



City of Columbus

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Legislation Text

File #: 1490-2008, **Version:** 1

BACKGROUND: The 2008 Columbus Tax Incentive Review Council (TIRC) reviewed the Skybus Enterprise Zone project on August 19, 2008, and recommended that the City should consider dissolving the Enterprise Zone Agreement (EZA# 023-07-01) between the City and Skybus Airlines, Inc. (Enterprise), and 4300 Venture 34910 LLC and 4300 Venture 6729 LLC (Landlords). The City concurs with the recommendation of the TIRC.

Columbus City Council approved the Enterprise Zone Agreement (EZA) by Ordinance No. 1943-2006, adopted November 6, 2006. The EZA was entered into effective March 21, 2007 and granted a 75%/10-Year abatement on real property improvements to the Landlords and a 75% abatement on personal property investment (Machinery & Equipment, Furniture & Fixtures, Stand-Alone Computers, and Inventory) for the remaining years of the personal property tax being levied, with a commitment of \$1.4M in real property improvements, \$8M in Machinery & Equipment investment, \$3.5M in Furniture & Fixture investment, \$7M for Inventory investment and the creation of 886 new permanent full-time jobs related to the renovation of approximately 20,000 square feet for office space at 4300 E. Fifth Avenue, parcel number 010-268722, and 80,000 square feet of an airplane hanger at 4108 E. Fifth Avenue, parcel number 010-268723, within the Columbus Enterprise Zone.

Additionally, the City of Columbus entered into a 65%/12-Year Jobs Creation Tax Credit (JCTC) Agreement with Skybus Airlines, Inc. (Enterprise) effective March 21, 2007, approved by Ordinance No. 1943-2006, adopted November 6, 2006.

Additionally, the City of Columbus entered into a 50%/7-Year Jobs Growth Incentive (JGI) Agreement with Skybus Airlines, Inc. (Enterprise) effective March 21, 2007, approved by Ordinance No. 1943-2006, adopted November 6, 2006.

As of the TIRC review on August 19, 2008, Landlords had exceeded their real property investment goal with a reported \$1.9M investment; Enterprise had reported their personal property investment to be \$5.4M, which was on track to reach their goal by December 31, 2008, had met their job retention requirement of 26 full-time jobs, and were on track to meet their first interim end-of-2008 new job creation goal of 280 with a reported 316 new full-time jobs.

Enterprise and Landlords have fulfilled all of the terms of their Enterprise Zone (EZ), JCTC, and JGI Agreements, however, Enterprise announced on April 4, 2008, that it would cease operations as of April 5, 2008, citing the lagging economy and rising fuel costs as causes, and also announced that it would seek Chapter 11 bankruptcy protection.

Should the EZ, JCTC, and JGI Agreements be dissolved, 2007 will have been the final tax year for any of the incentives and the City will not seek repayment of the incentives from prior years as neither Enterprise nor Landlords have received any benefit from any of the incentives.

This legislation is presented as an emergency measure in order to meet the deadline under state law for City Council to vote on TIRC recommendations.

FISCAL IMPACT: No funding is required for this legislation.

To dissolve the Enterprise Zone Agreement with Skybus Airlines, Inc., 4300 Venture 34910 LLC, and 4300 Venture 6729 LLC; to dissolve the Jobs Creation Tax Credit Agreement with Skybus Airlines, Inc.; to dissolve the Jobs Growth Incentive Agreement with Skybus Airlines, Inc.; 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, Columbus City Council approved an Enterprise Zone Agreement (EZA) with Skybus Airlines, Inc. (Enterprise) and

4300 Venture 34910 LLC and 4300 Venture 6729 LLC (Landlords), and a Jobs Creation Tax Credit (JCTC) and a Jobs Growth Incentive (JGI) with Enterprise by Ordinance No. 1943-2006 on November 6, 2006; and

WHEREAS, the EZA granted Landlords a 75%/ 10-Year abatement on real property improvements, granted Enterprise a 75% abatement on personal property investment for the remaining years of the personal property tax being levied; the JCTC Agreement granted Enterprise a 65%/12-Year JCTC; the JGI Agreement granted Enterprise a 50%/7-Year JGI; and

WHEREAS, the EZA requires Landlords to invest \$1.4M in real property improvements and requires Enterprise to invest \$18.5M in personal property and create 886 new full-time jobs at 4108 and 4300 E. Fifth Avenue; and

WHEREAS, The JCTC Agreement requires Enterprise to create 886 new jobs and the JCTC grants Enterprise a non-refundable tax credit in an amount of sixty-five percent (65%) of the new municipal income tax revenues generated by new jobs at the project site, for twelve (12) years; and

WHEREAS, The JGI Agreement requires Enterprise to create 886 new jobs and the JGI grants Enterprise an amount in cash equal to fifty percent (50%) of the City of Columbus income tax withheld on the new payroll of employees at the project site for seven (7) years; and

WHEREAS, Enterprise has fulfilled all of the terms of their EZA as of the end of December 2007 but market conditions, cited by Enterprise to be a lagging economy and rising fuel costs, led Enterprise to cease operations as of April 5, 2008 and to seek Chapter 11 bankruptcy protection; and

WHEREAS, the Columbus Tax Incentive Review Council (TIRC) recommended that the EZA be dissolved; and

WHEREAS, the City concurs with the TIRC recommendation and desires to dissolve the EZA, the JCTC Agreement, and the JGI Agreement, and end the incentives as of December 31, 2007.

WHEREAS, an emergency exists in the usual daily operation of the Department of Development, in that it is immediately necessary to take action on the TIRC's recommendations to comply with the sixty (60) day deadline for City Council action imposed by R.C. Section 5709.85 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 Columbus City Council hereby dissolves the Skybus Airlines, Inc., 4300 Venture 34910 LLC, and 4300 Venture 6729 LLC Enterprise Zone Agreement as of December 31, 2007, with 2007 as the final tax year for the exemptions.
- Section 2.** That Columbus City Council hereby dissolves the Skybus Airlines, Inc. Jobs Creation Tax Credit Agreement as of December 31, 2007, with 2007 as the final tax year for the incentive.
- Section 3.** That Columbus City Council hereby dissolves the Skybus Airlines, Inc. Jobs Growth Incentive Agreement as of December 31, 2007, with 2007 as the final tax year for the incentive.
- Section 4.** That the Director of Development is hereby directed to notify the necessary local and state agencies of any changes to the above named Enterprise Zone, Jobs Creation Tax Credit, and Jobs Growth Incentive Agreements.
- Section 5.** 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.