



To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager 
Date: October 20, 2016
Initiated By: Angel L. Mumma, Director of Finance
Re: Ordinance No. 43-16 – An Ordinance Establishing a Tax Increment Financing District (Penzone)

Summary

Charles Penzone is proposing a new 12,600 square foot Grand Salon to be constructed on approximately 1.8 acres next to the existing Grand Salon located at 6671 Village Parkway. The Planning & Zoning Commission approved the basic site and development plans on June 9, 2016 and the Site Plan Review was approved on October 13, 2016. This was the final approval necessary before applying for building permits.

Although Charles Penzone is not requesting assistance from the City in terms of public infrastructure improvements, the City is proposing to create a Tax Increment Finance (TIF) district as authorized by Ohio Revised Code Section 5709.40. Ordinance No. 43-16 proposes the establishment of the Penzone TIF.

The location of the Penzone TIF is currently within the same parcel as their existing location, which is within the defined area of 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.

For purposes of projecting potential service payments, staff has estimated that the value of the private improvements will be approximately \$2.5 million. Based on the current millage, it is estimated the TIF will generate approximately \$88,150 annually in years 1 – 15 and \$82,300 annually in years 16 – 30. These service payments will provide funding for public infrastructure improvements serving the Bridge Street District included in the Description of Public Infrastructure Improvements, Exhibit C to the Ordinance.

As you are 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 Penzone TIF will result in the following estimated annual property tax deferrals:

▪ Children’s Services	\$ 4,375
▪ ADAMH	1,925
▪ MRDD	6,125
▪ Metro Parks	656
▪ Zoo	656
▪ Office on Aging (Senior Options)	1,137
▪ Library	2,450

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 commercial TIF districts within Franklin County is \$502 million, which is less than one percent of Franklin County’s total assessed valuation (per the Franklin County 2015 CAFR).

Additionally, Washington Township is impacted by the establishment of TIFs. The Penzone TIF will result in an estimated annual property tax deferral of \$9,332 to the Township.

It is important to point out that in this particular case, since there is an existing structure on a portion of the parcel (the current Charles Penzone Salon), the base value for the purpose of the TIF will be established taking into account the land and improvement value. As such, all the taxing entities will continue to receive property taxes on the base. The taxes on the parcel today are \$49,362 (based on a land value of \$300,790 and improvements of \$189,210), with Dublin City Schools receiving \$31,913, Tolles JVS receiving \$784 and Washington Township receiving \$5,226.

Recommendation

Staff recommends that Ordinance No. 43-16 be adopted by City Council at its second reading/ public hearing on November 7, 2016.

RECORD OF ORDINANCES

Ordinance No. 43-16

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; 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, to facilitate development throughout the District and pay the associated costs of infrastructure improvements and related incentives, this Council has determined pursuant to Ohio Revised Code ("*ORC*") 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 an applicable 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 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 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 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.

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*").

RECORD OF ORDINANCES

Ordinance No. 43-16

Passed Page 2 of 3, 20

Section 2. Public Infrastructure Improvements. This 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. Exemption. This 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 on the date an Improvement attributable to a new structure on that Parcel first appears on the tax list and duplicate were it not for the exemption granted in 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.

Section 4. Service Payments. As provided in 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, 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 and distributed in accordance with Section 6.

Section 5. TIF Fund. This Council hereby establishes, pursuant to and in accordance with the provisions of Ohio Revised Code Section 5709.43, the Penzone 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. 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 costs of the Public Infrastructure Improvements, including, without limitation, debt charges on any securities of the City issued to pay costs of those Public Infrastructure Improvements and (c) any other lawful purpose.

Section 7. Further Authorizations. This Council hereby authorizes and directs the City Manager, the Director of Finance, the Director of Law, the Director of

RECORD OF ORDINANCES

Ordinance No. 43-16

Passed Page 3 of 3, 20

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 Property Tax Rollback Payments. This 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 agreements and instruments and to take any other actions as may be appropriate to implement this Ordinance.

Section 8. Tax Incentive Review Council. The City's Tax Incentive Review Council will review annually all exemptions from real property taxation granted by this Ordinance in accordance with the requirements of Ohio Revised Code Section 5709.85.

Section 9. Reports. Pursuant to Ohio Revised Code Section 5709.40(I), the Director of Development is hereby directed to deliver a copy of this Ordinance to the Director of the Ohio Development Services Agency within 15 days after its effective date. Further, and on or before March 31 of each year that the exemption set forth in this Ordinance remains in effect, the Director of Development or other authorized officer of the City shall 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 Council finds and determines that all formal actions of this Council and any of its committees concerning and relating to the passage of this Ordinance were taken in an open meeting of this Council or any of its committees, and that all deliberations of this 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.

Signed:

Mayor - Presiding Officer

Attest:

Clerk of Council

Passed: _____, 2016

Effective: _____, 2016

EXHIBIT A

PARCELS

The shaded area surrounded by the red border on the following map specifically identifies and depicts the Parcels and constitutes part of this **EXHIBIT A**. The Tax ID Number for the Parcels is 273-009119 as shown on the Franklin County Auditors website on October 14, 2016, and is included for reference only and do not limit the Parcels subject to this Ordinance.



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,
 - 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,
- Construction of a new vehicular bridge across the Scioto River,
- The construction of public parking (including acquisition of interests in real property and related design),
- Aesthetic improvements to roadways within the TIF area,
- Constructing of civic facilities including but not limited to an arts facilities, and municipal government facilities,
- Land acquisition for public purpose, and

- Construction of public parks and open space plazas,

each 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 of 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, 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.