



Legislation Details (With Text)

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On agenda: 3/13/2017 **Final action:** 3/16/2017

Title: To authorize the Director of Development to amend the Enterprise Zone Agreement with Black Sapphire C Columbus University 2014 Inc. for the second time to (1) revise the job creation number from 15 to 8; (2) to revise the commensurate new job payroll amount from \$527,000.00 to \$375,000.00; and (3) to add language to the Agreement indicating that only full-time jobs that pay at least \$12 per hour can be considered to fulfill the job creation commitment of the Agreement; and to declare an emergency.

Sponsors:

Indexes:

Code sections:

Attachments:

| Date | Ver. | Action By | Action | Result |
|-----------|------|-----------------------|----------|--------|
| 3/16/2017 | 1 | CITY CLERK | Signed | |
| 3/15/2017 | 1 | MAYOR | Signed | |
| 3/13/2017 | 1 | COUNCIL PRESIDENT | Signed | |
| 3/13/2017 | 1 | Columbus City Council | Approved | Pass |

BACKGROUND: Columbus City Council (COUNCIL), by Ordinance No. 1275-2009, passed October 26, 2009, authorized the City of Columbus (CITY) to enter into an Enterprise Zone Agreement (the AGREEMENT) with Continental/Olentangy Hotel, LLC (ENTERPRISE) for a tax abatement of seventy-five percent (75%) for a period of ten (10) years in consideration of a proposed \$13.6 million investment in real property improvements and the creation of 15 full-time jobs with an associated annual payroll of approximately \$527,000 related to the construction of a new 4-story limited service hotel with approximately 134 rooms, associated parking and landscaping amenities on parcel numbers 010-077863 and 010-040234, plus a parcel to be added to parcel number 010-077863, located at 1421-1437 Olentangy River Road in Columbus, Ohio and within the City of Columbus Enterprise Zone. The AGREEMENT was made and entered into effective January 20, 2010 (EZA #023-10-01) with the abatement currently effective from 2012-2021 applied to parcel number 010-077863. The AGREEMENT was subsequently amended for the first time to replace Continental/Olentangy Hotel, LLC as ENTERPRISE with Black Sapphire C Columbus University 2014 Inc. as Continental/Olentangy Hotel, LLC had sold its real estate ownership interest in the project to Black Sapphire C Columbus University 2014 Inc. which agreed to fully assume the terms and commitments of the ENTERPRISE pursuant to the AGREEMENT by Ordinance No. 1557-2014, passed July 14, 2014, entered into and effective September 10, 2014.

The job and payroll commitments of the ENTERPRISE as per the AGREEMENT are 15 new jobs to be created as a result of the project with a commensurate total annual payroll of \$527,000. The original application from 2010 indicated that all 15 new commitments were to be at \$12 per hour or higher. City policy is to only incentivize full-time jobs that pay at least \$12 per hour, so although the Report Year 2015 annual report submitted for ENTERPRISE contained sixty-two (62) total employee records, after the part-time and sub-\$12 per hour jobs were removed from the analysis there remained only seven (7) eligible employee records that met the requirements of the aforementioned City policy with a commensurate payroll of \$357,000, for a 47% and 68% attainment respectively.

The City reported to the 2016 TIRC on August 17, 2016 the status of the Project and the TIRC found the AGREEMENT

not to be in compliance but “recommended to continue, for City Staff to contact and meet with the hotel operator and local management to determine why the jobs as reported don’t coincide with the jobs from the application and fact sheet and to amend as needed to “right size” the project regarding jobs and payroll for current market conditions with those jobs being full-time that pay a minimum of \$12 per hour.”

COUNCIL, by Resolution 0300X-2016, passed December 12, 2016, accepted the written recommendations presented by the 2016 TIRC.

CITY staff complied with the TIRC recommendation; communicating with ENTERPRISE by mail, email and telephone and determined that eight (8) would be the number of full-time employees being paid at least \$12 per hour having been created as a result of the project with a commensurate annual payroll of \$375,000.

This legislation is to authorize the Director of Development to amend the AGREEMENT for the second time to (1) revise the job creation number from 15 to 8; (2) to revise the commensurate new job payroll amount from \$527,000 to \$375,000; and (3) to add language to the AGREEMENT indicating that only full-time jobs that pay at least \$12 per hour can be considered to fulfill the job creation commitment of the AGREEMENT.

This legislation is presented as an emergency measure in order for this amendment to be legislated prior to the end of the Report Year 2016 reporting cycle so that this amendment to the AGREEMENT can be reported to the necessary local and state agencies prior to the 2017 Tax Incentive Review Council and to ensure that ENTERPRISE remains in compliance with the terms of the AGREEMENT.

FISCAL IMPACT: No funding is required for this legislation.

To authorize the Director of Development to amend the Enterprise Zone Agreement with Black Sapphire C Columbus University 2014 Inc. for the second time to (1) revise the job creation number from 15 to 8; (2) to revise the commensurate new job payroll amount from \$527,000.00 to \$375,000.00; and (3) to add language to the Agreement indicating that only full-time jobs that pay at least \$12 per hour can be considered to fulfill the job creation commitment of the Agreement; and to declare an emergency.

WHEREAS, the City of Columbus (CITY) entered into an Enterprise Zone Agreement (the “AGREEMENT”) with Continental/Olentangy Hotel, LLC (ENTERPRISE), approved by Columbus City Council (COUNCIL) on October 26, 2009 by Ordinance No. 1275-2009 with this AGREEMENT made and entered into effective January 20, 2010; and

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

WHEREAS, the incentive was granted in consideration of a \$13.6 million investment in real property improvements, and the creation of fifteen (15) new full-time permanent positions with an annual payroll of approximately \$527,000 related to the construction of a new 4-story limited service hotel with approximately 134 rooms, associated parking and landscaping amenities on parcel numbers 010-077863 and 010-040234, plus a parcel to be added to parcel number 010-077863, located at 1421-1437 Olentangy River Road in Columbus Ohio and within the City of Columbus Enterprise Zone; and

WHEREAS, the AGREEMENT was subsequently amended for the first time to replace Continental/Olentangy Hotel, LLC as ENTERPRISE with Black Sapphire C Columbus University 2014 Inc. as Continental/Olentangy Hotel, LLC had sold its real estate ownership interest in the project to Black Sapphire C Columbus University 2014 Inc. which agreed to fully assume the terms and commitments of the ENTERPRISE pursuant to the AGREEMENT by Ordinance No. 1557-2014, passed July 14, 2014, entered into and effective September 10, 2014; and

WHEREAS, the job and payroll commitments of the ENTERPRISE as per the AGREEMENT are 15 new jobs to be created as a result of the project with a commensurate total annual payroll of \$527,000. The original application from 2010 indicated that all 15 new commitments were to be at \$12 per hour or higher. City policy is to only incentivize full-time jobs that pay at least \$12 per hour, so although the Report Year 2015 annual report submitted for ENTERPRISE

contained sixty-two (62) total employee records, after the part-time and sub-\$12 per hour jobs were removed from the analysis there remained only seven (7) eligible employee records that met the requirements of the aforementioned City policy with a commensurate payroll of \$357,000, for a 47% and 68% attainment respectively; and

WHEREAS, the City reported to the 2016 TIRC on August 17, 2016 the status of the Project and the TIRC found the AGREEMENT not to be in compliance but “recommended to continue, for City Staff to contact and meet with the hotel operator and local management to determine why the jobs as reported don’t coincide with the jobs from the application and fact sheet and to amend as needed to “right size” the project regarding jobs and payroll for current market conditions with those jobs being full-time that pay a minimum of \$12 per hour;” and

WHEREAS, COUNCIL, by Resolution 0300X-2016, passed December 12, 2016, accepted the written recommendations presented by the 2016 TIRC; and

WHEREAS, CITY staff complied with the TIRC recommendation, communicating with representatives of ENTERPRISE by mail, email and telephone and determined that eight (8) would be the number of full-time employees being paid at least \$12 per hour having been created as a result of the project with a commensurate annual payroll of \$375,000; and

WHEREAS, an amendment is needed to “right size” the project regarding jobs and payroll for current market conditions with those jobs being full-time that pay a minimum of \$12 per hour; and

WHEREAS, an emergency exists in the usual daily operation of the Columbus Department of Development in that it is immediately necessary to seek an amendment to the AGREEMENT with Black Sapphire C Columbus University 2014 Inc. to (1) revise the job creation number from 15 to 8; (2) to revise the commensurate new job payroll amount from \$527,000 to \$375,000; and (3) to add language to the AGREEMENT indicating that only full-time jobs that pay at least \$12 per hour can be considered to fulfill the job creation commitment of the AGREEMENT; thereby preserving the public health, peace, property and safety; **NOW, THEREFORE**,

BE IT ORDAINED BY THE COUNCIL OF COLUMBUS

SECTION 1. That following the recommendations set forth in Resolution 0300X-2016, passed December 12, 2016, that the Director of Development is hereby authorized to amend the Enterprise Zone Agreement with Black Sapphire C Columbus University 2014 Inc. to (1) revise the job creation number from 15 to 8; (2) to revise the commensurate new job payroll amount from \$527,000 to \$375,000; and (3) to add language to the AGREEMENT indicating that only full-time jobs that pay at least \$12 per hour can be considered to fulfill the job creation commitment of the AGREEMENT.

SECTION 2. That this SECOND AMENDMENT to the City of Columbus Enterprise Zone Agreement be signed by Black Sapphire C Columbus University 2014 Inc. within ninety (90) days of passage of this ordinance, or this ordinance and the incentive authorized herein shall be null and void.

SECTION 3. That for reasons stated in the preamble hereto, which is hereby made a part hereof, the ordinance is hereby declared to be an emergency measure and shall take effect and be in force from and after its passage and approval by the Mayor or ten days after the passage if the Mayor neither approves nor vetoes the same.