



City of Columbus

Office of City Clerk
90 West Broad Street
Columbus OH 43215-9015
columbuscitycouncil.org

Legislation Text

File #: 2073-2013, **Version:** 1

BACKGROUND: The need exists to enter into a Job Creation Tax Credit Agreement with lululemon usa inc. The Ohio Tax Credit Legislation (Section 718.15 of the Ohio Revised Code) authorizing such agreements became effective January 14, 1993 and requires the City to enter into a Council-approved agreement between the City and a participating company.

Lululemon athletica inc. (NASDAQ - LULU), through its wholly owned subsidiary, lululemon usa inc., is a designer and retailer of technical athletic apparel operating primarily in North America and Australia. The company's yoga-inspired apparel is marketed under the lululemon athletica brand name. The company offers a range of performance apparel and accessories for women, men and female youth. Its apparel assortment, including items, such as fitness pants, shorts, tops and jackets, is designed for healthy lifestyle activities such as yoga, running and general fitness. The company's fitness-related accessories include an array of items, such as bags, socks, underwear, yoga mats, instructional yoga digital versatile discs (DVDs) and water bottles.

The company sells its products through a chain of corporate-owned and operated stores; direct to consumer through e-commerce Websites; and a network of wholesale channels, such as premium yoga studios, health clubs, and fitness centers. As of early February 2013, it operated 135 stores in the United States, 51 stores in Canada, 23 stores in Australia, and 2 stores in New Zealand under the lululemon athletica and ivivva athletica brand names. Lululemon athletica inc. was founded in 1998 and is based in Vancouver, Canada.

Lululemon usa inc. is proposing to acquire, renovate, and equip an existing building of more than 308,000 square feet for the purpose of operating a distribution center. The company will invest approximately \$27,760,000 related to building acquisition, improvements, machinery and equipment, furniture and fixtures, and stand-alone computers and will create approximately 170 new full-time permanent positions with an associated annual payroll of approximately \$6,260,800.

FISCAL IMPACT: No funding is required for this legislation.

To authorize the Director of Development to enter into a Job Creation Tax Credit Agreement with lululemon usa inc. equal to sixty-five percent (65%) of the amount of new income tax withheld on employees for a term of eight (8) years in consideration of the company's proposed investment of approximately \$27,760,000 and the creation of 170 new full-time permanent positions.

WHEREAS, pursuant to Section 122.17 of the Ohio Revised Code, the State of Ohio is authorized to establish the Tax Credit Authority and to execute agreements with taxpayers of the State of Ohio for the purpose of granting these tax payers job creation tax credits against their corporate franchise tax or income tax, which tax credits are provided to create new jobs in the State Of Ohio; and

WHEREAS, pursuant to Section 718.15 of the Ohio Revised Code (the "City Act") a municipal corporation is authorized to grant local income tax credits to taxpayers who have received tax credits from the State; and

WHEREAS, contingent on the City granting a Job Creation Tax Credit, lululemon usa inc. will expand its operation by creating 170 new full-time permanent positions with an associated annual payroll of approximately \$6,260,800, investing

approximately \$27,760,000 related to building acquisition, improvements, machinery and equipment, furniture and fixtures, and stand-alone computers, increasing job opportunities and thereby strengthen the economy of the City; and

WHEREAS, receiving these tax credits from the State and the City is a critical factor in lululemon usa inc.'s decision to go forward with the project in Columbus; and

WHEREAS, the City desires to increase employment opportunities and encourage the creation of new jobs in the City in order to improve the overall economic climate of the City and its citizens; and

WHEREAS, lululemon usa inc. has indicated that a Job Creation Tax Credit is crucial to its decision to locate the aforementioned expansion in Columbus; and

WHEREAS, the City of Columbus desires to facilitate lululemon usa inc.'s growth at the project site; and **NOW THEREFORE**,

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

Section 1. That the City hereby finds and determines that the project will (1) create jobs in the State and City; (2) the project is economically sound and will benefit the people of the State and City by increasing opportunities for employment and strengthening the economy of the State and City; and (3) receiving the aforementioned tax credits is a critical factor in the decision by lululemon usa inc. to go forward with the project.

Section 2. That the City Council hereby finds and determines that the project meets all the requirements of the City Act.

Section 3. That the Director of the Department of Development is hereby authorized and directed to enter into and execute a Job Creation Tax Credit Agreement of sixty-five percent (65%) of the amount of personal income tax withheld on new employees for a term of eight (8) years with lululemon usa inc.

Section 4. That the City of Columbus Job Creation Tax Credit Agreement is signed by lululemon usa inc. within 90 days of passage of this ordinance, or this ordinance and the credit herein shall be null and void.

Section 5. The City Council hereby extends authority to the Director of Development to amend the lululemon usa inc. City of Columbus Job Creation Tax Credit Agreement for non-substantive modifications to the agreement requested in writing by the company and or the City and deemed appropriate by the Director of Development with these non-substantive modifications being specifically limited to reductions in length of term, methods of calculating the incentive, or adding or deleting business entities associated with the employment commitments related to this incentive. All other requested amendments must be approved by City Council.

Section 6. That this ordinance shall take effect and be in force from and after the earliest period allowed by law.