



Legislation Text

File #: 1724-2005, **Version:** 1

Background: The purpose of this ordinance is to declare improvements to certain parcels of real property within a portion of the area known as the Grange site located in the Brewery District area of Columbus, to be for a public purpose in order to create a non school Tax Increment Finance (TIF) district and authorize the Director of the Department of Development to execute a TIF Financing Agreement for the proposed TIF district.

Grange Mutual Casualty Company ("Grange") needs to expand its corporate and administrative facilities to handle planned growth of 800 people over the next 20 years. Grange is considering sites in Central Ohio, including a site at its corporate headquarters, 650 S. Front Street (the "Columbus Site"), and a site in Appleton, Wisconsin. The Columbus Site requires the construction of a 1,000 space structured parking garage at a cost of between \$19,400,000 and \$22,700,000. Structured parking is not required at any other site. Consequently, the cost of building at the Columbus Site will be approximately \$20,000,000 higher than the other alternatives. In order to make the Columbus Site attractive, the City of Columbus ("Columbus") and the State of Ohio ("Ohio") need to provide appropriate economic development incentives.

The project (the "Project") will consist of: 1) a new approximately 200,000 square foot office building costing between \$39,100,000 and \$45,100,000; 2) a 1,000 car parking garage costing between \$19,400,000 and \$22,700,000; 3) the remodeling of the current office building costing between \$3,000,000 and \$4,000,000 and 4) the construction of \$3.5 million of infrastructure improvements.

The Project will permit Grange to assure the retention of 775 full-time and 36 part-time employees at its current location in the Brewery District. The retention of these employees results in \$60,414,000 of payroll annually. An additional 60 employees will be transferred from Gahanna to Columbus and produce \$3,481,000 in payroll annually. As stated in the company's Enterprise Zone application, during the 10-year incentive period the 262 new jobs created will average \$99,000 per annum including benefits. These new jobs will create approximately \$25,938,000 of additional payroll annually. Ultimately, over the next 20 years total new employment at the Columbus Site is estimated to be 800 with a \$50 million annual payroll.

The City of Columbus and Grange desire to enter into a TIF Financing Agreement under Ohio Revised Code Section 5709.41 to pay for public infrastructure and other development costs associated with the site. Under Ordinance No. 1475-2005, the City agreed to acquire title to the property which comprises the Grange site and transfer title back to Grange in order to comply with the requirements for an ORC Section 5709.41 TIF.

This ordinance continues the process of establishing the TIF by establishing that improvements to the site are a public purpose, requiring the owners to make service payments in lieu of taxes, payments to the school district equal to the amount it would have received without the exemption, and establishing an urban redevelopment tax increment equivalent fund for the deposit of the other service payments.

FISCAL IMPACT: No funding is required for this legislation.

An ordinance declaring the improvement of certain real property located in the City of Columbus, Ohio to be a public purpose; declaring such property to be exempt from real property taxation; designating improvements to be made that will benefit such property; authorizing payments to the school district; requiring annual service payments in lieu of taxes; authorizing the execution of a Tax Increment Financing Agreement; establishing a Grange Urban Redevelopment Tax Increment Equivalent Fund and related authorizations pursuant to Ohio revised code sections 5709.41, 5709.42 and 5709.43; and to declare an emergency. **(AMENDED BY ORD. 1139-2007 PASSED 7/23/2007)**

WHEREAS, Ohio Revised Code § 5709.41 provides that this Council may, under certain circumstances, declare improvements to parcels of real property located in the City of Columbus (the "City") to be a public purpose, thereby exempting those improvements from real property taxation, provided the City has held fee title to such real property prior to the adoption of the ordinance providing for the exemption; and

WHEREAS, pursuant to Ohio Revised Code § 5709.41, said exemption may exceed 75% of such improvements for up to thirty (30) years when the ordinance declaring the improvements to be a public purpose specifies that payments in lieu of taxes shall be paid to the local school district in which the parcels are located in the amount of the taxes that the local school district would have received if the improvements had not been exempted from taxation; and

WHEREAS, the City, by Ordinance No. 779-85 passed April 22, 1985 and amended by Ordinance Nos. 2722-85 in 1986, 2080-89 in 1989, 1949-92, 2609-92 and 2249-92 in 1992, 1079-94 and 1228-94 in 1994, 2196-95 and 2817-95 in 1995, 533-99 in 1999, 1785-00 in 2000, 1464-02 in 2002, and 0225-03 in 2003, has designated the area specified in those ordinances as an "urban jobs and enterprise zone" pursuant to Ohio Revised Code Chapter 5709 (the "Enterprise Zone") and declared that incentives for businesses offered by such zones will enhance efforts to promote the viable and diverse economic activity necessary for rejuvenation of the Enterprise Zone; and

WHEREAS, the City, pursuant to Ohio Revised Code § 5709.61 et seq. (the "Enterprise Zone Statutes"), has entered into an enterprise zone agreement (the "Enterprise Zone Agreement") with Grange Mutual Casualty Company (the "Company"), exempting from real property taxation 75% of the increase in the assessed value of real property for 10 years; the portion of each qualifying increase in assessed value of real property that is exempted under the Enterprise Zone Statutes for so long as the portion is exempted under the Enterprise Zone Agreement is referred to herein as an "Enterprise Zone Exempted Improvement"; and

WHEREAS, the real property shown in Exhibit A hereto and incorporated herein by reference (the "Property") is located in the State of Ohio (the "State"), County of Franklin, and the City; and

WHEREAS, the current and future owners of the Property (each an "Owner" and collectively the "Owners") wish to redevelop the Property, provided that the appropriate development incentives are available to support this redevelopment; and

WHEREAS, by Ordinance No. 1475-2005 passed September 12, 2005, the City acquired fee title to the Property, pursuant to a Quitclaim Deed recorded with the Franklin County Recorder's Office, and, pursuant to a Quitclaim Deed, conveyed said Property back to the prior Owner; and

WHEREAS, this Council has determined that it is necessary and appropriate and in the best interests of the City to provide for service payments in lieu of real property taxes ("Service Payments," as further defined below) with respect to the Property pursuant to Ohio Revised Code § 5709.42; and

WHEREAS, this Council has determined that payments in lieu of taxes shall be paid to the Columbus City School District (the "School District") pursuant to Ohio Revised Code § 5709.42 in the amount of the real property taxes that the School District would have received if the increase in the assessed value of the Property had not been exempted from real property taxes pursuant to this Ordinance; and

WHEREAS, notice of this proposed Ordinance has been delivered to the Board of Education of the School District in accordance with and within the time period prescribed in Ohio Revised Code § 5709.41 and Ohio Revised Code § 5709.83; and

WHEREAS, an emergency exists in the usual daily operations of the City in that it is immediately necessary to enter into an agreement with the Company for the preservation of the public health, peace, property and safety, that preservation being related to the Company's lack of space and need to expand immediately to preserve existing job opportunities and to create new job opportunities, **NOW, THEREFORE**,

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

Section 1. One hundred percent (100%) of the increase in the assessed value of the Property (which increase in assessed value is an "Improvement" as defined in Ohio Revised Code § 5709.41 and which Improvement is described on Exhibit B attached hereto and incorporated by reference herein, but which Improvement shall not include any Enterprise Zone Exempted Improvement located on the Property) shall be a public purpose and shall be exempt from real property taxation for a period commencing on the effective date of this Ordinance and ending thirty (30) years after such date.

Section 2. The improvements described in Exhibit C attached hereto and incorporated by reference herein (the "Designated Improvements") are hereby designated as those improvements that benefit or serve, or that once made will benefit or serve the Property.

Section 3. Pursuant to the TIF Agreement (as defined in Section 8 below) the City shall construct, or cause to be constructed, the Designated Improvements.

Section 4. As provided in Ohio Revised Code § 5709.42, the Owner of any Improvement is required hereby to make annual payments in lieu of taxes to the Franklin County Treasurer on or before the final dates for payment of real property taxes. Each such payment (including interest and penalties) shall be charged and collected in the same manner and in the same amount as the real property taxes that would have been charged and payable against the Improvement if it were not exempt from taxation (with the payments in lieu of tax, including any penalties and interest, the "Payments in Lieu of Taxes"). The Franklin County Treasurer shall remit all Payments in Lieu of Taxes, together with any associated roll back payments received in accordance with Ohio Revised Code § 319.302 (the "Property Tax Rollback Payments") in respect of the Improvements, to the City for deposit in the Grange Urban Redevelopment Tax Increment Equivalent Fund established in Section 5 hereof. This Council hereby authorizes the Director of the Department of Development (the "Director") to provide such information and certifications and execute and deliver, or accept delivery of such instruments as are necessary and incidental to collect those Payments in Lieu of Taxes and Property Tax Rollback Payments and to make such arrangements as are necessary and proper for payment of the Payments in Lieu of Taxes and Property Tax Rollback Payments. Any late payments shall be subject to penalty and bear interest at the then current rate established under Revised Code §§ 323.121 and 5703.47, as may be amended from time to time, or any successor provisions thereto, as the same may be amended from time to time. Payments in Lieu of Taxes and Property Tax Rollback Payments are collectively referred to herein as the "Service Payments." The Service Payments shall be allocated and deposited in accordance with Sections 5 and 6 of this Ordinance.

Section 5. This Council hereby establishes, pursuant to and in accordance with the provisions of Ohio Revised Code § 5709.43, the Grange Urban Redevelopment Tax Increment Equivalent Fund (the "Fund"), into which shall be deposited all of the Service Payments distributed to the City (i.e. after amounts are paid to the School District as described in Section 6 hereof) with respect to the Improvements on the Property by or on behalf of the Franklin County Treasurer, as provided in Ohio Revised Code § 5709.42, and hereby provides that all of the moneys deposited in the Fund shall be used for any costs associated with the construction of the Designated Improvements.

The Fund shall remain in existence so long as Service Payments are collected and used for the aforesaid purposes, subject to the limits set forth in Section 1 hereof, after which said Fund shall be dissolved in accordance with Ohio Revised Code § 5709.43(D). Upon dissolution, any incidental surplus money remaining in the Fund shall be disposed of as provided in Ohio Revised Code § 5709.43(D).

Section 6. The Franklin County Treasurer shall make payments to the School District, solely from the Service Payments, in the amount equal to the property tax payments that would have been payable to the School District from the Improvements had the Improvements not been exempted pursuant to this Ordinance, in accordance with Ohio Revised Code §§ 5709.42 and 5709.43(C).

Section 7. This Council hereby authorizes the Director or other appropriate officers of the City, to take such actions as are necessary or appropriate to implement the transactions contemplated by this Ordinance, including the filing of one or more applications for exemption as provided in Ohio Revised Code § 5709.911.

Section 8. The Director is hereby authorized to execute on behalf of the City a Tax Increment Financing Agreement (the "TIF Agreement") between the City and the Company, which shall provide for: (i) the payment of such annual Payments in Lieu of Taxes by the Company and the other current and future Owners of the Property; (ii) the payment of the amounts due to the School District from the Service Payments; and (iii) the payment to the Company of the amounts remaining after the payments to the School District, described in (ii) above, to reimburse the Company for the cost of constructing the Designated Improvements, as provided in the TIF Agreement. The TIF Agreement shall be in such form as is acceptable to such officials, approved by the City Attorney, and not substantially inconsistent with the terms of this Ordinance.

Section 9. The Director is authorized and directed to sign any other documents, instruments or certificates and to take such actions as are necessary or appropriate to consummate or implement the actions described herein, or contemplated by this Ordinance and the TIF Agreement.

Section 10. That the Service Payments deposited in the Fund shall be deemed appropriated for the purposes set forth in the TIF Agreement and authorized to be expended therefrom in accordance with the TIF Agreement and the City Auditor is hereby authorized to make payments to the Company or its designee from the Fund upon receipt of invoice(s) approved by the Director of Development.

Section 11. Pursuant to Ohio Revised Code § 5709.41, the Director is hereby directed to deliver a copy of this Ordinance to the Director of the Department of Development of the State of Ohio within fifteen days after its passage. On or before March 31 of each year that the exemption set forth in Section 1 hereof remains in effect the Director, or other authorized officer of the City, shall prepare and submit to the Director of the Department of Development of the State of Ohio the status report required under Ohio Revised Code § 5709.41(E).

Section 12. That for the reasons stated in the preamble hereto, which are hereby made a part hereof, this 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 its passage if the Mayor nether approves nor vetoes the same.