

RECORD OF ORDINANCES

CITY OF UPPER ARLINGTON

STATE OF OHIO

ORDINANCE NO. 35-2017

TO AUTHORIZE THE CITY MANAGER TO ENTER INTO AN ECONOMIC DEVELOPMENT INCENTIVE AGREEMENT WITH UPPER ARLINGTON VETERINARY HOSPITAL FOR A JOB CREATION INCENTIVE

- WHEREAS,** Upper Arlington Veterinary Hospital is a professional services company providing veterinary care to residents of the City of Upper Arlington and the surrounding area; and
- WHEREAS,** the UA Veterinary Hospital has purchased the 8,910 square foot two-story office building located at 1515 Lane Avenue with the intent of relocating both offices to Upper Arlington and bringing the practices together; and
- WHEREAS,** the proposal recommends that the City contribute a maximum \$100,000 as a job creation incentive; and
- WHEREAS,** a potential \$75,000 of the job creation incentive would be based on withholdings for new jobs to the City from the UA Veterinary Hospital and a maximum \$25,000 of the job creation incentive would be based on withholdings from tenants income that occupy the 1,375 square feet of renovated ADA space on the second floor; and
- WHEREAS,** the total revenue collected by the City from UA Veterinary Hospital, over a 10 year period, is projected to be approximately \$313,118, \$281,218 of that coming from the relocation and expansion made possible by this job creation incentive; and
- WHEREAS,** the job creation incentive would be just over 7% of the total cost of the building renovations; and
- WHEREAS,** UA Veterinary Hospital currently has 5 employees in Upper Arlington and this expansion will add 27 additional employees; and
- WHEREAS,** this project will help to retain an existing professional practice in the community, a key industry sector for the City and help the City meet its goal of creating, retaining and increasing high-wage jobs in the community; and
- WHEREAS,** the City Manager and the UACIC have reviewed the application and recommend an Economic Development Incentive with appropriate claw backs, guarantees and minimum performance requirements, with a potential maximum \$100,000 Job Creation Incentive; and

WHEREAS, the proposed incentive meets six of the seven Key Incentive Guidelines as described in the attached Exhibit A;


NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Upper Arlington, Ohio:

SECTION 1. That the City Manager is hereby authorized to enter into an Economic Development Incentive Agreement which will be approved by the City Attorney and include appropriate claw back provisions and performance requirements. Upper Arlington Veterinary Hospital will receive a potential maximum \$100,000 Job Creation Incentive.

SECTION 2. That the City Manager, Finance Director, and the City Attorney are hereby authorized to take all actions, including the execution of all documents or amendments, necessary to enter into, implement, and administer the Agreement and that are not substantially inconsistent with this Ordinance.

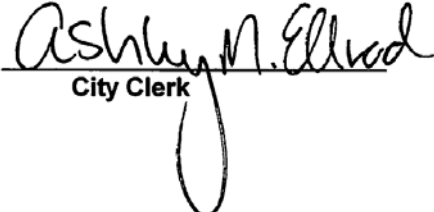
SECTION 3. That this ordinance shall take effect at the earliest date allowed by law.

PASSED: May 8, 2017



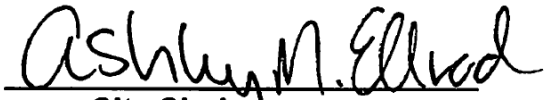
President of Council

ATTEST:



City Clerk

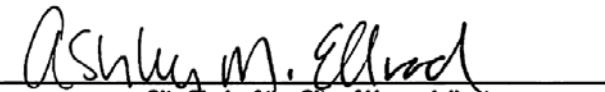
I, Ashley Ellrod, City Clerk of Upper Arlington, Ohio, do hereby certify that the above is a true and correct copy.



City Clerk

CERTIFICATE OF POSTING

I, Ashley Ellrod, City Clerk of the City of Upper Arlington, Ohio, do hereby certify that publication of the foregoing was made by posting a true copy of Ordinance No. 35-2017 at the most public place in said corporation as determined by the Council, the Municipal Building, 3600 Tremont Road, for a period of ten (10) days commencing May 9, 2017.



City Clerk of the City of Upper Arlington

Vote Slip

Sponsor: Mr. DeCapua
Date Introduced: April 24, 2017

Legal Ad:
Newspaper:

Reading Date(s): April 24, 2017: May 8, 2017

Voting Aye: Casper, DeCapua, Greenhill, King, Ralph and Johnson

Voting Nay:

Abstain:

Absent: Adams

Date of Passage: May 8, 2017

City Council Conference Session/Other Review: April 17, 2017

Other: Thirty Day Clause



To: The Honorable Debbie Johnson
Members of Upper Arlington City Council

From: Joseph P. Henderson, Economic Development Director

Prepared for Meeting Dated: April 5, 2017

**Subject: Economic Development Incentive Agreement with Upper
Arlington Veterinary Hospital for a Job Creation Incentive**

Action Requested: Passage

Master Plan Objective: Economic Development. 1c. Enhance City Revenue Sources 2b.
Utilize economic and zoning incentives packages to target existing
businesses

Upper Arlington Veterinary Hospital is a professional services company providing veterinary care to residents of the City of Upper Arlington and the surrounding area. Dr. Parson purchased the Columbus practice in 2006, a practice that has been around since 1946. He also purchased a second veterinary practice located on North Star Rd in 2008. Currently they have two offices, one at 2447 North Star Rd in Upper Arlington and the other one at 1600 West 5th Ave in Columbus. The UA Veterinary Hospital has purchased the 8,910 square foot two-story office building located at 1515 Lane Avenue with the intent of relocating both offices to Upper Arlington and bringing the practices together. 1515 Lane Avenue was purchased for approximately \$1,500,000 in 2016. In March of 2016, they received BZAP approval for the proposed renovations. They estimate spending \$1,400,000 on exterior and interior renovations. Some of these renovations include exterior alterations, creating a new main entrance along Lane Avenue, new HVAC system, installing energy efficient windows, adding an elevator to make the second floor ADA accessible, and other needed additional upgrades to modernize the building's interior. This agreement would require that they occupy this building for not less than ten years (2027).

The proposal recommends that the City contribute a maximum \$100,000 as a forgivable loan/grant. A potential \$75,000 of the forgivable loan/grant would be based on withholdings for new jobs to the City from the UA Veterinary Hospital and a maximum \$25,000 of the forgivable loan/grant would be based on withholdings from tenants income that occupy the 1,375 square feet of renovated ADA space on the second floor. The total revenue collected by the City from UA Veterinary Hospital, over a 10 year period, is projected to be approximately \$313,118, \$281,218 of that coming from the relocation and expansion made possible by this forgivable loan/grant. This does not include the money from any tenant in the new office space. The forgivable loan/grant would be just over 7% of the total cost of the building renovations. UA Veterinary Hospital currently has 5 employees in Upper Arlington. The consolidation and expansion will add approximately 27 additional employees. Their current staff has 11

full-time employees and 14 part-time between the two locations. There would be 7 new full-time position added over the course of the next three years.

Instead of receiving the \$75,000 in three \$25,000 payments, if specific target goals are met, this new proposal would give UA Veterinary Hospital \$50,000 after the project is completed (2017) and goals met for the loan to become a grant in the first two years (2018 & 2019), and the third year (2020) would be treated the same as the previous agreement. The \$30,000 a year requirement for withholdings would remain the same level as the previous agreement. The additional loan/grant for the new office space would remain the same as previously agreed to. The total amount the incentive could be would remain \$100,000, the same as the previously approved incentive deal.

Since their previous Economic Development Incentive approval there have been changes that have brought the application back before the CIC. Due to Building Code requirements, they must install two ADA accessible routes (elevator at rear entrance, which was originally planned for, and a ramp for front entrance, which was not) into the building. The required 2nd ramp will add to the cost of the renovation. The applicant has asked for more assistance up front on the incentive to help them cover some of the costs for two accessible entrances and exits.

Further, this project will help to retain an existing professional practice in the community, a key industry sector for the City. Also, it will help the City meet its goal of creating, retaining and increasing high-wage jobs in the community. The incentive will help to secure the long-term interest of a key business partner for Upper Arlington.

Finally, this project will continue the trend of growth and investment in the Lane Avenue Corridor. The City has supported projects for expansion, acquisition and redevelopment such as the Lane Avenue Mixed Use Development, Organic Trails Café and Overmyer Hall. This will continue to secure new and expanding investment opportunities that will enhance the areas ability to attract additional projects/jobs.

The Upper Arlington Community Improvement Corporation (CIC) voted to approve Upper Arlington Veterinary Hospital request for financial support. The CIC approved the support based on specific terms. Below is an overview of the terms supported by CIC.

The following are the key points that would need to be included in the final economic development agreement:

1. UA Vet Hospital will relocate their current offices and staff from their existing Upper Arlington (2447 North Star Road) and Columbus (1600 West Fifth Avenue) offices to 1515 Lane Avenue for not less than ten years.
2. UA Vet Hospital will spend approximately \$1,400,000 or more in building renovations/improvements to 1515 Lane Avenue and provide the City with documentation showing no less than \$1,400,000 improvements were completed.
3. UA Vet Hospital will install an elevator that will create ADA accessibility to the leasable office space on the second floor.
4. UA Vet Hospital shall maintain the current \$116,000 payroll and increase employees from the current 5 to 32, which would create new additional payroll in the amount of \$1,095,000 or total of \$1,211,000 of annual payroll by 2018. UA Vet Hospital plans to relocate 20 employees from Columbus and add 1 FTE in 2017, 3 FTE in 2018, and 3 more FTE in 2019 for a total of 27 new employees to Upper Arlington.

This will increase the annual tax withholding to \$30,275 a year and increase the total tax withholding to \$287,375 over the course of the ten year agreement, ending in 2027. The projected staffing level will take two years to accomplish. The City intends to include claw back language if the earning numbers are not met. This means a portion of the incentive provided to UA Vet Hospital would be a loan and not a grant if a portion of the obligation is not met.

5. The City will provide a \$75,000 forgivable loan/grant to UA Vet Hospital to assist with the renovation the aforementioned building.
 - a. The City will provide an initial \$50,000 forgivable loan/grant to UA Veterinary Hospital. Disbursement of the funds shall occur upon completion of the renovation, certificate of occupancy for the building and documentation of receipts for the renovation expenditures totaling not less than \$1,400,000.
 - b. UA Vet Hospital must generate, at least \$60,000 in City Income taxes in 2018 & 2019, their first two complete years of occupancy, in order for the \$50,000 to become a grant. In the event that UA Vet Hospital generates less than \$60,000 in City income taxes in 2018 & 2019, then only that same percentage (actual income taxes/\$60,000) shall become a grant. The remaining percentage shall be due to the City with interest no later than 60 days after the Company files its 2019 municipal income tax return. For example, if the total 2018 & 2019 City income taxes are \$45,000 (75% of \$60,000), then 75% of the outstanding loan (\$37,500) is forgiven and the remaining 25% (\$12,500) must be repaid with accrued interest.
 - c. The remaining \$25,000 would be disbursed to UA Vet Hospital following the third full year (2020) of occupancy at 1515 Lane Ave. UA Vet Hospital must generate a minimum of \$30,000 in annual City Income taxes in 2020 in order to realize the maximum \$25,000 installment grant.
 - d. In the event that UA Vet Hospital generates less than \$30,000 in City income taxes during the loan disbursement year (2020), then the City will prorate the annual grant installment based on the actual City income tax generated. (e.g. UA Vet Hospital generates \$24,000 in City income taxes in a disbursement year after the application of excess taxes in a previous year. \$24,000 is 80% of required income taxes, then a \$20,000 grant disbursement will be made for that year (\$25,000 @ 80% = \$20,000).
6. UA Vet Hospital will create approximately 1,375 square feet of leasable ADA accessible office space on the second floor of 1515 Lane Avenue.
7. Three years following the completion of the project, the City would give UA Vet Hospital a grant in the amount equal to the generated amount of withholdings from office tenants in the 1,375 square feet 2nd floor office space up to a maximum of \$25,000.
 - a. UA Vet Hospital must provide the City with a copy of the lease for all businesses locating in the second floor office space that which identifies a minimum 5 year commitment to this location.
8. The annual loan/grant installments will be made by 60 days after UA Vet Hospital files its municipal income tax returns for the calendar year.

9. All financial documentation will need to be approved and accepted by the City's Finance Department.
10. UA Vet Hospital will be required to follow all standard permitting and approval processes that the City has established.
11. The City and UA Vet Hospital will need to agree upon an economic development agreement that follows the terms approved by City Council. The City Attorney's Office will work with UA Vet Hospital to finalize this agreement.