



TO: Mayor Thomas R. Kneeland
City Administrator
Director of Finance
Members of City Council
City Attorney
Clerk of Council

FROM: Anthony Jones, Director of Planning & Development

DATE: March 20, 2019

SUBJECT: Report to Council, March 25, 2019

ACTION ITEMS FROM THE DIRECTOR OF PLANNING & DEVELOPMENT

ACTION ITEM # 1 – Property Tax Abatement for 1140 Gahanna Parkway:

Project Background and Justification

The Department of Planning & Development has been working with Jim Grote and Tom Grote on a transformative project located at 1140 Gahanna Parkway, which is within the corporate campus of Donatos, the Grote Company and other related food businesses. The location is within The Industrial Zone (TIZ), which was established by the City of Gahanna more than 30 years ago. The Industrial Zone was a program that leased city owned properties to businesses at a reduced rate in order to help them grow their operations in Gahanna. This corporate campus is a direct result of that city led initiative.

The project is called The EDGE Innovation Hub. Its mission is to drive food technology to create a future where food is accessible, healthful, sustainable and delicious for all. The EDGE will attract small innovative companies to Gahanna by providing collaborative working space, industry events and entrepreneurial support. This is the first facility of this type within the Columbus Region. To help accomplish this goal, the property owner, Gahanna Parkway LLC, is seeking a property tax abatement on the improvements being made as part of the project.

The Department is in support of assisting The EDGE for two primary reasons. The first reason is that this project will help to build Gahanna's reputation as a leader in the food industry. This reputation will assist in the Department's efforts to attract more businesses and job creation projects within this targeted industry. The second reason is to support entrepreneurship and create opportunities for those small innovative companies to grow into larger operations within the City of Gahanna.

Project Details

This project consists of renovating 17,600 square feet of commercial space that was previously used as warehouse/industrial space. It will retain eleven (11) jobs currently working at the site and will create thirteen (13) new permanent job opportunities over the next three years. The estimated payroll, including new and retained jobs, will be \$1,145,378. The capital investment for the project is \$1.5 million dollars, inclusive of structural improvements, furniture and fixtures. The project is expected to increase the property value by \$825,000.

The CRA Agreement for this project is somewhat unique compared to previous tax abatement projects because it requires participation in a Business Retention & Expansion (BRE) Program. This BRE Program requires all businesses that are growing and need to expand out of The EDGE to provide the Department with an opportunity to find an expansion location within our community first before considering other alternative locations. This BRE Program will help to accomplish the Department's goal of creating opportunities to assist small businesses expand their operations within our community.

Financial Incentive Summary

The Department is recommending the following incentive package for The EDGE:

- Property Tax Abatement
 - It is recommended that the City provide a 12 year 100% property tax abatement on the increased value of the property stemming from the renovation and improvements of the building.
 - It is important to note that the existing property taxes will not be abated, but only the future increase in property taxes resulting from the project.

Return on Investment Analysis

There are multiple revenue streams generated from this project: Withholding Tax Payments, Tax Increment Financing Revenue and the future financial returns received from those businesses expanding out of The EDGE into other facilities within our community.

- Withholding Tax Payments
 - The project will retain eleven (11) employees currently on site with an annual payroll of approximately \$365,378 which, generates \$5,481 of income tax withholdings. The majority of these employees are interns from major educational institutions and other young professionals starting in the technology industry.
 - Within the first three years, the project will create thirteen (13) new jobs with an average annual salary of approximately \$60,000. These new jobs will generate roughly \$11,700 of income tax withholding payments annually.

- The total withholding tax revenue collected from the retained and new jobs will be approximately \$17,180 annually. Given the school compensation agreement, the total annual amount of income tax withholding revenue collected will be \$13,041 annually during the incentivized period.
- The total collected net annual withholdings generated by the project will be approximately \$156,498 during the incentivized period.
- Tax Increment Financing Revenue
 - The renovation project is expected to create approximately \$26,018 in additional annual property tax payments. Through the Central Park TIF, the City is entitled to \$10,263 of this annual property tax payments.
 - Tax Increment Financing revenue streams are for 30 years. Therefore, under this proposal, the City would receive no additional TIF payments for the first 12 years, but will receive at least \$10,263 annually for the subsequent 18 years. This totals \$184,739 in TIF Revenue after the incentive period.
- Total Revenue Summary
 - After the incentivized period, the City will receive approximately \$27,444 annually in Withholding Tax and TIF Revenue. This totals \$493,991 in revenue for the 18 years after the incentivized period.
 - Throughout the entirety of this project, the City will generate \$650,489 in Withholding Tax and TIF Revenue.
- It is important to note that additional revenue will be generated by the attraction, retention and expansion of businesses that will utilize The EDGE as their business "Start-Up" platform.

The CRA Agreement that outlines these terms and conditions is attached for your consideration. *The Planning & Development Department respectfully requests that Gahanna City Council authorize the Housing Officer to execute the CRA Agreement for the project.*

The Applicant will be present at the Council meeting to discuss their project and answer any questions regarding their request.

Requested Legislation and Funding

- Legislation Needed: Ordinance
- Emergency/Waiver: None
- Name & Address: Gahanna Parkway LLC, 1140 Gahanna Parkway
- Already Appropriated (Amounts & Accounts Names/Titles): N/A
- Supplemental/Transfer (Amounts & Account Names/Titles): N/A

Attachments

- EDGE CRA Agreement

ACTION ITEM # 2 – Gahanna Community Improvement Corporation 2019 Annual Report:

Per the annual contract between the City of Gahanna and the Gahanna Community Improvement Corporation (CIC), an annual report will be presented to City Council that highlights the organization's accomplishments for 2018 as well as the goals and action plan for 2019.

Requested Legislation and Funding

- Legislation Needed: N/A
- Emergency/Waiver: N/A
- Name & Address: N/A
- Already Appropriated (Amounts & Accounts Names/Titles): N/A
- Supplemental/Transfer (Amounts & Account Names/Titles): N/A

Attachments

- N/A

UPDATES

None at this time.