



Legislation Text

File #: 1586-2021, **Version:** 1

BACKGROUND: Columbus City Council (COUNCIL), by Ordinance No. 0852-2018, passed April 9, 2018, authorized the City of Columbus (CITY) to enter into an Enterprise Zone Agreement (the AGREEMENT) with KDL Properties LLC and Fortner Upholstering, Inc. (hereinafter “ENTERPRISE”) for a tax abatement of seventy-five percent (75%) for a period of ten (10) years in consideration of a proposed investment of approximately \$2.3 million in real property improvements (the “PROJECT”), the retention of 37 full-time employees with an associated annual payroll of approximately \$1.86 million and the creation of 6 new full-time permanent positions with an annual payroll of approximately \$237,000 related to the renovation and redevelopment of an historic manufacturing facility with a total square footage of approximately 209,335 square feet at 2050-2060 S. High Street (parcel number 010-104087), an adjacent property located at 2000 S. High Street (parcel numbers 010-104083 and 010-104093) and four vacant adjacent S. High Street lots (parcel numbers 010-104088, 010-104232, 010-002039 and 010-104098), Columbus, OH 43207 (the Project Site), in Columbus, Ohio, within the City of Columbus Enterprise Zone (Zone #023) and within the Columbus City School District. The AGREEMENT was made and entered into to be effective June 6, 2018 (EZA# 023-18-05); the PROJECT was expected to begin by May 2018 and all real property improvements were expected to be completed by May 2019 with the term of the abatement not to commence after 2019 nor extend beyond 2028.

ENTERPRISE filed the DTE-24 with the Franklin County Auditor (AUDITOR) in January 2019 and although the Final Determination from the Office of the Tax Commissioner, Ohio Department of Taxation issued in November 2019 was to approve of the exemption related to the AGREEMENT, the CITY was advised by the AUDITOR in November 2019 that there was no value increase for tax year 2019 for any real property improvements related to the AGREEMENT. The CITY advised ENTERPRISE of the findings of the AUDITOR in January 2020 and following additional communication between the CITY and ENTERPRISE, the CITY received a letter from ENTERPRISE on March 25, 2021 and per that letter, “After careful consideration, we have decided to withdrawal [sic] from our current enterprise agreement.” It should be noted that ENTERPRISE has received no forgone tax benefit.

This legislation is presented as an emergency measure in order for this dissolution to be legislated in the most expedient manner as possible so that this dissolution of the AGREEMENT can be reported to the necessary local and state agencies prior to the 2021 Tax Incentive Review Council.

FISCAL IMPACT: No funding is required for this legislation.

To dissolve the Enterprise Zone Agreement with KDL Properties LLC & Fortner Upholstering, Inc. (ENTERPRISE), and 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, the Columbus City Council (COUNCIL) approved the Enterprise Zone Agreement with KDL Properties LLC and Fortner Upholstering, Inc. (the AGREEMENT) on April 9, 2018 by Ordinance No. 0852-2018 and entered into effective June 6, 2018 (EZA# 023-18-05); and

WHEREAS, the AGREEMENT granted ENTERPRISE a 75%/10-Year abatement on real property improvements wherein ENTERPRISE committed to invest approximately \$2.3 million in real property improvements (the “PROJECT”), retain 37 full-time employees with an associated annual payroll of approximately \$1.86 million and create 6 new full-time jobs with an annual payroll of approximately \$237,000 related to the renovation and redevelopment of an historic manufacturing facility on Parcel Numbers 010-104087, 010-104083, 010-104093, 010-104088, 010-104232, 010-002039 and 010-104098, located at and about 2050-2060 S. High Street, Columbus, OH 43207 (the Project Site), in Columbus,

Ohio, within the City of Columbus Enterprise Zone (Zone #023) and within the Columbus City School District; and

WHEREAS, the PROJECT was expected to begin by May 2018; all real property improvements were expected to be completed by May 2019 with the term of the abatement not to commence after 2019 nor extend beyond 2028; and

WHEREAS, ENTERPRISE filed the DTE-24 with the Franklin County Auditor (AUDITOR) in January 2019 and although the Final Determination from the Office of the Tax Commissioner, Ohio Department of Taxation issued in November 2019 was to approve of the exemption related to the AGREEMENT, the CITY was advised by the AUDITOR in November 2019 that there was no value increase for tax year 2019 for any real property improvements related to the AGREEMENT; and

WHEREAS, a complaint filed with the Board of Revision (BOR) by the School Board of the Columbus City School District in reference to the purchase price of the Project Site against the market valuation of the property by the AUDITOR; and

WHEREAS, the effective result of the BOR decision was that any value of investment in real property improvements was negated by the increase in the base taxable value of the Project Site; and

WHEREAS, the CITY advised ENTERPRISE of the findings of the AUDITOR in January 2020 and following additional communication between the CITY and ENTERPRISE, the CITY received a letter from ENTERPRISE on March 25, 2021 and per that letter, "After careful consideration, we have decided to withdrawal [sic] from our current enterprise agreement;" and

WHEREAS, it should be noted that ENTERPRISE has received no forgone tax benefit; and

WHEREAS, an emergency exists in the usual daily operation of the Department of Development, in that it is immediately necessary to take action on this agreement in order for this dissolution to be legislated in the most expedient manner as possible so that this dissolution of the AGREEMENT can be reported to the necessary local and state agencies prior to the 2021 Tax Incentive Review Council, 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 KDL Properties LLC and Fortner Upholstering, Inc. Enterprise Zone Agreement (EZA# 023-18-05) as of December 31, 2020, which was to apply a 75%/10-year real property tax abatement to the value of real property improvements made to parcel numbers 010-104087, 010-104083, 010-104093, 010-104088, 010-104232, 010-002039 and 010-104098 within the City of Columbus Enterprise Zone, noting that no forgone tax benefit has been received.

SECTION 2. That the Director of Development is hereby directed to notify the necessary local and state agencies of any changes to the KDL Properties LLC and Fortner Upholstering, Inc. Enterprise Zone Agreement.

SECTION 3. 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.