



## Legislation Text

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**File #:** 1721-2005, **Version:** 1

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**Background:** The purpose of this ordinance is to declare improvements to certain parcels of real property in the vicinity of the Grange site, within the Brewery District area of Columbus, to be a public purpose to allow for the creation of a non-school Tax Increment Finance (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 public 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 desires to create a TIF District under Ohio Revised Code Sections 5709.40, 5709.42 and 5709.43 to pay for certain public infrastructure improvements and to otherwise support the Grange site development and surrounding Brewery District area while protecting the Columbus City School District from any loss of tax revenues.

The payments in lieu of taxes, provides for payment to the Columbus City School District for its portion of service payments and establishes the Brewery District II Public Improvement Tax Equivalent Fund for the deposit of the remainder of service payments.

**FISCAL IMPACT:** No funding is required for this legislation.

An ordinance creating a TIF incentive district and 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 or serve such property; requiring the owners of such property to make annual service payments in lieu of taxes; establishing the Brewery District II Public Improvement Tax Increment Equivalent Fund and related authorizations pursuant to Ohio Revised Code sections 5709.40, 5709.42 and 5709.43; and to declare an emergency.

**WHEREAS**, Ohio Revised Code Section 5709.40 provides that this Council may, under certain circumstances, create an incentive district and declare improvements to parcels of real property located in the incentive district to be a public purpose, thereby exempting

those improvements from real property taxation, specify the life of the incentive district, specify public improvements that will benefit or serve those parcels, provide for payments in lieu of taxes by the owners of the parcels, and establish a municipal public improvement tax increment equivalent fund; and

**WHEREAS**, the parcels of real property shown in Exhibit A attached hereto and incorporated by reference herein are located in the State of Ohio, County of Franklin and City of Columbus (the "City"); and

**WHEREAS**, by Ordinance No. 1440-2005, passed on September 12, 2005, this Council has adopted an Economic Development Plan designated the "Economic Development Plan for the Brewery District Incentive District," dated August 18, 2005 (the "Plan"), for parcels located in the area generally known as the Brewery District, as further identified in Exhibit A to this Ordinance and Attachment A to the Plan (collectively, the "Property"), which Plan is an "economic development plan" within the meaning of Ohio Revised Code Section 5709.40(A)(5)(f); and

**WHEREAS**, to revitalize the Property consistent with the Plan, this Council has determined to create the Brewery District Incentive District (the "Incentive District") pursuant to Ohio Revised Code Section 5709.40; and

**WHEREAS**, the boundary of such Incentive District and the Property in the Incentive District are set forth in Exhibit A herein, and such Incentive District is an area not more than 300 acres in size enclosed by a continuous boundary; and

**WHEREAS**, as required by Ohio Revised Code Section 5709.40(A)(5)(f), the City Engineer has certified that (i) the Property is located in the City and the County of Franklin, Ohio, (ii) the Property is less than 300 acres in size, (iii) the Property is enclosed by a continuous boundary, and (iv) the existing public infrastructure serving the Property is inadequate to meet the development needs of the Property as evidenced by the written Plan; and

**WHEREAS**, this Council desires to make or cause to be made the public infrastructure improvements in the City described in Exhibit B attached hereto and incorporated by reference herein (the "Public Improvements"), that once made would benefit or serve the Property; and

**WHEREAS**, the Grange Mutual Casualty Company (the "Company") is committed to undertaking a development project on property adjacent to the Incentive District, which project would enable the Company to create approximately 800 new full-time jobs over a twenty (20) year period downtown and improve the economic climate of the entire Brewery District, including the Property; and

**WHEREAS**, the City desires to provide better access and better Public Improvements to the property being developed by the Company by constructing the Public Improvements; 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 Section 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 Section 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 Section 5709.40(D)(4) and Ohio Revised Code Section 5709.83; and

**WHEREAS**, this Council has caused notice of this proposed Ordinance to be delivered by first class mail to each of the owners of the Property (each an "Owner" and collectively the "Owners") in accordance with Ohio Revised Code Section 5709.40(C); and

**WHEREAS**, a public hearing was conducted on August 30, 2005, within the time period required by Ohio Revised Code Section 5709.40(C) concerning the City's intention to apply for exemption from taxation for portions of the Property under Ohio Revised Code Section 5709.911 on behalf of one or more Owners; and

**WHEREAS**, by Ordinance No. 16X-87, passed February 2, 1987 and amended by Ordinance No. 138X-89, passed July 17, 1989 (the "CRA Ordinances"), this Council created the Brewer's District Community Reinvestment Area (the "CRA") and authorized real property tax exemptions on the construction of certain new structures and the remodeling of certain existing structures as described in Ohio Revised Code Section 3735.67; 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 (the "Enterprise Zone Ordinances"), 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 in the Enterprise Zone will enhance efforts to promote the viable and diverse economic activity necessary for rejuvenation of the Enterprise Zone; and

**WHEREAS**, portions of the Property are located within the CRA and the Enterprise Zone; and

**WHEREAS**, the City may, from time to time, provide qualifying structures within the CRA and on the Property with whole or partial community reinvestment area real property tax exemptions, pursuant to the terms of Ohio Revised Code Sections 3735.65 et seq. (the "CRA Statutes"), the CRA Ordinances and any applicable Community Reinvestment Area agreement; the qualifying increase in assessed value of real property that is exempted under the CRA Statutes for so long as the increase in value is exempted under the CRA Statutes, the CRA Ordinances and any applicable CRA agreement is referred to herein as a "CRA Exempted Improvement"; and

**WHEREAS**, the City may, from time to time, provide for real property tax exemptions for qualifying businesses operating within the Enterprise Zone pursuant to Ohio Revised Code Sections 5709.61 et seq. (the "Enterprise Zone Statutes") for up to 100% of the increase in the assessed value of real property for up to fifteen (15) years; the increase in assessed value of real property that is exempted under the Enterprise Zone Statutes for so long as the assessed value of the real property is exempted from taxation under the Enterprise Zone Statutes, the Enterprise Zone Ordinances and any applicable Enterprise Zone agreement is referred to herein as an "Enterprise Zone Exempted Improvement"; and

**WHEREAS**, an emergency exists in the usual daily operations of the City in that it is immediately necessary to grant the exemptions for the preservation of the public health, peace, property and safety, that preservation being related to the construction of the Public Improvements in the Incentive District to eliminate congestion, accidents, traffic disruptions and to provide adequate ingress and egress for the Owners and their invitees and provide better Public Improvements, **NOW, THEREFORE,**

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

**Section 1.** Pursuant to and in accordance with Ohio Revised Code Section 5709.40, this Council hereby creates the Brewery District Incentive District, which consists of the Property.

**Section 2.** The Public Improvements described in Exhibit B hereto are hereby designated as those Public Improvements that benefit or serve, or that once made will benefit or serve, the parcels of Property in the Incentive District. This Council hereby finds that the Public Improvements are necessary for the public health, safety and welfare and the Project, and Owners and their invitees in the Incentive District will place direct, additional demand on the Public Improvements once they are constructed.

**Section 3.** The Incentive District shall have a life commencing January 1, 2006 and terminating on the earlier of (i) December 31, 2035, or (ii) December 31 of the last year in which Service Payments have been paid in connection with Improvements (as defined below) to the Property. 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 Section 5709.40, but which Improvement shall not include any CRA Exempted Improvement or any Enterprise Zone Exempted Improvement) shall be a public purpose, and shall be exempt from real property taxation for a period commencing January 1, 2006 (tax year 2006) and ending on the earlier of (i) December 31, 2035 or (ii) the date on which the City can no longer require Service Payments in accordance with the requirements of Ohio Revised Code Sections 5709.40 and 5709.42.

**Section 4.** The City shall construct, or cause to be constructed, the Public Improvements.

**Section 5.** As provided in Ohio Revised Code Section 5709.42, the Owner of any Improvement is required hereby to make annual payments in lieu of taxes to the Franklin County Treasurer (the "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 (the payments in lieu of taxes are collectively referred to herein with any penalties and interest as the "Payments in Lieu of Taxes"). The County Treasurer shall remit all Payments in Lieu of Taxes, together with any associated roll back payments received in accordance with Ohio Revised Code Section 319.302 (the "Property Tax Rollback Payments") in respect of the Improvements, to the City for deposit in the Brewery District II Public Improvement Tax Increment Equivalent Fund established in Section 6 hereof, with the exception of the amounts to be paid to the School District as described in Section 7 hereof. This Council hereby authorizes the Director of the Department of Development (the "Director") or other appropriate officers of the City 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 Ohio Revised Code Sections 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 6 and 7 of this Ordinance.

**Section 6.** This Council hereby establishes, pursuant to and in accordance with the provisions of Ohio Revised Code Section 5709.43, the Brewery District II Public Improvement 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 7 hereof) with respect to the Improvements to the Property by or on behalf of the County Treasurer, as provided in Ohio Revised Code Section 5709.42, and hereby provides that all of the moneys deposited in the Fund shall be used to pay any and all acquisition, construction, installation, financing costs and any and all other direct and indirect costs of the Public Improvements. Pursuant to Ohio Revised Code Section 5709.43(A), this Council hereby establishes two separate accounts within the Fund, one of which shall be used to collect Service Payments with respect to any ordinances adopted under Ohio Revised Code Section 5709.40(B), and one of which shall be used to collect Service Payments with respect to each district created in an ordinance adopted under Ohio Revised Code Section 5709.40(C).

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 3 hereof, after which said Fund shall be dissolved in accordance with Ohio Revised Code Section 5709.43(D). Upon dissolution, any incidental surplus money remaining in the Fund shall be disposed of as provided in Ohio Revised Code Section 5709.43(D).

**Section 7.** The County Treasurer shall make payments to the School District, solely from the Service Payments, in the amount equal to the real 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 Sections 5709.42 and 5709.43(C).

**Section 8.** This Council hereby authorizes the Director, or other appropriate officers of the City, to provide such information and certifications, and execute and deliver or accept delivery of such instruments, as are necessary and incidental to collect those Service Payments and 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 Section 5709.911.

**Section 9.** The Director, or any other official, as appropriate, 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.

**Section 10.** Pursuant to Ohio Revised Code Section 5709.40, 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 3 hereof remains in effect, the Director or other authorized official of this 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 Section 5709.40(G).

**Section 11.** 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 neither approves nor vetoes the same.