

## **CITY OF ORRVILLE**

### **Tax Abatement Policy**

Adopted by Orrville City Council - February 21, 1995

Amended by Orrville City Council - October 16, 2000

Amended by Orrville City Council – July 21, 2003



### **INTRODUCTION**

In an effort to increase the manufacturing, warehouse, research and distribution development of the City, the City of Orrville has designated an enterprise zone pursuant to Ohio law. Within this zone, special tax incentives may be offered by contract to entities who agree to make a capital investment and create and/or retain jobs. Each contract must be submitted to Orrville City Council for their approval. Prospective businesses shall meet with the City negotiation team early in this process. Only individuals who are principally involved as an owner or manager of a business interested in the enterprise zone incentives may negotiate with officials regarding the specific incentives available under the terms of any investment agreement.

### **PURPOSE**

The purpose of the enterprise zone is to encourage capital investment and job creation and/or retention within the City. Any entity applying for tax abatement is strongly encouraged to use local contractors and/or suppliers for the construction of their facilities. In addition to compliance with the policies set forth herein, any entity applying for tax abatement must comply with all of the local and state regulations pertaining to the enterprise zone program.

### **ELIGIBLE BUSINESSES**

Only those businesses/corporations, partnerships, sole proprietorships, and S corporations that will create new employment opportunities and are making substantial investment in real property may apply for tax exemptions.

Furthermore, only businesses engaged in manufacturing, warehousing, research and development, and distribution will be eligible to apply for tax incentives (housing, retail, or institutional uses are not eligible).

The following types of projects are eligible for tax incentive agreements:

1. A business establishing its first Ohio facility;
2. An existing Ohio business establishing a new facility which does not result in employment reduction or asset relocation at any Ohio site;
3. A relocation of an out-of-state facility to Ohio;
4. An expansion of a business at its existing Ohio site; and
5. An intrastate business relocation project which has received a waiver from the ODOD Director under ORC Section 5709.633(B) - see Relocation section of this document.

### **INVESTMENT REQUIRED**

In order to be eligible to apply for tax abatement, a business must agree to make a substantial investment in real and/or property within the zone. The amount of investment needed to qualify shall

depend on the facts and circumstances of each applying business. As a general guideline for a project to be considered for Enterprise Zone benefits, it must meet one of the following four definitions:

1. Establish -- means to set up a new facility at a location where the business had not previously operated.
2. Expand -- ORC Section 5709.61(E) "means to make expenditures to add land, buildings, machinery, equipment, or other materials, except inventory, to a facility that equal at ten percent of market value of the facility prior to such expenditures, as determined for the purposes of local property taxation.
3. Renovate -- ORC Section 5709.61(F) "means to make expenditures to alter or repair a facility that equal at least fifty percent of the market value of the facility prior to such expenditures, as determined for the purposes of local property taxation."
4. Occupy -- ORC Section 5709.61(G) "means to make expenditures to alter or repair a vacant facility equal to at least twenty percent of the market value of the facility prior to such expenditures, as determined for the purposes of local property taxation."

### **IMPACT ON JOBS**

The business must agree to use their best efforts to employ persons who have an Orrville mailing address in at least 30% of the jobs created and to maintain this ratio throughout the term of the agreement.

### **CONTINUING OPERATION**

As a general rule, the business must agree to continue in operation one additional year for each year of tax incentive granted.

### **AVAILABLE INCENTIVES**

In exchange for the significant capital investment resulting in the creation of new employment opportunities, a business may qualify for one or more of the following incentives:

1. Inventory: Partial exemption for a specified number of years, not to exceed ten, of up to 50% of personal property tax on inventory, first used in this business at the project site as a result of the agreement.
2. Machinery/Equipment: Partial exemption for a specified number of years, not to exceed ten, of up to 50% of personal property tax on machinery/equipment, first used in this business at the project site as a result of the agreement.
3. Real Estate: Partial exemption for a specified number of years, no to exceed ten, of a specified portion up to 50% of the new tax value added to the project site as a result of the agreement.

In order to minimize the loss of tax revenues, only taxes on new investments within an Enterprise Zone will be considered. Existing personal property and/or real estate taxes in effect at the

time a project is implemented must be maintained throughout the terms of any agreement. No incentives will be available for land, buildings, equipment, or inventory that already exists prior to the application.

Real property, machinery/equipment, and inventory are considered separate categories subject to individual consideration. Each will be determined based upon the benefits derived by the City due to the project.

The "first-used-in-business" standard is defined in ORC Section 5709.61(O) and states "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." Any purchase of used assets must be an "arms-length" transaction.

### **GUARANTEE OF EMPLOYMENT OPPORTUNITIES**

In the event an applicant reduces the number of hourly employees by seventy-five percent (75%) of the number of said employees at the time the abated property was placed in service, then and in such event all abatement granted to said applicant shall terminate unless said applicant gives its employees and the City of Orrville forty-five (45) days written notice.

### **REMOVAL OF MACHINERY AND/OR EQUIPMENT**

Each contract for abatement of machinery and/or equipment shall contain a provision setting forth the consequence of the applicant removing said machinery and/or equipment from the enterprise zone.

### **TAX INCENTIVE REVIEW COUNCIL**

A Tax Incentive Review Council is appointed pursuant to ORC Section 5709.85. Prior to January 15th of each year, the business shall submit a yearly statement of investment in real property, machinery/equipment, inventory and employment to the Tax Incentive Review Council, who will review the conditions of the agreement and certify to the City Council that the business is eligible for continued tax abatement. Should the company fail to meet the terms of their agreement, or fail to submit any information required by the Tax Incentive Review Council, the City Council may modify, reduce, or terminate remaining tax abatements covered in the agreement. In addition, the City Council may require the business to repay an amount equal to the amount of taxes exempted under the agreement.

### **NON-DISCRIMINATION**

No recipient of tax incentives may discriminate against any person on the basis of their race, religion, sex, disability, color, national origin or ancestry.

### **OTHER REQUIREMENTS**

In addition to the guidelines set forth herein, any business applying must comply with all other local and state application regulations pertaining to the Enterprise Zone Program. Applicants must continue to cooperate with City officials in providing any information required to insure compliance with the terms of the tax incentive agreement.

### **SCHOOL DISTRICT CONSIDERATIONS**

Before any abatement is granted, the local school district shall be consulted to establish what such action will have on financial conditions of the school.

According to ORC Section 5709.83, the Board of Education of each school district including any vocational/technical school district in which the proposed tax exempt property is to be located must be notified a minimum of 14 days prior to a local government reviewing and acting upon a tax incentive proposal. The notice must be formal. The notice must include a copy of the Proposed Agreement (application form). The notice must disclose the date, time and location of each review meeting scheduled. Proposed Agreements, which require local legislative approvals, must provide formal notice of each meeting.

If the Board of Education comments on the proposal, either in person or by written statement, the local government reviewing the proposal must take the comments into consideration when determining the appropriate action.

Proposals exceeding the stated maximum incentives have additional notice and review requirements.

### **REVIEW OF POLICIES**

These policies shall be reviewed by Orrville City Council every fifth year beginning the fifth year after the year of adoption.

### **APPLICATION PROCEDURES AND FEES**

Application packages shall be available at Orrville City Hall and should be completed and returned to the Orrville City Hall, Attention: Director of Public Safety and Service. Completed forms must be filed before any consideration will be given to an applicant.

A one-time application fee of \$750.00, payable by check or money order to the *Ohio Department of Development*, is due upon finalization of an agreement with the business. All fees are non-refundable, and are subject to change by the State of Ohio.

### **MONITORING FEES**

Each enterprise receiving a tax incentive through an enterprise zone agreement is required to pay an annual fee equal of \$250.00. The monitoring fee shall be submitted with yearly monitoring reports as follows: A check in the amount of \$250.00 shall be made payable to the *City of Orrville*.

### **ENTERPRISE ZONE MANAGER**

The Safety-Service Director shall be the designated Enterprise Zone Manager.

### **NEGOTIATING TEAM**

The Negotiating Team shall consist of the Mayor, the Finance Director, and the Superintendent of the Orrville City Schools.



**Enterprise Zone Application for (Enterprise)**

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Do you anticipate any subleases or subcontracts of the proposed project? If so, please describe:

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4. Is business seasonal in nature? Yes\_\_\_ No\_\_\_

5a. State the enterprise's current employment level at the proposed project site (itemized for full and part-time and permanent and temporary employees):

Full-time permanent \_\_\_\_\_

Part-time permanent \_\_\_\_\_

Full-time temporary \_\_\_\_\_

Part-time temporary \_\_\_\_\_

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5b. Will the project involve the relocation of employment positions or assets from one Ohio location to another? Note that relocation projects are restricted in non-distress based Ohio Enterprise Zones. A waiver from the Director of the Ohio Department of Development is available for special limited circumstances. The business and local jurisdiction should contact ODOD early in the discussions.

Yes\_\_\_ No\_\_\_

5c. If yes, state the locations from which employment positions or assets will be relocated and the location to where the employment positions or assets will be located:

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5d. State the enterprise's current employment level in Ohio (itemized for full and part-time and permanent and temporary employees):

Full-time permanent \_\_\_\_\_

Part-time permanent \_\_\_\_\_

Full-time temporary \_\_\_\_\_

Part-time temporary \_\_\_\_\_

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5e. State the enterprise's current employment level for each facility to be affected by the relocation of employment positions or assets:

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5f. What is the projected impact of the relocation, detailing the number and type of employees and/or assets to be relocated?

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6a. Has the Enterprise previously entered into an Enterprise Zone Agreement with the local legislative authorities at any site where the employment or assets will be relocated as a result of this proposal? Yes \_\_\_ No \_\_\_

6b. If yes, list the local legislative authorities, date, and term of the incentives for each Enterprise Zone Agreement: \_

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7. Does the Enterprise owe:
- a. Any delinquent taxes to the State of Ohio or a political subdivision of the state?  
Yes \_\_\_ No \_\_\_
  - b. Any moneys to the State or a state agency for the administration or enforcement of any environmental laws of the State? Yes \_\_\_ No \_\_\_
  - c. Any other moneys to the State, a state agency or a political subdivision of the State that are past due, whether the amounts owed are being contested in a court of law or not.  
Yes \_\_\_ No \_\_\_
  - d. If yes to any of the above, please provide details of each instance including but not limited to the location, amounts and/or case identification numbers (add additional sheets if necessary).

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8. Project Description (attach additional pages if necessary):

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What are the long-range corporate goals concerning your operation in the City of Orrville?

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9. Project will begin \_\_\_\_\_, 20\_\_\_\_ and be completed \_\_\_\_\_, 20\_\_\_\_, provided a tax exemption is provided.

- 10a. Estimate the number of new employees the business intends to hire at the facility that is the project site (job creation projection must be itemized by full and part-time and permanent and temporary): \_\_\_\_\_

Full-time permanent \_\_\_\_\_  
Part-time permanent \_\_\_\_\_  
Full-time temporary \_\_\_\_\_  
Part-time temporary \_\_\_\_\_

- 10b. State the time frame of this projected hiring: \_\_\_\_\_ years

- 10c. State proposed schedule for hiring (itemize by full and part-time and permanent and temporary employees):

Full-time permanent \_\_\_\_\_

**Enterprise Zone Application for (Enterprise)**

Part-time permanent \_\_\_\_\_  
 Full-time temporary \_\_\_\_\_  
 Part-time temporary \_\_\_\_\_

11a. Estimate the amount of annual payroll such new employees will add \$\_\_\_\_\_ (new annual payroll must be itemized by full and part-time and permanent and temporary new employees).

Full-time permanent \$ \_\_\_\_\_  
 Part-time permanent \$ \_\_\_\_\_  
 Full-time temporary \$ \_\_\_\_\_  
 Part-time temporary \$ \_\_\_\_\_

11b. Indicate separately the amount of existing annual payroll relating to any job retention claim resulting from the project: \$ \_\_\_\_\_

12. Market value of the existing facility as determined for local property taxation.  
 \$ \_\_\_\_\_

13a. Business's total current investment in the facility as of the proposal's submission.  
 \$ \_\_\_\_\_

13b. State the businesses' value of on-site inventory required to be listed in the personal property tax return of the enterprise in the return for the tax year (stated in average \$ value per most recent 12 month period) in which the agreement is entered into (baseline inventory):  
 \$ \_\_\_\_\_

14. An estimate of the amount to be invested by the enterprise to establish, expand, renovate or occupy a facility:

|  | <u>Minimum</u>  | <u>Maximum</u>  |
|--|-----------------|-----------------|
| A. Acquisition of Buildings:           | \$ _____        | \$ _____        |
| B. Additions/New Construction:         | \$ _____        | \$ _____        |
| C. Improvements to existing buildings: | \$ _____        | \$ _____        |
| D. Machinery & Equipment:              | \$ _____        | \$ _____        |
| E. Furniture & Fixtures:               | \$ _____        | \$ _____        |
| F. Inventory:                          | \$ _____        | \$ _____        |
| <b>Total New Project Investment:</b>   | <b>\$ _____</b> | <b>\$ _____</b> |

15. a. Business requests the following tax exemption incentives: \_\_\_\_\_ % for \_\_\_\_\_ years covering real and/or personal property including inventory as described above. Be specific as to type of assets, rate, and term.

|                     | <u>Percent</u> | <u>No. of Years</u> |
|---------------------|----------------|---------------------|
| Inventory           | _____ %        | _____               |
| Machinery/Equipment | _____ %        | _____               |
| Real Estate         | _____ %        | _____               |

b. Business's reasons for requesting tax incentives (be quantitatively specific as possible)



Submission of this application expressly authorizes the City of Orrville and/or Wayne County to contact the Ohio Environmental Protection Agency to confirm statements contained within this application including item #7 and to review applicable confidential records. As part of this application, the business may also be required to directly request from the Ohio Department of Taxation or complete a waiver form allowing the Ohio Department of Taxation to release specific tax records to the local jurisdictions considering the incentive request.

Applicant agrees to supply additional information upon request.

The applicant affirmatively covenants that the information contained in and submitted with this application is complete and correct and is aware of the ORC Sections 9.66(C)(1) and 2921.13(D)(1) penalties for falsification which could result in the forfeiture of all current and future economic development assistance benefit as well as a fine of not more than \$1,000 and/or a term of imprisonment of not more than six months.

- Attach a list of machinery/equipment proposed for project.
- Mark the proposed project on the map provided.
- Attach a legal description of the property for which the application is being submitted.
- Submit a copy of the latest available financial statement and the latest Wayne County personal property tax return (if available).

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Name of Enterprise

Date

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Signature

Typed Name and Title

\* A copy of this proposal must be forwarded by the local governments to the affected Board of Education along with notice of the meeting date on which the local government will review the proposal. Notice must be given a minimum of fourteen (14) days prior to the scheduled meeting to permit the Board of Education to appear and/or comment before the legislative authorities considering the request.

\*\* Attach to Final Enterprise Zone Agreement as Exhibit A

Please note that copies of this proposal must be included in the finalized Enterprise Zone Agreement and be forwarded to the Wayne County Auditor, Ohio Department of Taxation and the Ohio

**Enterprise Zone Application for (Enterprise)**

Department of Development within fifteen (15) days of final approval.

**Filing Fee \$750 made payable to: Ohio Department of Development**

# Orrville

