City of Dublin

Office of the City Manager
5200 Emerald Parkway • Dublin, OH 43017-1090
Phone: 614-410-4400 • Fax: 614-410-4490

Memo

To: Members of Dublin City Council

From: Marsha I. Grigsby, City Manager

Date: December 4, 2014

Initiated By: Angel L. Mumma, Director of Finance

Re: **Ordinance Nos. 116-14 and 118-14 – Ordinances Establishing Tax Increment Financing Districts (Tuller)**

Background

In conjunction with Ordinance No. 115-14, which authorizes the City Manager to enter into a Development and Tax Increment Financing (TIF) Agreement with Casto Tuller LLC for the development of property within the Bridge Street District (BSD), Ordinances No. 116-14 and No. 118-14 propose the establishment of the Tuller TIF under two different sections of the Ohio Revised Code (ORC).

Ordinance No. 116-14 would establish a TIF under the provisions of ORC 5709.40 on parcels 273-009322, 273-008249, and 273-008811 (parcels highlighted in blue on the attached map). This section permits the legislative authority of a municipal corporation to declare improvements to certain parcels of real property located in the municipal corporation to be a public purpose. An ordinance adopted under this section designates the specific public infrastructure improvements made, to be made, or in the process of being made by the municipal corporation that directly benefit, or that once made will directly benefit, the parcels for which improvements are declared to be a public purpose. The service payments generated in this area will be used to finance the public infrastructure improvements designated in the ordinance. All of the active TIFs throughout the City were established under this section of ORC.

Ordinance No. 118-14 would establish a TIF under the provision of ORC 5709.41 on parcel 273-009088 (parcel highlighted in red on the attached map). This section permits the legislative authority of a municipal corporation to declare any improvement to a parcel of real property to be a public purpose if (1) the municipal corporation held fee title to the parcel prior to the adoption of the ordinance and (2) the parcel is leased, or the fee of the parcel is conveyed, to any person either before or after adoption of the ordinance. Service payments generated on improvements to parcels within a TIF established under this section or ORC are permitted to be used to finance public and private improvements. This would be the first TIF established within the City under this section of ORC.

Service payments received in a TIF established under 5709.40 can only be used to fund public infrastructure improvements, while those received in a TIF established under 5709.41 can be used to fund public and private infrastructure improvements.

Given that the City currently owns 10± acres known as the Byers property, it is appropriate to establish a TIF under ORC 5709.41 on this particular parcel as it provides the City additional flexibility, at the City's sole discretion, to fund various improvements, whether public or private.

These proposed TIF Districts are within the defined area covered by the Bridge Street District Cooperative Agreement between the Dublin City School District (DCS) and the City. As a reminder, the Cooperative Agreement permits the City to authorize various tax incentives, including TIFs, within the BSD that provide for the following (for each incentive authorized):

- Years 1-15 – DCS agrees to forego 100% of the applicable real estate taxes in respect of the improvements to any particular parcel within the applicable tax incentive district.

- Years 16-30 – DCS will receive 10% of what it would have received if the applicable tax incentive district had not been in place.

Additionally, as part of the Cooperative Agreement, DCS waived any right to receive notification of the passage of any Ordinance or legislation authorizing the real property tax exemptions. However, staff has notified Dublin City Schools that this new TIF within the Bridge Street District is being considered by City Council.

For the purposes of projecting potential service payments, staff has estimated that the market valuation of the private improvements will be $20 million (the TIF Agreement provides that Casto Tuller LLC will make minimum service payments to the City based on this estimated market valuation if the final market valuation is less than $20 million). Based on the current millage, it is estimated that at completion of Phase I, the TIF will generate approximately $702,000 annually in years 1-15 and $655,000 annually in years 16-30. While this valuation has been utilized in staff's projections, it is anticipated that the valuation for the Phase I development will be in excess of $20 million. These service payments will provide funding for the public infrastructure improvements contemplated in the Agreement, including John Shields Parkway, Hobbs Landing Drive, McCune Avenue, Watson Street, Deardorf Street, as well as other Bridge Street District infrastructure improvements that are identified within the TIF Ordinances.

As Council is aware, other governmental jurisdictions are impacted by the establishment of TIF districts and the resulting deferral of property tax revenue. In Franklin County, several agencies have operating levies. For those agencies, the Tuller TIF will result in the following estimated annual property tax deferrals (based on valuation of $20 million):

- Children's Services $34,900
- ADAMH 15,400
- MRDD 49,000
- Metro Parks 5,200
- Office on Aging (Senior Options) 9,100

In addition to Franklin County, there are other agencies that have operating levies in place. The annual property tax deferrals (based on valuation of $20 million) for those agencies are as follows:

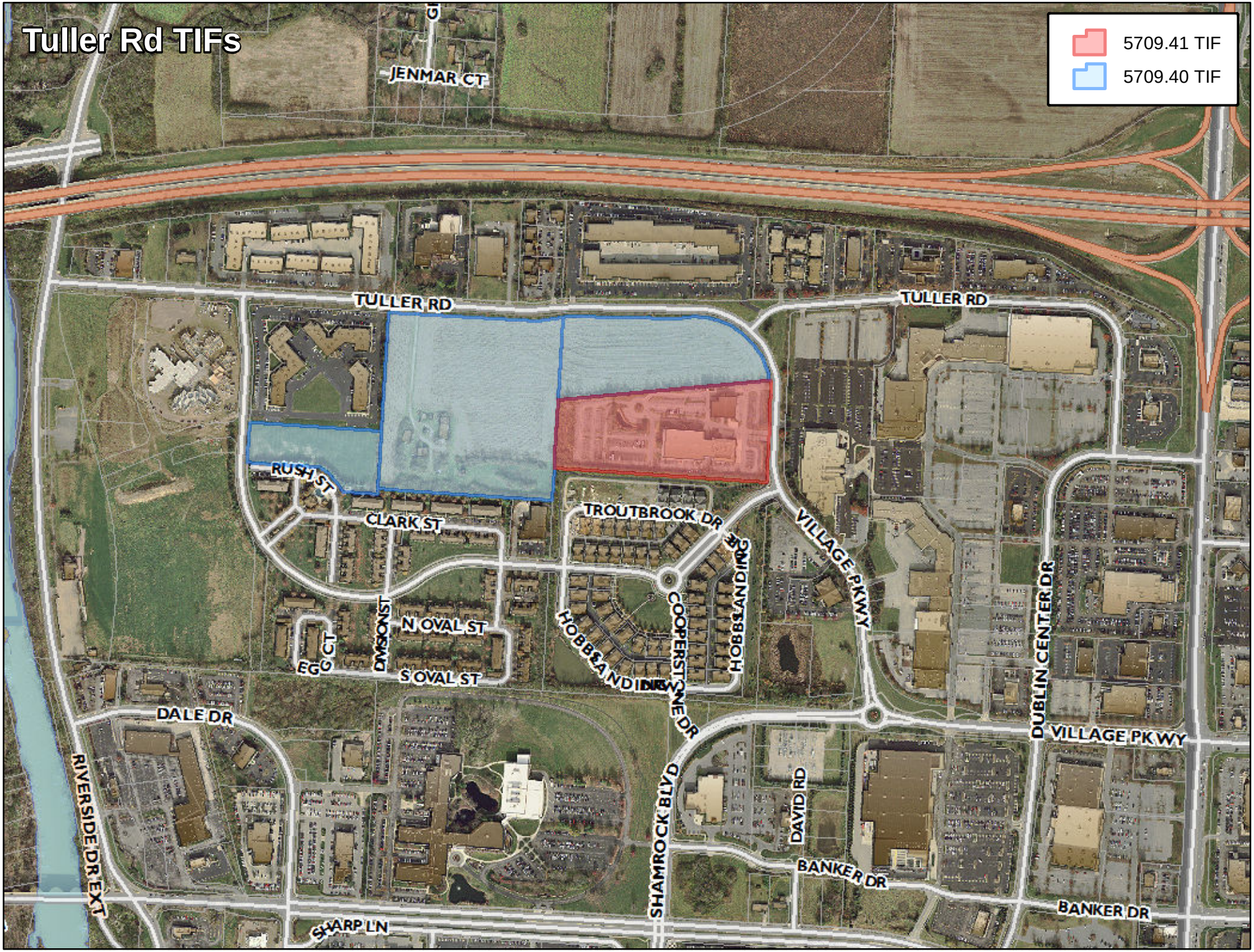
- Columbus Zoo $ 5,200
- Columbus Metropolitan Library 19,600
- Washington Township 74,500

It is noteworthy to mention that these agencies will continue to receive their respective portion of the property taxes generated on the base value of the properties prior to the TIF being established. Only the incremental increase in valuation is attributable to the TIF.

Additionally, it is important to keep in mind how these dollars compare to the overall tax revenue collected by these agencies. The total assessed valuation for all of the City's established TIF districts within Franklin County is $489 million, which is less than two percent of Franklin County's total assessed valuation (per the Franklin County 2013 CAFR).

Recommendation

Staff recommends that Council adopt Ordinances No. 116-14 and No. 118-14 at the second reading/public hearing on January 5, 2015.


Tuller Rd TIFs
5709.41 TIF
5709.40 TIF
JENMAR CT
TULLER RD
TULLER RD
RUSH ST
CLARK ST
TROUTBROOK DR
VILLAGE PKWY
HOBBS LANDING DR
COOPERSTONE DR
HOBBS LANDING DR
N OVAL ST
S OVAL ST
EGG CT
DIVISION ST
DALE DR
DUBLIN CENTER DR
VILLAGE PKWY
RIVERSIDE DR EXT
SHAMROCK BLVD
DAVID RD
BANKER DR
BANKER DR
SHARP LN

RECORD OF ORDINANCES

Dayton Legal Blank, Inc. Form No. 30043

Ordinance No. 118-14 Passed _____, 20____

AN ORDINANCE DECLARING THE IMPROVEMENT TO CERTAIN PARCELS OF REAL PROPERTY IN THE CITY'S BRIDGE STREET DISTRICT TO BE A PUBLIC PURPOSE AND EXEMPT FROM TAXATION; PROVIDING FOR THE COLLECTION AND DEPOSIT OF SERVICE PAYMENTS AND SPECIFYING THE PURPOSES FOR WHICH THOSE SERVICE PAYMENTS MAY BE EXPENDED; AND AUTHORIZING COMPENSATION PAYMENTS TO THE DUBLIN CITY SCHOOL DISTRICT AND THE TOLLES CAREER AND TECHNICAL CENTER.

WHEREAS, the City has prepared a strategy for comprehensive development within an area of the City known as the Bridge Street District (which area is referred to herein as the "*District*") and has endeavored to work collaboratively with public entities, including the Dublin City School District ("*Dublin School District*") and the Tolles Career and Technical Center ("*Tolles Career Center*"), and private entities to plan for and facilitate the development of the District; and

WHEREAS, the City's strategy for development within the District is primarily focused on creating a new, more urban core for the City, including a dynamic mix of commercial and residential development types generally not currently available within the City; and

WHEREAS, the City and Casto Tuller LLC have proposed to enter into a Development and Tax Increment Financing Agreement which will generally provide for the redevelopment of the Parcels (as defined in Section 1) and the construction of redevelopment project which will include various uses (the "*Project*"); and

WHEREAS, to facilitate redevelopment throughout the District, including but not limited to the Project, and pay the associated costs of improvements and related incentives, this Council has determined pursuant to Ohio Revised Code Sections 5709.41, 5709.42 and 5709.43 (collectively, the "*TIF Statutes*") to declare the improvement to certain parcels of real property located within the City to be a public purpose and exempt from taxation, require the owner of each parcel to make service payments in lieu of taxes, provide for the distribution of an applicable portion of such service payments to the Dublin School District and Tolles Career Center, establish an urban redevelopment tax increment equivalent fund for the deposit of the those service payments, and specify the purposes for which money in that fund will be expended; and

WHEREAS, Ohio Revised Code Section 5709.41 requires that the City hold fee title to the Parcels prior to enacting this Ordinance; and

WHEREAS, prior to the passage of this Ordinance, the City Manager, acting on behalf of the City pursuant to Ordinance No. 11-14 passed March 10, 2014, accepted title to the Parcels and pursuant to the Development and Tax Increment Financing Agreement, the City may transfer title to the Parcels to Casto Tuller LLC or its designee; and

WHEREAS, the Board of Education of the Dublin School District has heretofore adopted a resolution on April 14, 2014 waiving the provision of certain notices, approving the tax exemption of the Improvements (as described in Section 3), authorizing an agreement (which has heretofore been executed) between the City and the Dublin School District providing for the remission of certain payments to the Dublin School District (the "*Dublin School District Agreement*") and making other findings with respect to the tax exemption; and

WHEREAS, the Board of Education of the Tolles Career Center has heretofore adopted a resolution on June 26, 2014 waiving the provision of certain notices, approving the tax exemption of the Improvements, authorizing an agreement (which has heretofore been executed) between the City and the Tolles Career Center providing for the remission of

certain payments to the Tolles Career Center (the "*Tolles Career Center Agreement*") and making other findings with respect to the tax exemption; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Dublin, State of Ohio, _____ of the elected members concurring, that:

Section 1. Parcels. The parcels of real property subject to the exemption granted by this Ordinance are identified and depicted in **EXHIBIT A** attached hereto (each, as currently or subsequently configured, individually, a "*Parcel*" and collectively, the "*Parcels*"). This Council finds that the City acquired the Parcels while engaged in urban redevelopment.

Section 2. Urban Redevelopment Costs. Money deposited into the TIF Fund (as defined in Section 5) may be used to pay for or finance the costs of improvements to or on, or servicing, the Parcels or the Project, including but not limited to water, sewer and storm sewer improvements, parks and recreation improvements, roadway improvements, parking facilities, the acquisition of real estate and interests in real estate, and site preparation, for those improvements and for the Project, together with all necessary appurtenances and related costs, including but not limited to all costs enumerated in ORC Section 133.15(B), together with any other costs hereafter designated by ordinance (the "*Urban Redevelopment Costs*").

Section 3. Authorization of Tax Exemption. This Council hereby finds and determines that 100% of the increase in assessed value of each Parcel subsequent to the acquisition of that Parcel by the City (which increase in assessed value is hereinafter referred to as the "Improvement" as defined in ORC Section 5709.41) is hereby declared to be a public purpose and will be exempt from taxation for a period commencing on the effective date of this Ordinance with respect to that Parcel and ending on the earlier of (a) 30 years after such commencement or (b) the date on which the City can no longer require service payments in lieu of taxes, all in accordance with the requirements of the TIF Statutes.

Section 4. Service Payments. Pursuant to Ohio Revised Code Section 5709.42, the owner of each Parcel is hereby required to and shall make service payments in lieu of taxes with respect to the Improvement allocable thereto to the Treasurer of Franklin County, Ohio (the "*County Treasurer*") on or before the final dates for payment of real property taxes. The service payments in lieu of taxes shall be charged and collected in the same manner and in the same amount as the real property taxes that would have been charged and collected against that Improvement if it were not exempt from taxation pursuant to Section 3 of this Ordinance, including any penalties and interest (collectively, the "*Service Payments*"). The Service Payments, and any other payments with respect to each Improvement that are received by the County Treasurer in connection with the reduction required by Ohio Revised Code Sections 319.302, 321.24, 323.152 and 323.156, as the same may be amended from time to time, or any successor provisions thereto as the same may be amended from time to time (the "*Property Tax Rollback Payments*"), shall be allocated, distributed and deposited in accordance with Section 6 of this Ordinance.

Section 5. TIF Fund. This City Council hereby establishes, pursuant to and in accordance with the provisions of Ohio Revised Code Section 5709.43, theTuller Urban Redevelopment Tax Increment Equivalent Fund (the "*TIF Fund*"). The TIF Fund shall be maintained in the custody of the City and shall receive all distributions to be made to the City pursuant to Section 6 of this Ordinance. Those Service Payments and Property Tax Rollback Payments received by the City with respect to the Improvement of each Parcel and so deposited pursuant to Ohio Revised Code Section 5709.42 shall be used solely for the purposes authorized in the TIF Statutes or this Ordinance. The TIF Fund shall remain in existence so long as such Service Payments and Property Tax Rollback Payments are collected and used for the aforesaid purposes, after which time the TIF Fund shall be dissolved and any incidental surplus funds remaining therein

transferred to the City's General Fund, all in accordance with Ohio Revised Code Section 5709.43.

Section 6. Distributions. Pursuant to the TIF Statutes, the County Treasurer is requested to distribute the Service Payments and Property Tax Rollback Payments to the City for further deposit into the TIF Fund for (a) remission, on a pro rata basis, to the Dublin School District in accordance with the Dublin School District Agreement and the Tolles Career Center in accordance with the Tolles Career Center Agreement, (b) payment of Urban Redevelopment Costs, including, without limitation, debt charges on any securities of the City issued to pay or reimburse financing costs or Urban Redevelopment Costs and (c) any other lawful purpose.

Section 7. Further Authorizations. This City Council hereby authorizes and directs the City Manager, the Director of Finance, the Director of Law, the Director of Development, the Clerk of Council or other appropriate officers of the City to make such arrangements as are necessary and proper for collection of the Service Payments and the Property Tax Rollback Payments. This City Council further hereby authorizes and directs the City Manager, the Director of Finance, the Director of Law, the Director of Development, the Clerk of Council or other appropriate officers of the City to prepare and sign all documents and instruments and to take any other actions as may be appropriate to implement this Ordinance.

Section 8. Tax Incentive Review Council. The applicable Tax Incentive Review Council, with the membership of that Council to be constituted in accordance with Section 5709.85 of the Ohio Revised Code, shall, in accordance with Section 5709.85 of the Ohio Revised Code, review annually all exemptions from real property taxation granted by this Ordinance and any other such matters as may properly come before that Council, all in accordance with Ohio Revised Code Section 5709.85.

Section 9. Filings with Ohio Development Services Agency. Pursuant to Ohio Revised Code Section 5709.41(E), the City Manager is hereby directed to deliver a copy of this Ordinance to the Director of the Ohio Development Services Agency within fifteen days after its effective date. Further, and on or before March 31 of each year that the tax exemption authorized by Section 3 remains in effect, the Director of Development or other authorized officer of the City is directed to prepare and submit to the Director of the Ohio Development Services Agency the status report required under Ohio Revised Code Section 5709.41(E).

Section 10. Open Meetings. This City Council finds and determines that all formal actions of this City Council and any of its committees concerning and relating to the passage of this Ordinance were taken in an open meeting of this City Council or any of its committees, and that all deliberations of this City Council and any of its committees that resulted in those formal actions were in meetings open to the public, all in compliance with the law including Ohio Revised Code Section 121.22.

Section 11. Effective Date. This Ordinance shall be in full force and effect on the earliest date permitted by law; *provided, however,* Section 3 of this Ordinance is effective as to each Parcel commencing with the first tax year an Improvement to that Parcel attributable to a new structure appears on the tax list and duplicate (regardless of tax exempt status).

RECORD OF ORDINANCES

Passed this _____ day of _____, 2015.

_____
Mayor - Presiding Officer

Attest:

_____
Clerk of Council

Passed: _____, 2014

Effective: _____, 2014

EXHIBIT A

IDENTIFICATION AND MAP OF THE PARCELS

The shaded area on the following map specifically identifies and depicts the Parcels and constitutes part of this **EXHIBIT A.** The Parcels include, without limitation, the following tax parcels: 273-009088 (as they existed in the County Auditor's records on December 8, 2014).