



Report for Council – September 12, 2016

Planning & Development Department Agenda Items:

Financial Incentive Offer for Reliant Capital Solutions

Background

Since June of 2015, the Department has been diligently working to retain Reliant Capital Solutions within the City of Gahanna. Reliant Capital is a professional services company that specializes in debt collection within the student loan industry. They currently lease space at 750 Cross Pointe Road within Gahanna's Crossroads Commerce Center. Reliant Capital is experiencing significant employment growth due to securing additional business contracts, which is requiring them to expand out of their existing leased location.

The Department has been working to satisfy Reliant Capital's expansion needs in a variety of ways over the past 12 months. The Department and the City Engineer assisted in redesigning their parking lot in order to allow them to grow at their existing location. The Department engaged neighboring property owners and pursued the purchase of additional land to help them grow at their existing location. Finally, the Department connected them with multiple property owners and a developer in order to construct a new building to accommodate their expanded operations. During this ongoing retention effort, Reliant Capital was actively considering expanding their business operations in Buffalo, NY or relocating elsewhere within the region.

Reliant Capital currently has 93 employees with an average annual salary of approximately \$47,115. Within the next three years, Reliant Capital plans to add 100 new jobs with an average annual salary of \$41,950. A local developer, Don Kenney Jr., plans to construct a 20,000 square foot building at 670 Cross Pointe Road in order to accommodate Reliant Capital's large employment expansion. In order to make this project financially feasible, the Department is recommending a two part financial incentive offer.

CRA Tax Abatement for 670 Gahanna Investments LLC, 670 Cross Pointe Road (Parcel #025-012942)

The developer plans to invest \$2,110,000 on land acquisition and the construction of a 20,000 square foot office complex. The tenant of the building will be Reliant Capital and the property owner will be 670 Gahanna Investments, LLC, represented by Donald Kenney, Jr. Reliant Capital will execute a 10 year lease and occupy the entire facility. The Department is recommending a 100% real estate property tax abatement for a period of fifteen years. The CRA application and a draft of the proposed CRA agreement are attached for your review. If the real estate tax abatement

were approved, 670 Gahanna Investments LLC would receive approximately \$906,417 in property tax savings over the incentive term.

Office & Industrial (O&I) Incentive for Reliant Capital Solutions, LLC

As referenced above, Reliant Capital plans to retain the 93 existing full-time employees and add 100 new full-time employees at the newly constructed office complex. The Department is recommending a 25% municipal income tax rebate for a period of five years on the 100 new full-time jobs that would be created by this project. The O&I application and a draft of the proposed O&I agreement are attached for your review. If the municipal income tax rebate were approved, Reliant Capital would receive approximately \$78,656 in tax rebates over the incentive term.

Financial Impact

The benefits of this project are listed below:

- Retain 93 jobs with average annual salary of \$47,115
- Retain \$4,381,786 in annual payroll
 - Equals \$65,726 in retained annual Withholding Taxes
- Create 100 jobs with an average annual salary of \$41,950
- Create \$4,195,000 in annual payroll
 - Equals \$62,925 in new annual Withholding Taxes
- The total annual payroll from the project will be \$8,576,786
- The property owner, 670 Gahanna Investments, LLC, is required to maintain employment and wage levels for 15 years
- Generate \$1,851,125 in total Withholding Tax Revenue to the City over the next 15 years
 - Equals \$112,921 in annual revenue for years 1-5
 - Equals \$128,652 in annual revenue for years 6-15
- Create 15,000 square feet of vacant commercial space within Crossroads Commerce Center which will allow for additional job creation opportunities
- Alignment with Economic Development Strategy and Go Forward Gahanna
 - Property is located within the Southeast Priority Development Area
 - Professional Services jobs are within a targeted industry
 - Wage levels are above the 2015 average wage levels
 - Job density is above the 2015 average job density level
 - Building type/size are currently in demand and have one of the lowest vacancy rates within Gahanna

The Mayor and the Department of Planning & Development respectfully request that City Council authorize the Housing Officer to enter into a CRA Tax Abatement Agreement with 670 Cross Pointe LLC and that City Council authorize the Mayor to enter into an Office & Industrial Incentive Agreement for Reliant Capital Solutions.

Office & Industrial (O&I) Incentive for Intermedix Corp.

Intermedix Corporation is a leading provider of technology-enabled solutions that support and connect health care providers and emergency preparedness & response personnel. They are proposing to relocate 161 jobs to Gahanna and create an additional 108 new jobs at 825 Tech Center Drive. Intermedix will lease approximately 34,310 square feet of office space at this site

for a period of 124 months. A financial incentive is a major factor in the company deciding to move forward with this investment in Gahanna.

The Department is recommending a 50% O&I Incentive for a period of five years on the new jobs that will be created in order to secure the relocation of their business to Gahanna. The Department is not recommending providing any incentives on the relocated jobs. The O&I application and a draft of the proposed O&I agreement are attached for your review. If the tax abatement were approved, Intermedix would receive approximately \$132,459 in income tax savings over the five year incentive term.

The benefits to the City from the project are listed below:

- Relocate to Gahanna 161 jobs with an average annual salary of \$32,706
 - Equals \$78,985 in annual Withholding Taxes
- Create 108 net new jobs with an average annual salary of \$32,706
 - Equals \$52,984 in annual Withholding Taxes
- By 2020, Total annual payroll for the project will be \$9,902,268
 - Equals \$148,534 in new annual Withholding Taxes
- Intermedix agrees to remain in Gahanna for 10 years
- Invest approximately \$1,360,000 in furniture, fixtures, equipment and tenant improvements
- Invest an additional \$13,007 (shared by property owner and tenant) on the construction, installation and connectivity to GahannaNet, the City's fiber optic network.
 - Generate approximately \$4,670 for the Gahanna CIC from revenues generated from providing GahannaNet services.
- Alignment with Economic Development Strategy and Go Forward Gahanna
 - Project is located within the Southwest Priority Development Area
 - Professional Services jobs are within a targeted industry
 - Job density is above the 2015 average job density level

The Mayor and the Department of Planning & Development respectfully request that City Council authorize the Mayor to enter into an Office & Industrial Incentive Agreement with Intermedix Corp. for this project.

Planning & Development Department Updates:

None at this time.

Upcoming Meetings & Events:

- *Gahanna Area Chamber of Commerce: A Board Meeting will be held on Tuesday, September 13, 7:30am, at C-Suites, 81 Mill Street – Suite 300.*
- *Gahanna Community Improvement Corporation: A Board Meeting will be held on Tuesday, September 20, 7:30am, at Gahanna City Hall, 200 S. Hamilton Road.*