



Legislation Text

File #: 1119-2021, **Version:** 1

BACKGROUND: Columbus City Council (COUNCIL), by Ordinance No. 1948-2018, passed July 23, 2018, authorized the City of Columbus (CITY) to enter into an Enterprise Zone Agreement (the AGREEMENT) with OBM HQ, LLC, FDP Investments I, LLC & FDP Investments II, LLC (collectively the OWNER) and CoverMyMeds LLC (the future office tenant), for a real property tax abatement of one-hundred percent (100%) for a period of fifteen (15) consecutive years in consideration of a proposed \$225 million investment in real property improvements, the retention and relocation of approximately 592 existing full-time permanent positions with an associated annual payroll of approximately \$43,162,000 and the creation of approximately 1,032 net new full-time jobs with an associated annual payroll of approximately \$75,000,000 related to the construction of one (1) new approximately 200,000 square-foot Class A office building, ancillary campus amenities and surface parking ("PHASE 1") and subject to market conditions, the construction of another one (1) Class A office building of up to approximately 200,000 square feet along with one or more associated parking structures containing up to approximately 1,150 parking spaces at a later date ("PHASE 2") (collectively the building or buildings, related amenities, and parking structures that are actually constructed shall be referred to as the "PROJECT") with eighty-six (86) parcels shown in Attachment 1 of the AGREEMENT (referred to in Section 1 of the AGREEMENT as Exhibit B) located along McKinley Avenue west of North Hartford Avenue within the City of Columbus and within the Columbus Central Enterprise Zone (The PROJECT SITE). The AGREEMENT was made and entered into effective February 6, 2019 with the abatement for PHASE 1 to commence no later than tax year 2022 nor extend beyond tax year 2036 and the abatement for PHASE 2 to commence no later than tax year 2030 nor extend beyond tax year 2044.

This AGREEMENT was subsequently authorized by COUNCIL to be Amended for the first time for Assignment & Assumption to (1) assign all of the benefits and obligations from OBM HQ, LLC, FDP Investments I, LLC and FDP Investments II to CHI Franklinton, LP; (2) to add McKesson Corporation as an additional business entity associated with the employment and investment commitments related to the AGREEMENT; (3) to add 2836 West Broad Street as the "Tertiary Site" at which eligible New Employees, as defined in the AGREEMENT can first be employed; (4) to amend Attachment 1 to the AGREEMENT (also referred to in the AGREEMENT as Exhibit B) from the list of eighty-six (86) parcels to only two (2) parcels, the retained parcel and the wedge parcel, and indicate that a third future parcel was to be created from the retained parcel; (5) that the assignment provision as contained in Section 6 of the AGREEMENT be changed to indicate that City Council would extend authority to the Director of Development to transfer or assign the Agreement to (i) the Columbus-Franklin County Finance Authority, and (ii) any entity controlling, controlled by, or under common control with McKesson Corporation and that all other assignments or transfers of the Agreement would be authorized at the discretion of Columbus City Council; and (6) to add language requiring an Amendment Fee for future Grantee-initiated Amendments by Ordinance No. 1258-2019, passed May 20, 2019 and made and entered into effective July 10, 2019.

This AGREEMENT was subsequently authorized by COUNCIL to be Amended for the second time in relation to Phase 2 to add CHI Franklinton Phase II, LP to the AGREEMENT and assign all of the benefits and obligations as related to Phase 2 of the PROJECT to CHI Franklinton Phase II, LP and that CHI Franklinton Phase II, LP, will join CoverMyMeds LLC, McKesson Corporation and CHI Franklinton, LP as an additional entity on the AGREEMENT by Ordinance No. 0871-2020, passed April 20, 2020 and made and entered into effective July 30, 2020.

Through more recent conversations and written correspondence with OWNER, the City was made aware of a need to amend the AGREEMENT for a third time to add an entity in relation to Phase I whereby through assignment, MK 1 Property Company LLC, a Delaware limited liability company will assume the obligations and commitments of the AGREEMENT from CHI Franklinton, LP as Owner related to Phase 1 of the PROJECT.

Paragraph thirteen within Section 6 (Program Compliance) of the AGREEMENT states that the "AGREEMENT is not

transferable or assignable without the express, written, approval of the CITY and subsequent authorization by Columbus City Council” and that “such approval and authorization shall not be unreasonably withheld, conditioned or delayed.”

As such, this legislation is being presented as an emergency measure in order for this Third Amendment for Assignment & Assumption to be legislated in as expedient manner as possible so that this amendment to the AGREEMENT might be fully executed so that the OWNER is able to move forward with the real property improvements as described in the AGREEMENT.

FISCAL IMPACT: No funding is required for this legislation.

To authorize the Director of Development to amend the Enterprise Zone Agreement with CoverMyMeds LLC, CHI Franklinton, LP, McKesson Corporation and CHI Franklinton Phase II, LP for assignment and assumption in order to remove CHI Franklinton, LP as OWNER related to the AGREEMENT and to add MK 1 Property Company, LLC, a Delaware Limited Liability Company as OWNER related to Phase I; and to declare an emergency.

WHEREAS, the City of Columbus (CITY) entered into an Enterprise Zone Agreement (the “AGREEMENT”) with OBM HQ, LLC, FDP Investments I, LLC, FDP Investments II, LLC and CoverMyMeds LLC, approved by Columbus City Council (COUNCIL) on July 23, 2018 by Ordinance No. 1948-2018 with this AGREEMENT made and entered into effective February 6, 2019; and

WHEREAS, the AGREEMENT granted a 100%/15-Year abatement on real property improvements; and

WHEREAS, the incentive was granted in consideration of an approximately \$225 million investment in real property improvements, the retention and relocation of 592 employees and the creation of 1,032 full-time jobs with an annual payroll of approximately \$75,000,000 related to the construction of two (2) new Class A office buildings of up to approximately 200,000 square feet each along with ancillary campus amenities, surface parking and one or more associated parking structures totaling approximately 1,150 parking spaces in two (2) phases described as PHASE 1 and PHASE 2, collectively referred to as the PROJECT to be constructed on eighty-six (86) parcels located along McKinley Avenue west of North Hartford Avenue within the City of Columbus and within the Columbus Central Enterprise Zone (the PROJECT SITE) with the abatement for PHASE 1 to commence no later than tax year 2022 nor extend beyond tax year 2036 and the abatement for PHASE 2 to commence no later than tax year 2030 nor extend beyond tax year 2044.

WHEREAS, this AGREEMENT was authorized by COUNCIL to be Amended for the first time for Assignment & Assumption to (1) assign all of the benefits and obligations from OBM HQ, LLC, FDP Investments I, LLC and FDP Investments II to CHI Franklinton, LP; (2) to add McKesson Corporation as an additional business entity associated with the employment and investment commitments related to the AGREEMENT; (3) to add 2836 West Broad Street as the “Tertiary Site” at which eligible New Employees, as defined in the AGREEMENT can first be employed; (4) to amend Attachment 1 to the AGREEMENT (also referred to in the AGREEMENT as Exhibit B) from the list of eighty-six (86) parcels to only two (2) parcels, the retained parcel and the wedge parcel, and indicate that a third future parcel was to be created from the retained parcel; (5) that the assignment provision as contained in Section 6 of the AGREEMENT be changed to indicate that City Council would extend authority to the Director of Development to transfer or assign the Agreement to (i) the Columbus-Franklin County Finance Authority, and (ii) any entity controlling, controlled by, or under common control with McKesson Corporation and that all other assignments or transfers of the Agreement would be authorized at the discretion of Columbus City Council; and (6) to add language requiring an Amendment Fee for future Grantee-initiated Amendments by Ordinance No. 1258-2019, passed May 20, 2019 and made and entered into effective July 10, 2019.

WHEREAS, this AGREEMENT was subsequently authorized by COUNCIL to be Amended for the second time in relation to Phase 2 to add CHI Franklinton Phase II, LP to the AGREEMENT and assign all of the benefits and obligations as related to Phase 2 of the PROJECT to CHI Franklinton Phase II, LP and that CHI Franklinton Phase II, LP, will join CoverMyMeds LLC, McKesson Corporation and CHI Franklinton, LP as an additional entity on the AGREEMENT by Ordinance No. 0871-2020, passed April 20, 2020 and made and entered into effective July 30, 2020.

WHEREAS, through more recent conversations and written correspondence with OWNER, the City was made aware of a need to amend the AGREEMENT for a third time to add an entity in relation to Phase I whereby through assignment, MK 1 Property Company LLC, a Delaware limited liability company will assume the obligations and commitments of the AGREEMENT from CHI Franklinton, LP as Owner related to Phase 1 of the PROJECT and CHI Franklinton Phase II, LP will remain the Owner with respect to Phase 2.

WHEREAS, paragraph thirteen within Section 6 (Program Compliance) of the AGREEMENT states that the “AGREEMENT is not transferable or assignable without the express, written, approval of the CITY and subsequent authorization by Columbus City Council” and that “such approval and authorization shall not be unreasonably withheld, conditioned or delayed.”

WHEREAS, due diligence has been undertaken by the CITY in that MK 1 Property Company LLC, a Delaware limited liability company, has agreed to fully assume the terms and commitments of the OWNER pursuant to the AGREEMENT, and that and all other pertinent information has been reviewed and vetted; and

WHEREAS, an emergency exists in the usual daily operation of the Columbus Department of Development in that it is immediately necessary to authorize the Director to amend the AGREEMENT with CoverMyMeds LLC, CHI Franklinton, LP, McKesson Corporation and CHI Franklinton Phase II, LP for assignment and assumption in order to remove CHI Franklinton, LP and to add MK 1 Property Company LLC, a Delaware limited liability company, as OWNER related to Phase I so that the OWNER is able to move forward with the real property improvements; thereby preserving the public health, peace, property and safety.

NOW, THEREFORE

BE IT ORDAINED BY THE COUNCIL OF COLUMBUS

SECTION 1. That the Director of Development is hereby authorized to amend the Enterprise Zone Agreement with CoverMyMeds LLC, CHI Franklinton, LP and McKesson Corporation and CHI Franklinton Phase II, LP to add MK 1 Property Company LLC, a Delaware limited liability company, as an additional business entity associated with the ownership and investment commitments related to Phase I of the AGREEMENT and to remove CHI Franklinton, LP.

SECTION 2. That the Director of Development is hereby authorized to delineate, through assignment and assumption, which sections of the AGREEMENT will be the responsibility of the new parties to the AGREEMENT.

SECTION 3. That this THIRD AMENDMENT FOR ASSIGNMENT AND ASSUMPTION to the City of Columbus Enterprise Zone Agreement be signed by MK 1 Property Company LLC, a Delaware limited liability company, CoverMyMeds LLC, McKesson Corporation and CHI Franklinton Phase II, LP within one hundred and twenty (120) days of passage of this ordinance, or this ordinance and the incentive authorized herein shall be null and void.

SECTION 4. That for reasons stated in the preamble hereto, which is hereby made a part hereof, the 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 the passage if the Mayor neither approves nor vetoes the same.