



To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager
Date: November 12, 2015
Initiated By: Angel L. Mumma, Director of Finance
Re: **Ordinance No. 92-15 – Establishing a Tax Increment Financing Area (H2 Hotel TIF Area) and Repealing the Existing Cooker TIF**

Summary

The Cooker Tax Increment Financing (TIF) Area was established in 1994 to provide a funding mechanism for the construction of Upper Metro Place from Frantz Road to Metro Place North. The public improvements were paid for by the developer, Capital Square, LTD., with the City reimbursing them as service payments were received. The developer was reimbursed in 2009 for those improvements.

The Cooker TIF was modified in 2008 in order to implement a “Non-School TIF” after the terms of the original “Straight TIF” expired and to add to the public infrastructure improvements that could be funded by the service payments.

As Council is aware, Crawford Hoying Development Partners are planning to construct a Home2 Hotel (H2 Hotel) on the site where the former Cooker Restaurant is currently located. At the October 12, 2015 City Council meeting, Council approved the Site plan/Development Plan with the selection of the crème and brown brick color. Additionally, Council approved the Preliminary Plat/Final Plat.

As part of the discussions surrounding the Development Agreement with Crawford Hoying for the Bridge Park Development (Ordinance No. 44-15), the TIF revenue generated from the H2 site was intended to be utilized to help fund the City’s public infrastructure improvements in the Bridge Street District. In order to maximize the TIF revenues, staff proposes repealing the existing Cooker TIF and creating a new TIF District on this site, which will be in place for up to 30 years.

While the boundaries of the new H2 Hotel TIF (which are the same as the boundaries of the existing Cooker TIF) are within the defined area of the Bridge Street District Cooperative Agreement between the Dublin City School District (DCS) and the City, the City is proposing a hybrid approach to their compensation. Given that the existing non-school Cooker TIF had 15 years remaining as a non-school TIF, the City is proposing that years 1-15 of the new H2 Hotel TIF be classified as a “Non-School TIF,” meaning the school district is made whole, while in years 16-30 of the TIF, the school district will receive 10% of what it would have received if the TIF had not been in place (consistent with years 16-30 of the Cooperative Agreement). The same compensation arrangement would be in place for Tolles JVS (Tolles).

This hybrid approach is beneficial to the school districts and the City. The current valuation on the land and the vacant building is \$1.2 million, with a base value of \$206,500 and a value of the improvements (in which the TIF revenue is based upon) of \$993,500. If no redevelopment were to occur, over the next 30 years, that level of valuation (assuming it did not decline any further) would generate approximately \$820,000 for DCS, \$20,100 for Tolles, and \$192,700 for the City.

The initial estimated value of the H2 Hotel is approximately \$9.5 million. Using that valuation, over a 30-year time period under the proposed structure, DCS would receive approximately \$4 million, Tolles would receive approximately \$99,000, and the City would receive nearly \$7 million.

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 H2 Hotel TIF will result in the following estimated annual property tax deferrals (based on valuation of \$9.5 million):

▪ Children's Services	\$18,100
▪ ADAMH	\$ 8,000
▪ MRDD	\$25,400
▪ Metro Parks	\$ 2,700
▪ Office on Aging	\$ 4,700

In addition to Franklin County, there are other agencies that have operating levies in place. The annual property tax deferrals (based on valuation of \$9.5 million) for those agencies are as follows:

▪ Columbus Zoo	\$ 2,700
▪ Columbus Metropolitan Library	\$10,200
▪ Washington Township	\$38,700

Recommendation

Staff recommends that Ordinances No. 92-15 be adopted by City Council at the second reading/public hearing on December 7, 2015.

RECORD OF ORDINANCES

Ordinance No. 92-15

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; SPECIFYING THE PUBLIC INFRASTRUCTURE IMPROVEMENTS DIRECTLY BENEFITING THE PARCELS; AUTHORIZING COMPENSATION PAYMENTS TO THE DUBLIN CITY SCHOOL DISTRICT AND THE TOLLES CAREER AND TECHNICAL CENTER; AND REPEALING ORDINANCE NO. 61-94.

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 Crawford Hoying Development Partners, LLC have entered into a development agreement that generally provide for the redevelopment of the Parcels (as defined in Section 1) and the construction of redevelopment project which will include hotel and office uses (the "*Project*"); and

WHEREAS, the Parcels are currently subject to a tax increment financing exemption pursuant to Ordinance No. 61-94 passed June 20, 1994, which exemption was enacted as part of the prior development of the Parcels and which exemption must be repealed as part of the new tax increment financing provided for in this Ordinance; and

WHEREAS, to facilitate development throughout the District, including but not limited to the Project, and pay the associated costs of infrastructure improvements and related incentives, this Council has determined pursuant to Ohio Revised Code Sections 5709.40, 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 a portion of such service payments to the Dublin School District and Tolles Career Center, establish a municipal public improvement tax increment equivalent fund for the deposit of the those service payments, and specify public infrastructure improvements made, to be made or in the process of being made that directly benefit, or that once made will directly benefit, those parcels; and

WHEREAS, the Board of Education of the Dublin City 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 defined 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 City 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

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

WHEREAS, in addition to the compensation provided pursuant to the Dublin School District Agreement and the Tolles Career Center Agreement, the City desires to provide additional compensation to each of the Dublin City School District and the Tolles Career Center;

WHEREAS, in addition to the compensation provided pursuant to the Dublin School District Agreement and the Tolles Career Center Agreement, the City desires to provide additional compensation to each of the Dublin City School District and the Tolles Career Center;

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*").

Section 2. Public Infrastructure Improvements. This City Council hereby designates the public infrastructure improvements described in **EXHIBIT B** attached hereto (the "*Public Infrastructure Improvements*") and any other public infrastructure improvements hereafter designated by ordinance as public infrastructure improvements made, to be made or in the process of being made by the City that directly benefit, or that once made will directly benefit, the Parcels.

Section 3. Authorization of Tax Exemption. This City Council hereby finds and determines that 100% of the increase in assessed value of each Parcel subsequent to the effective date of this Ordinance (which increase in assessed value is hereinafter referred to as the "*Improvement*" as defined in Ohio Revised Code Section 5709.40(A)) is hereby declared to be a public purpose and shall be exempt from taxation in accordance with Ohio Revised Code Section 5709.40(B) for a period commencing for each Parcel with the first tax year that begins after the effective date of this Ordinance and in which an Improvement attributable to a new structure on that Parcel first appears on the tax list and duplicate of real and public utility property were it not for the exemption granted by this Ordinance and ending on the earlier of (a) thirty (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. Ordinance No. 61-94 passed June 20, 1994, and the tax increment financing exemption granted therein, is hereby repealed effective for each Parcel with the tax year that the exemption granted by this Section commences.

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.

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Section 5. TIF Fund. This City Council hereby establishes, pursuant to and in accordance with the provisions of Ohio Revised Code Section 5709.43, the H2 Hotel Municipal Public Improvement 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) during years 1-15 of the exemption for each Parcel, payment to each of the Dublin City School District and the Tolles Career Center, an amount equal to the respective amount each school district would otherwise have received as real property tax payments (including the applicable portion of any Property Tax Rollback Payments) derived from the Improvement to that Parcel if the Improvement had not been exempt from taxation pursuant to this Ordinance, (b) during years 16-30 of the exemption for each Parcel, payment to the Dublin City School District in accordance with the Dublin School District Agreement and payment to the Tolles Career Center in accordance with the Tolles Career Center Agreement, (c) payment of costs of the Public Infrastructure Improvements, including, without limitation, debt charges on any securities of the City issued to pay or reimburse financing costs or costs of those Public Infrastructure Improvements and (d) 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 5709.40(I), 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 5709.40(I).

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

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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.

Signed:

Mayor – Presiding Officer

Attest:

Clerk of Council

Passed: _____, 2015

Effective: _____, 2015

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 parcel: 273-009971 (as it existed in the County Auditor's website on November 10, 2015).



H2 Hotel TIF
273-0009971

-  H2 Hotel TIF
-  Surrounding TIF Parcels

EXHIBIT B

PUBLIC INFRASTRUCTURE IMPROVEMENTS

The Public Infrastructure Improvements include the following improvements and all related costs of those improvements (including, but not limited to, those costs listed in Section 133.15(B) of the Ohio Revised Code):

- Construction of roadways and other infrastructure improvements within the Bridge Street District, including those improvements indicated in the City of Dublin Thoroughfare Plan. Examples include but are not limited to the following:
 - Construction of John Shields Parkway from Riverside Drive to Village Parkway,
 - Construction of a roadway connecting Dale Drive and Tuller Ridge Drive,
 - Improvements to Tuller Road from Riverside Drive to Tuller Ridge Drive,
 - Improvements to Riverside Drive between Tuller Road and SR 161,
 - Improvements to Tuller Ridge Drive,
 - Improvements to Dale Drive,
 - Improvements to the Riverside Drive/Tuller Road intersection,
 - Construction of a roundabout at the intersection of US 33/Riverside Drive/SR 161, and
 - Construction of a roadway connecting Dale Drive to Village Parkway,
- Improvements to accommodate on-street parking throughout the Bridge Street District,
- Construction of the Scioto River pedestrian bridge,
- Improvements to and/or replacement of the existing Bridge Street vehicular bridge,
- The construction of public parking (including acquisition of interests in real property and related design),
- Aesthetic improvements to roadways within the TIF area,
- Construction of civic facilities including but not limited to a public library, arts facility, and municipal government facility,
- Land acquisition for public purpose, and
- Construction of public parks and open space plazas,

and in each case, together with constructing and installing curbs and gutters, turn lanes, bridges or tunnels, any pumping mechanisms required for a tunnel or other items as necessary, retaining walls, railing, the installation of any necessary traffic signal(s), public utilities which include water mains, sanitary sewer, and storm sewers, stormwater improvements, burial or utility lines, gas, electric and communications service facilities (including fiber optics), street lighting and signs, business signage restoration or improvements, landscaping, and any other related costs, sidewalks, bikeways, preparation of environmental documents, preliminary engineering, inspection, design, right-of-way plans and any related costs, right-of-way acquisition, erosion and sediment control measures, grading and other related work, survey work, soil engineering and construction staking, and all other necessary costs and improvements, each together with all other necessary appurtenances thereto, which improvements will benefit the Parcels.