



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: May 2, 2019

SUBJECT: Report to Council, May 13, 2019

ACTION ITEMS FROM THE DIRECTOR OF PLANNING & DEVELOPMENT

ACTION ITEM # 1 – Property Tax Abatement for 1900 Deffenbaugh Court:

Project Background and Justification

The Department of Planning & Development is working with Suburban Steel on the expansion of their operations and they are interested in adding 5,302 square feet of warehouse space on their site located at 1900 Deffenbaugh Court.

To help accomplish this goal, the property owner, Suburban Steel Supply Co. LLC, is seeking a property tax abatement on the improvements being made as part of the project.

Suburban Steel has been in our community since December of 2003. They were one of the first businesses to locate in the Eastgate Industrial Park. Since then, they have been an exemplary employer and have always answered the City's call anytime we needed their collaboration. As part of the Department's Business Retention and Expansion Strategy, it is important to encourage them to make an investment in Gahanna in order to help retain their business in the community for years to come. In order to assist Suburban Steel with their growth, the Department is in support of providing a tax abatement for this project.

Project Details

This project consists of the construction of an additional 5,302 square feet of industrial/warehouse space. It will retain seventy-three (73) jobs currently working at the site and will create two (2) new permanent job opportunities over the next eighteen (18) months. The estimated payroll, including new and retained jobs, will be \$3,290,000. The capital investment for the project is \$388,000 which is estimated to increase the property value by \$368,600.

Financial Incentive Summary

The Department is recommending the following incentive package for Suburban Steel:

- 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 and Tax Increment Financing Revenue.

- Withholding Tax Payments
 - The project will retain seventy-three (73) employees currently on site with an annual payroll of approximately \$3,200,000 which, generates an estimated \$48,000 of income tax withholdings annually.
 - Within the first 18 months upon project completion, the project will create two (2) new jobs with an average annual salary of approximately \$45,000. These new jobs will generate an additional \$1,350 of income tax withholdings annually.
 - The total withholding tax revenue collected from the retained and new jobs will be approximately \$49,350 annually. The estimated revenue sharing amount to the schools is approximately \$6,781 annually during the incentivized period.
 - The total collected net annual withholdings generated by the project will be approximately \$510,826 during the incentivized period.
- Tax Increment Financing
 - The existing structure currently generates \$30,093 in TIF revenue annually. Therefore, the estimated TIF Revenue will be \$300,930 throughout the incentivized period.
 - It is important to note that the Eastgate TIF District is set to expire in 10 years, so the City will not receive TIF funds beyond that point in time.

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: Suburban Steel Supply Co. LLC, 1900 Deffenbaugh Court

Already Appropriated (Amounts & Accounts Names/Titles): N/A

Supplemental/Transfer (Amounts & Account Names/Titles): N/A

Attachments

Suburban Steel CRA Agreement

UPDATES

None at this time.

UPCOMING MEETINGS & EVENTS

- *Gahanna Area Chamber of Commerce:* *The 2019 GACC Annual Gold Outing will be held on Monday, May 13, at Jefferson Country Club, 7271 Jefferson Meadows Drive. For more information or to register, contact the Chamber office at (614) 471-0451 or visit <http://gahannaareachamber.com/>.*
- *Gahanna Area Chamber of Commerce:* *A Board Meeting will be held on Tuesday, May 14, 7:30am, at C-Suites, 81 Mill Street – Suite 300.*
- *Gahanna Area Chamber of Commerce:* *A Women in Business Breakfast will be held on Thursday, May 16, 7:30am – 9:00am, at the Mount Carmel Siegel Center Building 3, 5975 E. Broad Street. The topic will be Stand Up Your Inner Resilience. Admission is \$10 for members and \$15 for non-members. For more information or to register, contact the Chamber office at (614) 471-0451 or visit <http://gahannaareachamber.com/>.*
- *Gahanna Community Improvement Corporation:* *A Board Meeting will be held on Tuesday, May 21st, 7:30am, at Gahanna City Hall, 200 S. Hamilton Road.*