discount rate is the real rate of interest on GO bonds.

Fiscal Impact, Cumulative: The running total of state present value fiscal impacts over the life of the Industrial Revenue Bond, where the last year is the net present value of the Industrial

Project Participation Agreement
City of Albuquerque and Canon Information Technology Services, Inc.
Local Economic Development Act Project 14-1

This Project Participation Agreement is made as of this ____ day of _____, 2014 by and between the CITY OF ALBUQUERQUE, NEW MEXICO (the "City"), and CANON INFORMATION TECHNOLOGY SERVICES, INC., a Delaware corporation with its principal place of business at 850 Greenbrier Circle, Chesapeake, Virginia 23320 ("Canon").

WHEREAS, it is the policy of the City to aid and encourage the location of desirable business enterprises in the City and to facilitate a favorable governmental atmosphere for enriching the lives of its citizens by supporting the development of a healthy economy; and

WHEREAS, pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City has adopted Ordinance No. F/S O-04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance; and

WHEREAS, Canon, the State of New Mexico (the "State"), and the City are parties to a certain Letter of Intent dated November 5, 2013, in which each party expressed an intent, subject to legislative approval in the case of the City, to make certain contributions towards the Project, as defined below; and

WHEREAS, Canon has submitted to the City an application in the form attached to this Agreement as Exhibit A (the "Canon Application") proposing that, in exchange for certain LEDA assistance described below, Canon will undertake and complete a certain project, which is defined to include the following elements (the "Project"):

Lease and occupancy of approximately 33,600 square feet of space located at 4041 Jefferson Plaza NE in Albuquerque (the "Facility"), to house a technical support and customer service center, reflecting an investment by Canon of at least \$4.5 million within the initial three years for improvements, furniture and equipment (the "Lease");

Commitment to operate the Facility for a minimum of ten (10) years;

Employment of at least 150 full-time employees within the first three years of operations at the Facility at an average wage of \$38,000, including benefits, and maintenance of at least 135 full-time employees through June 1, 2024; and

WHEREAS, the Lease term begins May __, 2014, and the monthly rental will be \$17,121.68, increasing to \$49,540.61 from July 2014 through August 2016, and increasing to \$50,635.27 from September 2016 through August 2017; and

WHEREAS, the Canon Application proposes that in exchange for Canon undertaking and completing the Project, the City use funds obtained from the State and otherwise available to the City, pursuant to LEDA, to reimburse a portion of Canon's monthly rent for the Facility, on the terms set forth herein; and

WHEREAS, the City has determined that the cost-benefit analysis with respect to the Project, based on assessments obtained by the City on the basis of information provided to the City by Canon, shows that the City will recoup the value of its contribution within ten (10) years; and

WHEREAS, the Canon Application clearly demonstrates that the Company, by completing the Project, will be making a substantive contribution to the community, as required by the LEDA Ordinance; and

WHEREAS, the total amount of public money expended and the value of credit pledged in each fiscal year in which that money is expended by the City for economic development projects pursuant to LEDA does not and will not exceed five percent of the general fund expenditures of the City in that fiscal year; and

WHEREAS, the City anticipates receiving an appropriation of funds allocated from the State with the direction of the State to convey these funds to the benefit of Canon via LEDA; and

WHEREAS, LEDA and the LEDA Ordinance require the parties to enter into a Project Participation Agreement meeting the requirements of LEDA and the LEDA Ordinance; and

WHEREAS, the City has adopted Ordinance No. O-__ -__ (the "Project Ordinance") (i) finding that Canon is a qualifying entity as defined in Section 5-10-3(G) NMSA, (ii) approving the Canon Application for assistance with the Project pursuant to the LEDA Ordinance, which Application proposed that the City direct \$200,000 in funds appropriated from the State for fiscal year 2014 and \$200,000 in funds to be committed by the City in fiscal year 2014, all to finance certain statutorily eligible expenses of the Project consisting of rent payments, and (iii) approving this Agreement;

NOW, THEREFORE, in consideration of these premises and the agreements by the parties set forth herein, Canon and the City further agree as follows:

1. Goals and Objectives. The goals and objectives of the Project are to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the Project will provide job growth and career opportunities for Albuquerque-area residents and otherwise make a substantive contribution to the community as set forth in this Agreement and in the Canon Application.

2. Company Contribution. Canon will cause its landlord to complete certain renovations and improvements to the Facility; will occupy the Facility pursuant to the Lease and, commencing on or about June 1, 2014, will diligently operate technical support and customer service operations at the Facility; and will hire and retain employees as contemplated by this Agreement, all in accordance with the schedule and other terms and conditions set forth in this Agreement. Canon will maintain operations in Albuquerque for a minimum of ten (10) years.

3. The State Contribution; Procedure for Disbursement of the State Contribution. The City anticipates that the State Contribution will be delivered to the City for subsequent disbursement to Canon, upon enactment of the Canon LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to Canon in the manner described in this Agreement.

4. The City Contribution.

A. Cash Contribution. Pursuant to the Project Ordinance and the LEDA Ordinance, the City has committed the amount of \$200,000 to be used in connection with the Project (the "City Contribution").

B. In the event Canon requires City permits in connection with the Facility during the term of this Agreement, the City will provide Canon with fast-track permitting for any such permits. The City will provide priority service and plan review and will use commercially reasonable efforts to resolve permitting issues within 48 hours. The City's Planning Director or her designee will serve as the single point of contact for permitting aspects of the Project and will be empowered to resolve issues that are within the City's control regarding any delays in the permitting process.

5. Deposit of Funds. As required by the LEDA Ordinance, the City will deposit the proceeds of the City Contribution into a clearly identified separate account, which account will be subject to an annual independent audit.

6. Time Commitment. Canon and its landlord have commenced certain renovations and improvements to the Facility and Canon intends to begin operations at the Facility on or before June 1, 2014, following completion of improvements and renovations, or as soon thereafter as possible. Canon will continue to occupy the Facility and diligently conduct technical support and customer service operations in the Facility in the manner contemplated by this Agreement at least through June 1, 2024.

7. Use of City and State Contributions. Each month during the term hereof, Canon will be eligible for reimbursement of an amount equal to sixty percent (60%) of the amount of rent due for the Facility for such month, up to a total reimbursement of \$400,000 (the "Cap"), subject to the receipt by the City of the State Contribution. As the amount of Canon's monthly rent changes, the amount of the monthly reimbursement will also change so as to equal sixty percent (60%) of the new lease amount, subject to the Cap. Each month during the term hereof, Canon will provide the City with proof of payment of the monthly rent, and the City will reimburse Canon for sixty percent (60%) of such amount, subject to the Cap. Canon's rent for June 2014 will be \$17,121.68; the City will reimburse \$10,273.01 of such amount. Beginning July 2014, Canon's monthly rent will be \$49,540.61, and the City will reimburse \$29,724.37 of such amount. It is anticipated that rental reimbursements will reach the Cap with a final, partial reimbursement for the rent payable by Canon for August 2015.

8. Job Commitment and Clawbacks.

A. Number of Jobs. Canon will create, and hire employees for, at least 150 Jobs by June 1, 2014 and will maintain at least that level of employment through June 1, 2024. A Job will represent an employment position consisting of at least 32 hours of work per week and offering the employee the full range of benefits offered to other similarly situated Canon employees from time to time. Positions filled by contract, part-time and temporary workers will not be considered Jobs. All references herein to “employees” mean employees in Jobs as contemplated by this Section 8.A.

B. Wages and Benefits. Canon anticipates that the Jobs will fall within the wage ranges and will come with the benefits shown on Exhibit B. However, failure to meet the wage and benefit projections shown on Exhibit B shall not constitute an Event of Default (defined below) or form the basis for any clawback payment.

C. Performance Clawbacks. If Canon does not hire employees for at least 150 Jobs by June 1, 2017 and does not maintain at least 135 employees at least through June 1, 2024, then subject to the remainder of this Section 8.C, Canon will repay to the City, within sixty (60) days of the due date of the annual report referred to in Section 12 below, ten percent (10%) of the total amount of the City Contribution and State Contribution paid on behalf of Canon pursuant to this Agreement to the date of repayment (the “Performance Clawback”). The Performance Clawback will be due on June 15, 2017 if Canon has not added 150 Jobs by June 1, 2017. If Canon has added 150 Jobs by such date, then no Performance Clawback will be due at that time. A Performance Clawback would be due to the City annually for any year after June 1, 2017 and before June 1, 2024, that Canon fails to maintain at least 135 employees, and the Performance Clawback will be payable within sixty (60) days of the due date of the annual report referred to in Section 12 below. Notwithstanding the foregoing, if Canon fails to hire 150 or more employees for Jobs by June 1, 2017, or fails to maintain at least 135 employees through June 1, 2024, and believes Business Climate Changes were the cause for its failure to meet such requirements, Canon will so advise the City in writing by June 1, 2017, if it has failed to meet the 150-employee requirement, or at the time it no longer employs 135 employees if that is the requirement not met, describing the Business Climate Changes in detail. “Business Climate Changes” means substantial changes, outside of the control of Canon, in the segment of the aviation industry in which Canon operates, that cause a significant decrease in the amount of sales Canon is able to achieve. (The shifting of Canon’s operations to another facility will not constitute a Business Climate Change.)

If the City determines that Business Climate Changes affect Canon’s ability to maintain employment levels, it may waive or modify the Performance Clawback, but only related to the City Contribution and not with respect to any portion of the State Contribution. Any Performance Clawback with respect to the State Contribution will be payable in accordance with Section 8.C above. The City will notify Canon of its decision within 45 days after Canon's request for a waiver or modification. Any Performance Clawback due to the City will be paid within 15 days after the City notifies Canon of its decision. If Canon does not attribute the failure to meet employment requirements to Business Climate Changes, the payment of any Performance Clawback due with respect to the City Contribution will be submitted to the City

within ten (10) days after the due date of the annual report reflecting the failure to maintain the required employment level.

D. Facility Closure Clawback. Should Canon cease operation, or notify the City of its intent to cease operation, of the Project (i.e., cease to conduct technical support and customer service operations at the Facility) before June 1, 2024, Canon shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the City Contribution and State Contribution paid as Rent pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table:

Date of Cessation of Operations	Percent of City Contribution and State Contribution to be Repaid
On or before May 31, 2018	100%
From June 1, 2019 through May 31, 2022	60%
From June 1, 2022 to June 1, 2024	25%

Winding down of the Company's operations at the Facility in preparation for a cessation of operations may be considered a cessation of operations, and any such determination will be made by the City in its sole reasonable discretion.

E. Maximum Clawback; Unpaid Payments. Notwithstanding anything herein to the contrary, the aggregate clawback payable hereunder will be \$400,000, not including interest. Any clawbacks not paid when due shall bear interest at the Prime Rate plus 2% per annum from the due date until paid. "Prime Rate" means the U.S. prime rate as reported from time to time in *The Wall Street Journal* in its Bonds, Rates and Yields table, or successor table.

9. Security. To secure the performance of its obligations under this Agreement, Canon has provided the City with a letter of credit in favor of the City, in the form attached to this Agreement, effective as of the date hereof.

10. Events of Default and Remedies.

A. Failure to Comply With Obligations. Failure by Canon to comply with any obligation under this Agreement, including without limitation, the failure to make timely payment of any clawback payment due hereunder, shall be an Event of Default. Notwithstanding the foregoing, failure to meet employment projections or facility closure following commencement of manufacturing operations shall not be considered an Event of Default; however, the failure to make timely payment of any clawback payment due as a result thereof shall be an Event of Default.

B. If any Event of Default occurs, the City shall notify Canon in writing, and Canon shall have thirty (30) days in which to cure such Event of Default. If the Event of Default

is not cured within such thirty-day period, the City shall have and may exercise any remedies available at law or in equity.

C. Excusal. The City may modify or waive any Event of Default or may otherwise refrain from enforcing its rights or exercising its remedies under this Agreement if Canon's failure to perform its obligations under this Agreement is due to Business Climate Changes, as defined in Section 8.C of this Agreement.

11. Fees. Canon will promptly pay or reimburse the City for all reasonable third-party expenses incurred by the City in connection with this Agreement and the Project. If so determined by the City, in its sole discretion, such third-party expenses may be offset against or reimbursed from the City Contribution or the State Contribution. Although the City does not anticipate incurring significant third-party expenses during the term of this Agreement, such expenses could include, without limitation, expenses associated with performance reviews or audits with respect to the Project and legal fees for outside counsel in the event of any proposed amendment to this Agreement or any necessary enforcement action with respect to this Agreement

12. Annual Reporting Requirement, Performance Review and Termination. Annually, on or before March 1 or other date specified by the City, Canon will provide to the City data for the previous calendar year regarding its workforce and such other information necessary for the City or its independent contractor to determine whether Canon has met its obligations under this Agreement. If requested to do so by the City, Canon will request in writing from the State Department of Workforce Solutions a certified report indicating the number of full-time employees of Canon from and after June 1, 2017 and annually as of December 31 thereafter during the term of this Agreement. Such information received from the Department of Workforce Solutions shall be provided to the City. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and objectives set forth in Section 1 of this Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition of all assets and obligations of the Project. In addition, pursuant to LEDA, the City may enact an ordinance terminating the LEDA Ordinance and dissolving or terminating any or all projects. In the event that the City terminates the LEDA Ordinance or this Agreement, the City will specify the disposition of all assets and obligations of the Project after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination.

13. Dispute Resolution. The parties will work in good faith to resolve any disputes that arise hereunder. In the event of a dispute between the parties, the _____ of Canon, or his/her designee and the Director of the City's Economic Development Department shall meet and attempt in good faith to resolve the dispute. If they are unable to resolve the dispute, the _____ of Canon and the City's Chief Administrative Officer shall meet and attempt in good faith to resolve the dispute. Nothing contained in this Agreement constitutes a waiver of any party's right to seek judicial relief.

14. Force Majeure. Neither party shall be liable to the other party for any failure to perform any provisions or obligations of this Agreement if such failure to perform is caused by or results directly or indirectly from Force Majeure. "Force Majeure" means any cause beyond the reasonable control of a party affected, including but not limited to, any acts of God, fire, flood, storm, strike, riot or civil disturbance, war, earthquake, lightning, epidemic, labor disturbance, sabotage, or restraint by court or public authority, or any other cause beyond the reasonable control of a party affected whether similar or dissimilar to the ones listed, which makes it impossible or unreasonably difficult for a party to perform its obligations under this Agreement. Nothing contained in this paragraph shall be construed to require either party to prevent or settle a strike against its will. The party unable to perform its obligations due to Force Majeure will provide notice to the other party within five (5) days of its becoming aware of the Force Majeure of its inability to perform and its expectations as to when, if ever, it will be able to resume its obligations. "Business Climate Changes" are not within the definition of Force Majeure.

15. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by a recognized overnight delivery service, by fax, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown in the signature block of this Agreement. If notice is mailed, it will be deemed received on the earlier of actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. If any written notice is sent by facsimile or electronic mail, it will be deemed received upon printed or written confirmation of the transmission. A party may change its notice address by written notice to the other party to this Agreement.

16. Miscellaneous. This Agreement binds and inures to the benefit of the City and Canon and their respective successors and permitted assigns. This Agreement may not be assigned without the written consent of the non-assigning party. This Agreement, together with the Lease, represents the entire agreement of the parties on the subject hereof and supersedes all prior agreements or understandings between the parties, whether written or verbal. This Agreement may be amended or modified, and the performance by any party of its obligations under this Agreement may be waived, only in a written instrument duly executed by both parties. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument. This Agreement is governed by and is to be construed in accordance with the laws of New Mexico applicable to agreements made and to be performed in New Mexico.

17. Effective Date. This Agreement will be effective on _____, 2014 (the "Effective Date").

CITY OF ALBUQUERQUE,
NEW MEXICO

CANON INFORMATION TECHNOLOGY
SERVICES, INC.,
a Delaware corporation

By _____
Name: Robert J. Perry
Title: Chief Administrative Officer

By _____
Name: _____
Title: _____

Address for notice:
One Civic Plaza NW
Albuquerque, NM 87103
Tel: _____
Fax: _____
Email: _____

Address for notice:
Albuquerque, New Mexico 87____
Tel: _____
Fax: _____
Email: .com

With a copy to:
City Attorney
One Civic Plaza NW
Albuquerque, NM 87103
Tel: _____
Fax: _____
Email: _____

Mailing Address:

P.O. Box 1293
Albuquerque, NM 87103

Exhibits

Exhibit A	Application for LEDA Assistance
Exhibit B	Wages and Benefits