

MEMORANDUM

To: Columbus City Council
From: Michael H. Stevens, Development Director
Date: September 1, 2022
RE: 2022 Tax Incentive Review Council Recommendations

Office of the Director
111 N. Front St., 8th Floor
Columbus, OH 43215-2806
(614) 645.7795
(614) 645.6675 [FAX]

Division of Economic Development
111 N. Front St., 8th Floor
Columbus, OH 43215-2806
(614) 645.8616
(614) 645.6675 [FAX]

Division of Housing
111 N. Front St., 3rd Floor
Columbus, OH 43215-2806
(614) 645.7795
(614) 645.6675 [FAX]

Division of Planning
111 N. Front St., 3rd Floor
Columbus, OH 43215-2806
(614) 645.8664
(614) 645.6675 [FAX]

Division of Land Redevelopment
845 Parsons Ave.
Columbus, OH 43206-2347
(614) 645.5263
(614) 645.6675 [FAX]

Columbus is a great place to start and grow a company, and has become a magnet for businesses looking for talented people. This creates jobs and economic opportunity for our residents. The City of Columbus helps promote job growth through tools that support our neighborhoods and the businesses that want to build a home in our city. Our toolbox of economic incentives spur job growth and real estate investments in the community for years to come.

The Tax Incentive Review Committee (TIRC) meets annually to ensure that companies receiving City of Columbus incentives are meeting their job creation, job retention, payroll generation and capital investment expectations. This year's TIRC report finds marked improvement across the portfolio in calendar year 2021, as we emerged from the initial economic shock of the COVID-19 pandemic. Reported jobs and investment committed within the City's portfolio of Enterprise Zone (EZ) and Community Reinvestment Area (CRA) programs are moving in a positive direction.

Our statistics are based on ninety-three (93) Enterprise Zone and Community Reinvestment Area agreements active during 2021. The TIRC evaluated the compliance status of these Agreements in sessions held August 19, 2022, and as of the end of 2021, these ninety-three (93) agreements reflect the following:

- The percentage attainment for job retention in 2021 was 119% of goal, up from 111% in 2020 (11,347 retained jobs in 2021);
- The percentage attainment for investment in real property improvements in 2021 was 110% of goal, up from 100% in 2020 (\$1.9 billion in real property improvements in 2021);
- The percentage attainment for job creation in 2021 was 89% of goal, up from 58% in 2020 (4,943 net new jobs created in 2021); and
- The percentage attainment for new job payroll was 90% of goal, down from 147% in 2020 (\$236 million in new job payroll).

In 2022, the Manufacturing sector made the strongest contributions to the incentive portfolio. The 20 companies in City's portfolio collectively created 1,198 new jobs (372% of goal), and \$47.5 million in new payroll (454% of goal). This job growth is aligned with the national surge in demand for manufacturing and warehousing facilities, as companies have on-shored manufacturing capacity and consumers have relied more on e-commerce in the wake of the pandemic. To further capitalize on this market shift, the Department of Development partnered with City Council in 2021 and 2022 to proactively abate industrial properties in and around the Hilltop, so as to create at-the-ready industrial sites in close proximity to one of the city's opportunity neighborhoods.

The greatest challenge to the portfolio's performance was job creation in commercial office locations. The 27 incented companies from the real estate rental and leasing industry



retained 98% of committed jobs and invested 136% of committed real estate investment, but created just 35% of expected new jobs. These companies are not alone in grappling with the tectonic shift created by remote and hybrid work created by the pandemic, and while Columbus employees are returning to the office at a rate faster than in many cities around the country, there is an opportunity to explore new policies that foster job creation for remote employees who reside in and financially contribute to our city.

Following review of the ninety-three (93) agreements in the City of Columbus' incentive portfolio, the TIRC has recommended that:

- Ninety-one (91) Agreements be Continued, having successfully delivered on their commitments, and of those ninety-one (91):
 - Sixty (60) with no need for staff follow-up beyond standard reporting;
 - Thirty-one (31) recommended for staff follow-up, ranging from an advisement letter or a letter requesting action (with some action tied to the risk of the Agreement being dissolved);
- Two (2) Agreements expired at the end of 2021, both of which were fully compliant with the terms of their agreements.

The detailed recommendations of the TIRC are attached.

The Development Department supports the recommendations of the TIRC and believes implementation will improve compliance for our portfolio of agreements and will also preserve respect for the integrity of the City's tax incentive programs.

Please note that ORC Section 5709.85 (E) provides that within sixty days after receipt of the TIRC recommendations, City Council shall vote to accept, reject, or modify all or any portion of the recommendations.

Quinten Harris, Deputy Director of Jobs & Economic Development, and I, are available to respond to any questions you may have.

