



Legislation Text

File #: 1987-2011, **Version:** 1

BACKGROUND: Columbus City Council (Council), by Ordinance 1661-2000, passed July 10, 2000, authorized the City of Columbus (City) to enter into an Community Reinvestment Area (CRA) Agreement (the Agreement) with Schmidt Development LLC (Enterprise) for a tax abatement of fifty percent (50%) for a period of ten (10) years in consideration of an approximately \$20,000,000 total investment in real property improvements over a five year period beginning August 2000 (the Project), the employment of between 275 to 300 people with the first phase of the project to retain 65 jobs with an associated payroll of approximately \$3,300,000 related to new construction and renovation of approximately 100,000 square feet of commercial space in seven buildings within the South Washington CRA (aka Market Exchange District), CRA No. 049-00960-01, in Columbus, Ohio. No exemption was to commence before tax year 2001 nor extend beyond tax year 2011. The Agreement was made and entered into to be effective September 27, 2000 (Agreement No. 00-001).

This Agreement was subsequently authorized by Council to be amended for the first time to (1) reduce the amount of real property improvement investment from approximately \$20,000,000 over a five year period beginning August 2000 to an investment of approximately \$13,466,000 over that same time frame, (2) change the employment obligation from the employment of between 275 to 300 people with the first phase of the project to retain 65 jobs with an associated payroll of approximately \$3,300,000, to the project retaining approximately 210 jobs and creating approximately 65 new jobs with an annual new job payroll of approximately \$3,300,000, (3) adding that the jobs located in the 515 East Main Street facility may be counted towards satisfying the job requirements of the Agreement, but only to the extent that the number of jobs at 515 East Main Street exceeds what is needed for 100% compliance with the 515 Partners, LLC Enterprise Zone Agreement, and (4) adding that Enterprise shall provide to the City annual information on the jobs, payroll and City income tax withholding of all tenants occupying facilities in the Project, as required by the City for monitoring and compliance, and school district compensation purposes by Ordinance 1789-2006, passed October 16, 2006, entered into and effective December 20, 2006.

The 2011 Columbus Tax Incentive Review Council (TIRC) reviewed the Schmidt Development LLC CRA project on August 18, 2011. At that time the City reported to the TIRC that as of December 31, 2010 the reported Project investment was \$4,400,000 (33% attainment), retained jobs were reported to be 66 (31% attainment), new jobs were reported to be 16 (25% attainment) and new job payroll was reported to be \$872,000 (26% attainment). The TIRC recommended that a letter be sent to Enterprise by certified mail requesting job and payroll reporting from all non-reporting tenants within 30 days of receipt of the letter by Enterprise; if Enterprise cannot show they have reached 75% compliance with new job and new job payroll commitments then amend the Agreement to reduce the abatement to 25% for the final year (report year 2011).

Enterprise received the certified letter on September 6, 2011 and the end of the 30-day window was determined to be October 6, 2011. As of that date, with three additional tenants reporting, the number of new jobs was 23 (35% attainment) and the new job payroll was \$935,854.56 (28% attainment). With Enterprise not meeting the 75% threshold, this legislation seeks to follow the TIRC recommendation and amend the Agreement to reduce the abatement from 50% to 25% for the final year of the term of the Agreement, report year 2011.

This legislation is presented as an emergency measure in order for this amendment to be legislated prior to the end of 2011 so that this amendment to the Agreement can be reported to the necessary local and state agencies prior to the end of calendar year 2011.

FISCAL IMPACT: No funding is required for this legislation.

To authorize the Director of the Department of Development to amend the Community Reinvestment Area Agreement with Schmidt Development LLC; and to declare an emergency.

WHEREAS, the Columbus City Council approved the Community Reinvestment Area Agreement with Schmidt Development LLC (the CRA Agreement) on July 10, 2000 by Ordinance 1661-2000 and entered into effective September 27, 2000; and

WHEREAS, the CRA Agreement grants Schmidt Development LLC a 50%/10-Year abatement on real property investment; and

WHEREAS, the CRA Agreement commits Schmidt Development LLC to invest approximately \$20,000,000 in real property improvements, employ between 275 to 300 people with the first phase of the project to retain 65 permanent full-time jobs with an associated payroll of approximately \$3,300,000, related to new construction and renovation of approximately 100,000 square feet of commercial space in seven buildings within the South Washington CRA (aka Market Exchange District); and

WHEREAS, the CRA Agreement was authorized by Council to be amended for the first time to reduce the real property investment requirement to \$13,446,000, to change the job requirement to 210 jobs retained and 65 jobs created with a commensurate annual new job payroll of approximately \$3,300,000, to allow the jobs in the building at 515 E. Main Street to count towards satisfying the requirements of the CRA Agreement to the extent that those jobs are in excess of the jobs needed to satisfy the requirements of the 515 Partners, LLC Enterprise Zone Agreement and to clarify that it is the responsibility of Schmidt Development LLC to provide the City of Columbus with annual information on tenant jobs and payroll by Ordinance No. 1789-2006, October 16, 2006, entered into and effective December 20, 2006; and

WHEREAS, the Tax Incentive Review Council (the "TIRC") met on August 18, 2011 and it was reported then that as of December 31, 2010 the reported investment was \$4,400,000 (33% attainment), retained jobs were reported to be 66 (31% attainment), new jobs were reported to be 16 (25% attainment) and new job payroll was reported to be \$872,000 (26% attainment); and

WHEREAS, the TIRC recommended that a letter be sent to Schmidt Development LLC by certified mail requesting job and payroll reporting from all non-reporting tenants within 30 days of receipt of the letter by Schmidt Development LLC; if Schmidt Development LLC cannot show they have reached 75% compliance with new job and new job payroll commitments then amend the CRA Agreement to reduce the abatement to 25% for the final year (report year 2011); and

WHEREAS, Schmidt Development LLC received the certified letter on September 6, 2011 and the end of the 30-day window was determined to be October 6, 2011; and

WHEREAS, as of that date, with three additional tenants reporting, the number of new jobs was 23 (35% attainment) and the new job payroll was \$935,854.56 (28% attainment); and

WHEREAS, with Schmidt Development LLC not meeting the 75% threshold, this legislation seeks to follow the TIRC recommendation and amend the CRA Agreement to reduce the abatement from 50% to 25% for the final year of the term of the CRA Agreement, report year 2011; 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 CRA Agreement in order for this amendment to be legislated prior to the end of 2011 so that this amendment to the CRA Agreement can be reported to the necessary local and state agencies prior to

the end of calendar year 2011, and to preserve the public health, property, safety and welfare; **NOW, THEREFORE,**

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

Section 1. That the Director of the Department of Development is hereby authorized to amend the Schmidt Development LLC Community Reinvestment Area Agreement (CRA Agreement) to amend the percentage term of the abatement of 50% as set forth in the CRA Agreement to 25% for the final year of the term of the CRA Agreement, report year 2011.

Section 2. 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.