



The Incentive Debate

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The subject of tax abatement is, more often than not, an extremely contentious one. We often hear discussions of “corporate welfare”, “giving away the farm” and a host of other negative words or phrases to describe programs designed to provide a financial enticement to companies who are engaged in the process of selecting a site for relocation or expansion.

In a perfect world, incentives would not be necessary. Truly, central Ohio offers a huge number of locational advantages whose effects on a company’s bottom line possibly outweigh the value of any incentives being offered. The reality, however, is that virtually every community in the U.S. that is engaged in economic development offers some form of incentive. Even communities who claim to offer no financial incentives offer other types of enticements in the form of free land, discounted utilities, etc. Given this, if a community doesn’t offer incentives, it simply does not compete for jobs, investment and tax revenue that allows the community to thrive and invest in quality of life for its residents. Without continued economic development, the City of Groveport is unable to invest in parks and recreation centers and aquatic centers. It is unable to provide the level of police protection our residents enjoy. The burden of funding schools, maintaining streets, sidewalks and other infrastructure, as it does in many communities throughout central Ohio, would fall to the residents who would be forced to pay higher rates of income and property taxes.

In Groveport, the primary economic development incentive is a program known as Community Reinvestment Area (CRA). The City is divided into five different CRA districts. Each of these districts was created prior to passage of legislation in 1994 that changed how CRA programs operate. Prior to 1994, abatements were granted through a simple application submitted when the building was substantially complete. In 1994, the rules changed and all new CRA abatements were negotiated prior to commencement of a project and typically offered a lower percentage of abatement for a shorter term. Because Groveport’s CRA’s are all “Pre-1994”, they are grandfathered and still operate under old rules, offering an “automatic” 100% abatement of real estate taxes for a term of 15 years.

The period of 1998-2004 was a period of nearly non-stop development in the City of Groveport and a large number of abatements were granted during this time. In 1999, however, the City entered into a revenue sharing agreement with the Groveport Madison Local School District and agreed to share 50% of the income tax revenue from companies located in abated properties

whose payrolls were in excess of one million dollars. Since that time, this agreement has netted the school district nearly \$14,000,000 in payments from the City. Because this is considered non-tax revenue for the school district, the district's formula funding from the state is unaffected.

Around 2011, the end of "The Great Recession" brought about a loosening of credit restrictions for speculative building, and development in the City began to pick up once again. Over the past 5 years, more than 4 million square feet of warehouse and distribution space has been constructed and more than 1000 new jobs have been created in the City. The City's income tax revenue has increased and new investment is being made in the quality of life of our residents.

During this same time, many of the earlier abatements began to expire—CRA abatements are non-renewable—and property tax revenue once foregone through abatement began to be restored to the school district, the township and other entities who receive the benefits of real estate tax. In 2014 and 2015, 21 abatements expired, restoring more than \$3 million in formerly abated taxes. From 2016 to 2018 an additional 6 abatements are set to expire, restoring an additional \$1.5 million.

We often hear the argument that companies only chase incentives and that, once their abatements in Groveport expire, the companies pack up and move elsewhere in order to receive another tax break. This is simply not accurate. That's not to say it hasn't happened on occasion, but only in very rare instances. Even if a company left, the City would take the hit in decreased income tax, but property taxes on the buildings would still have to be paid and the entities, like the school district, who receive the benefit of those property taxes would be unaffected.

Tax abatement is a necessary evil and one that doesn't appear to be going away anytime soon. It can never be said, though, that the benefits of development brought about through incentives haven't resulted in a great quality of life for Groveport residents. Look around. How many other communities the size of Groveport are able to offer the wide range of amenities the City offers? Yes, sacrifice is required but, in the end, everyone gains.