



Legislation Details (With Text)

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File created: 1/25/2023 **In control:** Economic Development Committee

On agenda: 2/6/2023 **Final action:** 2/8/2023

Title: To terminate the Enterprise Zone Agreement with 2137 Parkwood Avenue, LLC and SCA of OH, LLC (collectively, referred to as the ENTERPRISE), and to direct the Director of the Department of Development to notify as necessary the local and state tax authorities; and to declare an emergency.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
2/8/2023	1	CITY CLERK	Attest	
2/7/2023	1	MAYOR	Signed	
2/6/2023	1	COUNCIL PRESIDENT	Signed	
2/6/2023	1	Columbus City Council	Approved	Pass

BACKGROUND: Columbus City Council (COUNCIL), by Ordinance No. 0489-2015, passed March 2, 2015, authorized the City of Columbus (CITY) to enter into an Enterprise Zone Agreement (the AGREEMENT) with CSE Leasing dba Contract Sweepers and Equipment Company, Inc. (ENTERPRISE) for a tax abatement of seventy-five percent (75%) for a period of ten (10) years in consideration of an investment of approximately \$1.55 million, which included \$590,000 in acquisition cost, \$605,000 in real property improvements, \$120,000 in machinery and equipment, \$75,000 in furniture and fixtures and \$160,000 in leasehold improvements, and the creation of three (3) new full-time permanent positions with an annual payroll of approximately \$85,280, and the retention of 54 full-time jobs with an estimated annual payroll of approximately \$2.179 million related to the redevelopment of an old vacant commercial facility to relocate its corporate headquarters (HQ). The corporate HQ consists of approximately 16,456 sq. ft. of office space with a proposal of expanding the building another 6,544 sq. ft., totaling approximately 23,000 sq. ft. at 2137 Parkwood Avenue on parcel numbers 010-226069 and 010-099105 (the PROJECT SITE), in Columbus Ohio, within the Columbus City School District and within the Columbus Central Enterprise Zone. The AGREEMENT was made and entered into effective April 10, 2015 (EZA #023-15-100). The AGREEMENT stated that construction on the improvements (the PROJECT) was expected to begin April 2015 with all real property improvements expected to be completed by December 2015.

The AGREEMENT was subsequently authorized by COUNCIL to be amended for the first time to amend the exemption window by Ordinance No. 1017-2017, passed on May 1, 2017, with the First Amendment to the AGREEMENT being made and entered into effective May 25, 2017. The abatement is currently running from 2017 through 2026.

Subsequently, in a letter to the CITY on behalf of the ENTERPRISE dated February 6, 2020 and through ensuing correspondence, it was confirmed that 2137 Parkwood Avenue, LLC and SCA of OH, LLC had acquired ownership of the PROJECT SITE from CSE Leasing dba Contract Sweepers and Equipment Company, Inc. on January 14, 2020 and that SCA of OH, LLC would now be the tenant and employer of record while 2137 Parkwood Avenue, LLC will maintain ownership.

The AGREEMENT was subsequently authorized by COUNCIL to be amended for the second time to remove CSE Leasing dba Contract Sweepers and Equipment Company, Inc. as ENTERPRISE to be replaced by 2137 Parkwood Avenue, LLC and SCA of OH, LLC (collectively, ENTERPRISE) by Ordinance No. 1657-2020, passed on July 20, 2020, with the Second Amendment to the AGREEMENT being made and entered into effective November 9, 2020.

The CITY reported the status of the PROJECT to the 2022 Tax Incentive Review Council (“TIRC”) on August 19, 2022. Following an audit of the report sent by the ENTERPRISE there were no net new jobs and the job retention numbers were below the 54 which the ENTERPRISE committed to in the Enterprise Zone Agreement. In response, the CITY sent a letter to the ENTERPRISE requesting a plan to achieve the net new jobs plan for the PROJECT. In response to this letter the ENTERPRISE requested that the AGREEMENT be terminated.

EMERGENCY JUSTIFICATION: This legislation is presented as an emergency measure in order for an expeditious termination of the AGREEMENT so that this termination can be reported to the necessary local and state agencies, with a termination date of December 31, 2022, which date is appropriate given that property taxes are due and paid six months in arrears.

FISCAL IMPACT: No funding is required for this legislation.

To terminate the Enterprise Zone Agreement with 2137 Parkwood Avenue, LLC and SCA of OH, LLC (collectively, referred to as the ENTERPRISE), and to direct the Director of the Department of Development to notify as necessary the local and state tax authorities; and to declare an emergency.

WHEREAS, the City of Columbus (CITY) entered into an Enterprise Zone Agreement (the “AGREEMENT”) with CSE Leasing dba Contract Sweepers and Equipment Company, Inc. (ENTERPRISE), approved by Columbus City Council (COUNCIL) on March 2, 2015 by Ordinance No. 0489-2015 with this AGREEMENT was made and entered into effective April 10, 2015; and

WHEREAS, the AGREEMENT granted a 75%/10-Year abatement on real property improvements (“IMPROVEMENTS”); and

WHEREAS, the incentive was granted in consideration of a total project cost of approximately \$1.55 million, which included \$590,000 in acquisition cost, \$605,000 in real property improvements, \$120,000 in machinery and equipment, \$75,000 in furniture and fixtures and \$160,000 in leasehold improvements, and the creation of three (3) net new full-time permanent positions with an annual payroll of approximately \$85,280 and the retention of fifty-four (54) full-time jobs with an estimated annual payroll of approximately \$2.179 million related to the redevelopment of an old vacant commercial facility for the expansion and relocation of its’ corporate headquarters (HQ). The new corporate HQ consist of approximately 6,456 sq. ft. of existing office space with a proposal of expanding the building another 6,544 sq. ft., totaling approximately 23,000 sq. ft. at 2137 Parkwood Avenue on parcel numbers 010-226069 and 010-099105 (the PROJECT SITE), in Columbus Ohio, within the Columbus City School District and within the Columbus Central Enterprise Zone; and

WHEREAS, the AGREEMENT was subsequently authorized by COUNCIL to be amended for the first time to amend the exemption window by Ordinance No. 1017-2017, passed on May 1, 2017; and

WHEREAS, the First Amendment to the AGREEMENT was made and entered into effective May 25, 2017. The abatement is currently running from 2017 through 2026; and

WHEREAS, subsequently, in a letter to the CITY on behalf of the ENTERPRISE dated February 6, 2020 and through ensuing correspondence, it was confirmed that 2137 Parkwood Avenue, LLC and SCA of OH, LLC had acquired

ownership of the PROJECT SITE from CSE Leasing dba Contract Sweepers and Equipment Company, Inc. on January 14, 2020 and that SCA OF OH, LLC would now be the tenant and employer of record while 2137 Parkwood Avenue, LLC will maintain ownership; and

WHEREAS, the AGREEMENT was subsequently authorized by COUNCIL to be amended for the second time to remove CSE Leasing dba Contract Sweepers and Equipment Company, Inc. as ENTERPRISE to be replaced by 2137 Parkwood Avenue, LLC and SCA of OH, LLC (collectively, ENTERPRISE), by Ordinance No. 1657-2020, passed on July 20, 2020; and

WHEREAS, the Second Amendment to the AGREEMENT was made and entered into effective November 9, 2020; and

WHEREAS, the CITY reported the status of the PROJECT to the 2022 Tax Incentive Review Council (“TIRC”) on August 19, 2022. Following an audit of the report sent by the ENTERPRISE there were no net new jobs and the job retention numbers were below the fifty-four (54) which the ENTERPRISE committed to in the Enterprise Zone Agreement. In response, the CITY sent a letter to the ENTERPRISE requesting a plan to achieve the net new jobs plan for the PROJECT. In response to this letter the ENTERPRISE requested that the AGREEMENT be terminated as of December 31, 2022; and

WHEREAS, an emergency exists in the usual daily operation of the Department of Development, in that it is immediately necessary to take action on this agreement in order for the termination be legislated in the most expedient manner as possible so that this termination of the AGREEMENT can be reported to the necessary local and state agencies in a timely manner, and to preserve the public health, property, safety and welfare;

NOW, THEREFORE

BE IT ORDAINED BY THE COUNCIL OF COLUMBUS

SECTION 1. That because the ENTERPRISE has failed to retain and create the number of jobs required in the EZ AGREEMENT, in consideration of the City having authorized a 10-year, 75% real property exemption on IMPROVEMENTS that the ENTERPRISE made at the PROJECT SITEe, Columbus City Council terminates the 2137 Parkwood Avenue, LLC and SCA of OH, LLC Enterprise Zone Agreement (EZA# 023-15-100) as of December 31, 2022.

SECTION 2. That the Director of Development is directed to notify the necessary local and state agencies that the EZ AGREEMENTwith the ENTERPRISE (EZA # 023-15-100) has terminated.

SECTION 3. For the reasons stated in the preamble hereto, which is made a part hereof, this Ordinance is 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 (10) days after passage if the Mayor neither approves nor vetoes this Ordinance.