



City of Loveland

City Council

Memorandum

DATE: March 12, 2019

TO: Mayor and Council

FROM: David Kennedy
City Manager

SUBJECT: Job Creation Tax Incentive Program

Background

The primary economic development tool available to city staff for the promotion of new businesses within the city, is the Community Reinvestment Area (CRA) program. The CRA program offers abatements of real estate taxes resulting from new construction or expansion of existing buildings based upon three (3) criteria:

- 1) Cost of Construction
- 2) Number of Employees
- 3) Payroll

While the CRA program has proven to be a very valuable resource for new business start-ups and expansions of existing businesses, especially within the Commerce Park, it does not offer an incentive to new businesses looking to move into vacant structures where little or no construction will be included. It should be noted that at this time there is only (1) vacant parcel within the Loveland Commerce Park and the commencement of the Oasis project on Loveland Madeira Road, further limits available parcels for new construction. Therefore, as available vacant commercial and industrial properties are increasingly limited within the City, the ability to offer another incentive in lieu of the CRA program is an important aspect of our future economic development and assuring that the City is competitive with our neighboring communities.

Facing the reality that the City is entering a re-development phase in terms of commercial and industrial growth, the need to expand the tools within our economic development tool box has led to a review of other types of incentives offered by our neighboring communities. Included in this review was discussions with the State of Ohio Tax Incentives Manager, and representatives from HCDC (formerly Hamilton County Development Company) and REDI Cincinnati (Regional Economic Development Initiative). Based on these reviews and discussions, the most viable option for consideration is a program commonly titled "Job Creation Tax Incentive Program".

The Job Creation Tax Incentive Program offers a credit back on City income tax payments for new non-retail jobs created which pay at least 150% of the Federal Minimum Wage (currently \$10.87). The attached sample program would offer a thirty percent (30%) incentive rebate for new jobs meeting the guidelines. The incentive terms are:

- 1) Qualifying New Payroll: \$250,000 - \$4,999,999 = 5 years
- 2) Qualifying New Payroll: > \$5,000,000 = 10 years

The Job Creation Tax Incentive Program would be in lieu of a Community Reinvestment Area (CRA) abatements, although the program can be coupled with available State programs, including but not limited to the Ohio Job Creation Tax Credit program. Although new construction would be able to choose between the two City (2) incentives, it is likely that most new construction would choose the tax abatements available through the CRA program due to the potential term of the abatement and the significant real estate tax savings.

The program, if adopted, would allow for another tool for the attraction of businesses into the city. Most commonly the program would be utilized in situations in which a new company would be considering a move into an existing facility within the City limits and has contacted the city to review various incentives. Barring significant renovations meeting the \$100,000 minimum as defined by the CRA requirements, the income tax incentive would be a viable option to help secure the company.

The Job Creation Tax Incentive Program is based upon a contract between the city and the qualified business. Verification that the proposed payroll additions met the requirements of the program is required annually before the incentive is disbursed. Sample incentives, which are also included in the attached program guidelines, are based upon the two (2) program lengths of five (5) and ten (10) years.

New Payroll	Incentive Term	City Annual Gross Tax Revenue	Annual Incentive	City Tax Revenue Over Term of Project	Total Incentive over term of Project
\$3,000,000	5	\$30,000	\$9,000	\$150,000	\$45,000
\$4,000,000	5	\$40,000	\$12,000	\$200,000	\$60,000
\$6,000,000	10	\$60,000	\$18,000	\$600,000	\$180,000
\$10,000,000	10	\$100,000	\$30,000	\$1,000,000	\$300,000

For comparison's sake, a new office building with construction costs of \$2,500,000, payroll of \$2,000,000 and 30 new employees, could receive an average real estate tax savings of approximately \$63,000 annually, for thirteen (13) years through the CRA program.

Note that the attached program is designed for a two (2) year cycle to allow the city to gauge the success of the incentive. At the end of the two (2) year period, council can choose to terminate the program or extend it for additional years.

In addition to adding another economic development tool, benefits to the proposed program include that it has no impact to, and requires no approval from, the Loveland City School District. Furthermore, it does not impact the City's levied tax receipts such as those which fund our Fire and

EMS services. As the program's eligibility is for new and expansion of existing businesses, it can be beneficial to both attracting new and retaining existing businesses.

Policy Options

The program is presented for discussion purpose only.

Attachments:

Proposed Job Creation Tax Incentive Program Guidelines