



CITY OF SIDNEY

ENTERPRISE ZONE POLICY OUTLINE

Purpose: The purpose of creating an Enterprise Zone within the City of Sidney is to provide the City with an effective tool to encourage, manage, and guide certain desired economic development activity within the designated enterprise zone. The expressed intent of the policy governing the Sidney Enterprise Zone is that this vehicle be used to:

- Promote the establishment and retention of manufacturing based industries whose location within the City will have a long term positive impact on the community, through the provision of quality employment opportunities and substantial private and public capital investment.
- Enable the City to remain competitive with other communities in drawing quality economic development activity to Sidney.
- Promote the retention and expansion of well-established manufacturing enterprises in the City.
- Provide economic stimulus to other business activities of the City in the form of retail and wholesale goods, services, support facilities and satellite industries.
- Create development that is consistent with the Sidney Comprehensive Plan.
- Enable the accomplishment of City capital improvements, such as the development of roads and public utilities, to service industrial and other facets of the community.

Enterprise Zone Area: The proposed boundary for the Sidney Enterprise Zone is co-existent with its corporate boundaries. The boundaries are subject to change with the modification of the City boundaries through annexation actions that may be undertaken by the City in the future. All future boundary modifications will be subject to approval by the Ohio Department of Development.

Eligible Businesses: Only those firms engaged in the following enterprises will be eligible to apply for tax incentives in the City of Sidney:

- Manufacture of tangible good (s)
- Research and development where such activities are directly related to the current or future production of manufactured tangible goods. Research and development involves the testing, evaluation, engineering, and City marketing of materials or products that are subject to or associated with a manufacturing process, and exploration of the application of technology in manufacturing.
- Warehousing and distribution, where such activities are directly related to manufacturing activity located within the City of Sidney, or under those circumstances where it is determined by the Sidney City Council that the location of such an operation in the City of Sidney will serve to promote further manufacturing activity within the greater Sidney area, satisfy the objectives of the Sidney Enterprise Zone policy and when value added activity is also associated with the warehousing and distribution operations.

No housing, retail, service, institutional, private and public utilities or other uses not compatible with the criteria set forth above will be considered for benefits under the Enterprise Zone Program.

Authorization: City Council may enter into an agreement with an enterprise if it makes the finding required by this policy and determines that the enterprise satisfies one of the criteria described below:

- The enterprise currently has no operations in this state and, subject to approval of the agreement, intends to establish operations in the zone;
- The enterprise currently has operations in this state and, subject to approval of the agreement, intends to establish operations at a new location in the City that would not result in a reductions in the number of employee positions at any of the enterprise's other locations in this state;
- The enterprise, subject to approval of the agreement, intends to relocate operations, currently located in another state, to the City;
- The enterprise, subject to approval of the agreement, intends to relocate operations, currently located in this state, to the zone, and the Director of the Ohio Department of Development has issued a waiver for the enterprise under division (B) of section 5709.633 of the Revised Code.

Prohibition: City Council shall not enter into an agreement with an enterprise if:

- That enterprise or a successor enterprise currently has operations in another location in this state and those operations will be relocated to the City upon or as a result of that agreement.
- An enterprise subject to an agreement granting an exemption from taxation discontinues operations at the project site to which that exemption applies prior to the expirations of the term of the agreement, prior to five years after the discontinuation.

These prohibitions do not apply if a waiver is granted by the Director of the Ohio Department of Development in compliance with Section 5709.633(B) of the Ohio Revised Code. Intra-state relocation projects involve special notification requirements pursuant to ORC Section 5709.69. A minimum 30-day notice must be given to the county or municipality from which the business will relocate prior to the “first public meeting at which the agreement is deliberated.”

Amount and Term of Exemption: Upon receipt of an application, if the City Council finds the enterprise submitting the application is qualified by financial responsibility and business experience to create and preserve employment opportunities and improve the economic climate of the City, the City Council may:

1. Enter into an agreement with the enterprise under which the enterprise agrees to establish, expand, renovate, or occupy a facility and hire new employees, or preserve employment opportunities for existing employees, in return for one or more of the following incentives:
 - a. Exemption for up to ten years of up to seventy five percent of the increase in the assessed valuation of tangible personal property first used in business at the project site as a result of the agreement. An exemption granted pursuant to this division applies to inventory required to be listed pursuant to sections 5711.15 and 5711.16 of the Ohio Revised Code, except that, in the instance of an expansion or other situations in which an enterprise was in business at the facility prior to the establishment of the enterprise zone, the inventory which is exempt is that amount or value of inventory in excess of the amount or value of inventory required to be listed in the personal property tax return of the enterprise in the return for the tax year in which the agreement is entered into.
 - b. Exemption for up to 10 years of up to seventy five percent of the increase in the assessed valuation of real property constituting the project site subsequent to formal approval of the agreement by City Council.

The portion of the assessed value of tangible personal property or of the increase in the assessed valuation of real property exempted from taxation under 1 (a) and (b) may exceed seventy-five percent in any year for which that portion is exempted if the average percentage exempted for all years in which the agreement is in effect does not exceed seventy-five percent, or if the board of education within the territory of which the property is or will be located approves a percentage in excess of seventy-five percent. For the purposes

of obtaining such approval, the legislative authority shall deliver to the board of education a notice not later than forty-five days prior to approving the agreement, excluding Saturdays, Sundays, and legal Holidays as defined in section 001.14 of the Revised Code. The notice shall state the percentage to be exempted, an estimate of the true value of the property to be exempted, and the number of years the property is to be exempted.

2. Enter into an agreement under which the enterprise agrees to remediate an environmentally contaminated facility, to spend an amount equal to at least two hundred fifty percent of the true value in money of the real property of the facility prior to remediation as determined for the purposes of property taxation to establish, expand, renovate, or occupy the remediated facility, and to hire new employees or preserve employment opportunities for existing employees at the remediated facility in return for one or more of the following incentives:
 - a. Exemption for a specified number of years, not to exceed ten, of a specified portion, not to exceed fifty percent, of the assessed valuation of the real property of the facility prior to remediation;
 - b. Exemption for a specified number of years, not to exceed ten, of a specified portion, not to exceed one hundred percent, of the increase in the assessed valuation of the real property of the facility during or after remediation;
 - c. Exemption for a specified number of years, not to exceed ten, of a specified portion, up to one hundred percent of the increase in the assessed valuation of tangible personal property first used in business at the project site as a result of the agreement. An exemption granted pursuant to this division applies to inventory required to be listed pursuant to sections 5711.15 and 5711.16 of the Ohio Revised Code, except that, in the instance of an expansion or other situations in which an enterprise was in business at the facility prior to the establishment of the enterprise zone, the inventory which is exempt is that amount or value of inventory in excess of the amount or value of inventory required to be listed in the personal property tax return of the enterprise in the return for the tax year in which the agreement is entered into.
3. Enter into an agreement with an enterprise that plans to purchase and operate a large manufacturing facility that has ceased operations or announced its intention to cease operation, in return for exemption for a specified number of years, not to exceed ten, of a specified portion, up to one hundred percent, of the assessed tangible personal property used in business at the project site as a result of the agreement, or of the assessed valuation of real property constituting the project, or both.

No Retroactivity: Tax incentives offered through the City of Sidney Enterprise Zone Program will be offered only when determined to be essential to bring about the desired investment within the community. No incentives will be offered after an investment in land, building and/or equipment have occurred. The abatement becomes effective upon the execution of the performance contract and in accordance with State

laws governing this matter.

Degree of Investment Required: Only applicants that agree to make substantial investments in either real or personal property shall be eligible to receive the benefits available under the City's Enterprise Zone Program. The amount of the investment needed to qualify, as a substantial investment shall depend on the facts and circumstances of each applying business. As a general guideline, a substantial investment shall exist whenever the following conditions are found to apply:

- for projects involving construction of new facilities, the total project costs must be at least \$1,000,000, not including the cost for the purchase of land.
- for expansion activities, expenditures for buildings, machinery, equipment or other materials, except inventory, must equal at least 10% of the market value of the entire facility prior to such expenditures, as determined for the purpose of taxation of property within the City of Sidney. The minimum investment to qualify must be at least \$500,000.
- for renovation projects, expenditures to alter or repair a facility must equal at least 50% of the market value of the entire facility prior to such expenditures, as determined for the purpose of taxation of property within the City of Sidney. The minimum investment to qualify must be at least \$500,000.
- for occupancy expenditures to alter or repair a vacant facility, the expenditures must equal at least 20% of the market value of the entire facility prior to such expenditures. The minimum investment to qualify must be at least \$500,000.

Abatement will not be granted where the project results in a net loss in investment for an existing business and subsequent loss of property tax revenue unless it is absolutely essential to the economic well being of the City.

Contract Required: As a condition of receiving tax incentives through the Enterprise Zone Program, the applicant must be willing to enter into a contract with the City and Shelby County. The terms of the contract shall address the applicant's commitment regarding the extent and timing for investment activity and retention and/or creation of new jobs during the term of the incentive. The contract shall provide that failure to perform to the specifications of the agreement may result in the revocation and/or repayment of the granted incentives. The decision to invoke the revocation or repayment of the incentive due to failure of the party receiving the incentive to perform in accordance with the terms of the contract shall be made by the mutual consent of the Sidney City Council and the Shelby County Board of Commissioners.

Negotiations: The Tax Incentive Negotiating Team shall be responsible for making recommendations to the Sidney City Council on the feasibility of granting the tax abatement for any application that may come before the City.

The Tax Incentive Negotiating Team shall be made up of the following persons:

- The Mayor or designated representative from the City Council
- Sidney City Manager
- Sidney Finance Officer
- A representative from the school district in which in the project is located.
- A citizen of the City of Sidney, appointed by the City Council

The Sidney City Manager shall serve as the chief negotiator in the discussions with the prospective applicant.

Tax Incentive Review Council: A Tax Incentive Review Council shall be appointed by the Shelby County Board of Commissioners, consisting of the following persons:

- Shelby County Board of Commission member or designee
- two citizens of Sidney, appointed by the City Council
- Director of the Regional Planning Commission
- Sidney City Manager, or designee
- Shelby County Auditor, or designee
- Sidney City School Board member, or representative
- A Sidney City Council member
- Sidney Finance Officer
- Representative for the Joint Vocational School System

The Tax Incentive Review Council shall serve to perform annual compliance reviews to determine if the pertinent business has complied with the terms of the agreement. The Council may require the submission of annual financial or other performance reports by the applicant to document job, payroll, and investment levels to determine compliance with contractual obligations. The Tax Incentive Review Council shall provide their reports and recommendations for continuation, modification, or cancellation to the Sidney City

Council and the Shelby County Board of Commissioners. The Director of the Regional Planning Commission shall serve as the County designated Enterprise Zone Manager.

Abatement Guidelines: It is the expressed intent of this policy that the level of the tax incentive that may be granted is based upon the amount of financial investment and the quality and number of new and retained jobs resulting from the economic development activity. The following criteria are to be utilized in the City of Sidney to guide decisions regarding the magnitude of abatements that may be granted.

These guidelines are not to be construed as guarantees or fixed determinants of incentives to be offered. The decision to grant or deny any application for an incentive under the Sidney Enterprise Zone policy is at the sole mutual discretion of the Sidney City Council and the Shelby County Board of Commissioners.

The Sidney City Council and the Shelby County Board of Commissioners may, under exceptional circumstances, deem it necessary to waive the guidelines. In order to take such action, the Sidney City Council and the Shelby County Board of Commissioners must find one or more of the following facts:

- the applicant has sufficiently demonstrated an extreme financial necessity for the abatement. The applicant's project will not be able to proceed without the assistance associated with the receipt of the incentive.
- the failure to receive the incentive will result in the loss of a significant number of existing jobs or potential for new jobs.
- a smaller scale project is determined to have a significant potential to grow beyond the initial investment parameters that a business can indicate in their application.

If the guidelines are waived, the City Council and County Board of Commissioners may grant abatements within the limitations set forth in the State Law.

The guide determination for the percentage of abatement on real property is based on the total score registered by the applicant's particular project under the Tax Incentive Guidelines of this policy. The maximum total score for a project is 100 points for a 75% tax abatement. The total points awarded is divided by 100 and multiplied by 75 to determine the percentage of the incentive.

The guide determination will not be used for personal property that may be subject to tax abatement. The amount of abatement, if any, granted for personal property shall be subject to negotiation. The goal of the negotiation shall be to resolve an abatement level that will ensure that the Sidney School District and other taxing authorities do not realize a negative revenue flow resulting from the grant of tax abatement for personal property items. This separate treatment for personal property items is provided because of the assessment peculiarities associated with the depreciating value of personal property. The parameters of the abatement shall be consistent with state statutory limitations.

While the guide determination for level of abatement is not to be applied to personal property, the value of all personal property associated with a project shall be included in the guide determination formula calculation.

The City Council and Shelby County Board of Commissioners may decide to grant an abatement in excess of 75%, for both real and personal property, if the applicant presents a project that meets and exceeds the guideline maximums to such an extent that this extraordinary treatment warrants consideration.

The actual duration for the incentive, i.e., number of years for the abatement shall be at the sole discretion of the City Council and the Shelby County Board of Commissioners. The decision of the legislative bodies on the term of the abatement will be based on demonstrated need, worthiness of project and ability of the project to satisfy the City's economic development objectives. The term of the abatement may be between one and ten years.

Tax abatements shall not apply to land related real estate assets associated with development projects.

TAX INCENTIVE GUIDELINES

1. Financial Investment

1. Proposed private investment - .5 point for every \$250,000 in real (not including land) and tangible personal property proposed for investment; maximum of 20 points (\$10,000,000 plant investment equates to the 20 point maximum).
2. Proportional increase in valuation (as determined by the method used to assess property subject to taxation in the City of Sidney) associated with new private real (not including land) and personal property investment - 1 point for each 10% projected increase in valuation; maximum is 20 points (this would equate to a 200% increase in value).

3. Bonuses:

One point per \$100,000 value of public improvements, i.e., construction of a road, bridge, water main loop, storm water management facility which benefits the general public, undertaken by the applicant; maximum of 5 points. One point for every \$5,000,000 in private investment resulting from the project over the \$10,000,000 threshold for 1.a., up to a maximum of five bonus points.

2. Jobs Created/Retained

1. Jobs added or retained - .05 point for every new job created or retained; maximum of 20 points (this would equate to a qualified project with 400 new jobs).

2. Dollar value of new jobs to current payroll upon completion of the project - .0375 points for each \$30,000 of added value in payroll; maximum of fifteen points (this would equate to a qualified project of \$12,000,000 in value added payroll).

3. Bonuses:

Five points if applicant agrees to target 50% of newly created jobs to existing City of Sidney or Shelby County residents. One point for every \$1,000,000 in value added payroll resulting from the project over the \$12,000,000 threshold for 2.b., up to a maximum of ten points.

School District Compensation for Abated Revenues: Under those circumstances where an abatement in excess of 50% is granted by the City of Sidney and Shelby County, the City Council shall, upon request of the Board of Education, meet to discuss the possibility of the City providing compensation. This request must come prior to the execution of the tax exemption agreement.

Each request from the Sidney City School Board of Education for compensation associated with abatements over 50% will be evaluated by the Sidney City Council on a case-by-case basis. The City Council must consider whether the provision of compensation will pose a detriment to the City government in its ability to provide essential services and is in the best interest of the citizens of Sidney.

The policy of the Sidney City Council to meet with the Sidney City School Board of Education to discuss the possibility of providing compensation must not be construed as a guarantee that compensation will be provided. The decision of whether to grant compensation remains at the sole discretion of the City Council.

As permitted by Ordinance A-1975, as amended, City Council may, by adoption of a resolution by a majority of Council, authorize the execution of an agreement with a School District, providing for the sharing of income tax revenue resulting from any tax exemption authorized by Section 5709.82(B), O.R.C., as amended.

If such resolution is passed, the City shall deposit 75 percent of all income tax revenues for all “new employees” of the benefiting party during the term of the tax exemption into a School District Trust Account for the benefit of the City and the School District and disburse such funds pursuant to this policy.

The City shall annually calculate the taxes on real property, tangible personal property and inventory of the benefiting party which would have been due had the tax exemption not been granted. Such calculation shall occur at the time when such tax payments would have been due for collection by the Shelby County Treasurer. For such calculation, the City’s Finance Officer shall apply the property valuation prepared by the Shelby County Auditor and the personal property and inventory statement of the benefiting party to the tax millage rates that are in effect during the calculation time period. Calculations shall be subject to the review and approval of the School District Treasurer.

From the funds in the Trust Account, the City shall, during the second week of May of each year, disburse to the School District, an amount not to exceed the amount the School District would have otherwise received from the calculations prepared above. Any excess funds in the Trust Account shall be distributed to the City. In the event funds on deposit in the Trust Account do not equal or exceed the calculation prepared above; the full amount on deposit shall be disbursed to the School District. If no funds are on deposit due to the lack of income tax revenues on “new employees”, no distribution shall be made.

If, in any year when the calculation above is prepared, the total number of employees at the benefiting party should be less than the total number employees at the benefiting party on the day prior to the date the exemption from taxation commenced, the City shall be entitled to suspend Ordinance A-1975, as amended, regardless of whether or not “new employees”, as defined by this policy, are employed at the benefiting party. Such suspension shall last until that total number of employees on the calculation date exceeds the total number of employees on the day prior to the date tax exemption commenced.

In the event the amount received by the School District from the income tax sharing during the term of the tax exemption is less than the amount the School District would have received had there been no tax exemption, then the distribution method shall continue for a period of one additional year.

Definitions (for income tax sharing purposes):

“**New Employee**” – persons who are employed at the site of such property exempted from taxation and who have not been subject, prior to being employed at that site, to income taxation by the municipal corporation at the site. The definition does not include a person who replaced a person who is not a new employee.

“**Benefiting Party**” – persons, including corporation and partnerships, who are granted tax abatement or tax exemptions by the City through the Enterprise Zone process, as amended.

APPLICATION

Interested parties are required to complete an application for consideration for benefits under this program. The application forms will be available in the Office of the City Manager. The application, if determined to be appropriate, must be accompanied with a check in the amount of \$1000. The fee shall be distributed on an equal basis to the City of Sidney, Shelby County, Sidney City School District, and the West Ohio Development Council.

DEFINITIONS

“**Enterprise**” means any form of business organization including, but not limited to, any partnership, sole proprietorship, or corporation, including an S corporation as defined in section 1361 of the Internal Revenue Code and any corporation that is majority work-owned either directly through the ownership of stock or indirectly through participation in an employee stock ownership plan.

"Facility" means an enterprise's place of business in a zone, including land, buildings, machinery, equipment, and other materials, except inventory, used in business. "Facility" does not include any portion of an enterprise's place of business used primarily for making retail sales unless the place of business is located in an impacted city as defined in section 1728.01 of the Revised Code.

"Full-time employee" means an individual who is employed for consideration by an enterprise for at least thirty-five hours a week, or who renders any other standard of service generally accepted by custom or specified by contract as full-time employment.

"First used in business" means that the property referred to has not been used in business in this state by the enterprise that owns it, or by an enterprise that is a related member or predecessor enterprise of such an enterprise, other than as inventory, prior to being used in business at a facility as the result of a project.

"Large manufacturing facility" means a single Ohio facility that employed an average of at least one thousand individuals during the five calendar years preceding an agreement authorized under division (C)(3) of section 5709.62 or division (B)(2) of section 5709.63 of the Revised Code. For purposes of this division, both of the following apply:

- (1) A single Ohio manufacturing facility employed an average of at least one thousand individuals during the five calendar years preceding entering into such an agreement if one-fifth of the sum of the number of employees employed on the highest employment day during each of the five calendar years equals or exceeds one thousand.
- (2) The highest employment day is the day or days during a calendar year on which the number of employees employed at a single Ohio manufacturing facility was greater than on any other day during the calendar year.

"New employee" means a full-time employee first employed by an enterprise at a facility that is a project site after the enterprise enters an agreement under section 5709.62 or 5709.63 of the Revised Code. "New employee" does not include an employee if, immediately prior to being employed by the enterprise, the employee was employed by an enterprise that is a related member or predecessor enterprise of that enterprise.

"Environmentally contaminated" means that hazardous substances exist at a facility under conditions that have caused or would cause the facility to be identified as contaminated by the state or federal environmental protection agency. These may include facilities located at sites identified in the master sites list or similar database maintained by the state environmental protection agency if the sites have been investigated by the agency and found to be contaminated.