



Legislation Details (With Text)

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File created: 5/25/2023 **In control:** Economic Development Committee

On agenda: 7/24/2023 **Final action:** 7/26/2023

Title: To dissolve the Enterprise Zone Agreement with McDaniel’s Construction Corp., Inc. and DE Development, Ltd. (collectively, referred to as “ENTERPRISE”), and to direct the Director of the Department of Development to notify as necessary the local and state tax authorities.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
7/26/2023	1	CITY CLERK	Attest	
7/25/2023	1	ACTING MAYOR	Signed	
7/24/2023	1	COUNCIL PRESIDENT	Signed	
7/24/2023	1	Columbus City Council	Approved	Pass
7/17/2023	1	Columbus City Council	Read for the First Time	

BACKGROUND: Columbus City Council (“COUNCIL”), by Ordinance No. 2877-2019, passed November 25, 2019, authorized the City of Columbus (CITY) to enter into an Enterprise Zone Agreement (the “AGREEMENT”) with McDaniel’s Construction Corp., Inc. and DE Development, Ltd. (collectively, and hereinafter referred to as “ENTERPRISE”) for a tax abatement of seventy-five percent (75%) for a period of ten (10) years in consideration of a \$1,000,000.00 investment, which included \$800,000.00 in real property improvements (the "Improvements") and \$200,000.00 in furniture and fixtures, the retention of eleven (11) full time employees with an associated payroll of \$1.42 million and the creation of two (2) net new full-time permanent positions with an annual payroll of approximately \$100,000.00 related to the construction of a new corporate headquarters (HQ) consisting of approximately 6,000 square feet at 1069 Woodland Avenue, Columbus, Ohio, 43219, on parcel number 010-019804 (the “PROJECT SITE”), in Columbus Ohio, within the Columbus City School District and within the Columbus Enterprise Zone. The AGREEMENT was made and entered into effective January 8, 2020 (EZA #023-20-01). The AGREEMENT stated that construction of the improvements (the "PROJECT") was expected to begin December 2019 with all Improvements expected to be completed by October 2020, and that no real property exemption was to commence after 2021 nor extend beyond 2030.

The CITY reported the status of the PROJECT to the 2022 Tax Incentive Review Council (“TIRC”) on August 19, 2022. The TIRC noted from the annual report that the net new jobs were below the job creation commitment for the first year of the three-year job creation window. The TIRC was advised that of all the jobs reported, none could be classified as a result of the project (per Section 5709.61(L) of the Ohio Revised Code and Section 2 of the AGREEMENT).

Based on the presentation of the annual report, the TIRC recommend that the AGREEMENT be continued, and for the City to send a letter to the ENTERPRISE requesting a jobs plan outlining the process for attaining the commitment of two (2) net new jobs with the jobs plan to be received by the City within sixty (60) days of receipt date of the notification.

In an electronic communication received by the CITY on behalf of the ENTERPRISE, dated January 1, 2023, and through ensuing correspondences, it was confirmed that the ENTERPRISE will no longer be using the approved tax abatement and requested that the tax abatement be dissolved.

FISCAL IMPACT: No funding is required for this legislation.

To dissolve the Enterprise Zone Agreement with McDaniel's Construction Corp., Inc. and DE Development, Ltd. (collectively, referred to as "ENTERPRISE"), and to direct the Director of the Department of Development to notify as necessary the local and state tax authorities.

WHEREAS, the City of Columbus (CITY) entered into an Enterprise Zone Agreement (the "AGREEMENT") with McDaniel's Construction Corp., Inc. and DE Development, Ltd. (collectively, referred to as "ENTERPRISE"), approved by Columbus City Council (COUNCIL) on November 25, 2019, by Ordinance No. 2877-2019 with this AGREEMENT made and entered into effective January 8, 2020; and

WHEREAS, the AGREEMENT granted a 75% /10-Year abatement on real property improvements; and

WHEREAS, the incentive was granted in consideration of an investment of approximately \$1,000,000.00 which included \$800,000.00 in real property improvements ("Improvements") and \$200,000.00 in furniture and fixtures to construct new corporate headquarters (HQ) consisting of approximately 6,000 square feet at 1069 Woodland Avenue, Columbus, Ohio, 43219, on parcel number 010-019804 (the "PROJECT SITE"), in Columbus Ohio, within the Columbus City School District and within the Columbus Enterprise Zone; and

WHEREAS, McDaniel's Construction Corp., Inc. is the tenant and employer of record, and entered into a long-term lease agreement with DE Development, LTD, who owned the real property. Additionally, the ENTERPRISE committed to retain eleven (11) full-time jobs with an estimated annual payroll of approximately \$1.42 million and create two (2) net new full-time permanent positions with an estimated annual payroll of approximately \$100,000.00 at the Project Site; and

WHEREAS, the AGREEMENT stated that construction of the Improvements (the PROJECT) was expected to begin December 2019 with all real property improvements expected to be completed by October 2020, and that no real property exemption was to commence after 2021 nor extend beyond 2030; and

WHEREAS, The CITY reported the status of the PROJECT to the 2022 Tax Incentive Review Council ("TIRC") on August 19, 2022. The TIRC noted from the annual report that net new jobs were below the job creation commitment for the first year of the three-year job creation window. The TIRC was advised that of all the jobs reported, none could be classified as a result of the project (per Section 5709.61(L) of the Ohio Revised Code and Section 2 of the AGREEMENT); and

WHEREAS, based on the presentation of the annual report, the TIRC recommended that the AGREEMENT be continued, and for the City to send a letter to the ENTERPRISE requesting a jobs plan outlining the process for attaining the commitment of two (2) net new jobs with the jobs plan to be received by the City within sixty (60) days of receipt date of the notification; and

WHEREAS, in an electronic communication received by the City on behalf of the ENTERPRISE, dated January 1, 2023, and through ensuing correspondences, it was confirmed that the ENTERPRISE will no longer be using the approved tax abatement and requested that the tax abatement be dissolved; and

WHEREAS, it has become necessary in the usual daily operation of the Department of Development, to take action on this agreement in order for this dissolution to be legislated so that this dissolution of the AGREEMENT can be reported to

the necessary local and state agencies prior to the end of calendar year 2023, all to preserve the public health, property, safety, and welfare; and **NOW THEREFORE**,

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

- SECTION 1.** That Columbus City Council authorizes and directs that the Enterprise Zone Agreement with the McDaniel's Construction Corp., Inc. and DE Development, Ltd. (EZA#023-20-01) that was executed on December 31, 2021, be dissolved.
- SECTION 2.** That the Director of Development is directed to notify the necessary local and state agencies that the EZ Agreement with the Enterprise has been dissolved as directed herein.
- SECTION 3.** That this Ordinance shall take effect and be in force from and after the earliest period allowed by law.