

November 10, 2021

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager

*PM*

202103096

Subject: **JOB CREATION TAX CREDIT FOR DIVISIONS MAINTENANCE GROUP**

Attached is an Emergency Ordinance captioned as follows:

**APPROVING AND AUTHORIZING** the execution of a Job Creation Tax Credit Agreement with Divisions, Inc., d/b/a Divisions Maintenance Group, pursuant to which the company agrees to create 649 new jobs at its office on the 3<sup>rd</sup> and 4<sup>th</sup> floors of the Foundry building (formerly known as Fountain Place) located at 505 Vine Street in Cincinnati's Central Business District and for a period of 10 years, the City agrees to provide an income tax credit equal to 50% of the City income tax revenue from such new jobs.

#### COMPANY INFORMATION

Divisions Management Group (Divisions) is a full-service facilities maintenance company that provides a managed marketplace for facilities maintenance services to a broad range of clients. Divisions is currently located in Northern Kentucky but is looking to expand in Cincinnati.

#### PROJECT DESCRIPTION

The Company will be relocating 393 existing employees to the Central Business District and create a minimum of 256 new full-time employees with a total annual payroll of \$44,710,000 within the next three years. Specifically, Divisions will be moving into the Foundry, located at 505 Vine Street (aka 50 W 5<sup>th</sup> Street), which is an office building that is currently being constructed by Cincinnati Center City Development Corporation (3CDC). The Foundry project is the rehabilitation of the former Macy's department store into 205,000 square feet of office space and 20,000 square feet of commercial space. With Divisions signing their lease with 3CDC, the building's office space will be fully leased. The Company has also committed to investing a minimum of \$4,500,000 into their office space over the next two years

#### PROPOSED INCENTIVE

The Ordinance provides for a 10-year JCTC whereby the City will agree to provide an income tax credit equal to 50% of City income tax revenue from such new jobs. This credit will be contingent upon the company remaining in the city for another three years after the term of the agreement and the creation of 649 new jobs within the city in the first three years of the term. In a separate ordinance, the City is also recommending Urban Renewal Tax Increment Financing assistance in the amount of \$1.2MM for tenant improvements to 505 Vine Street.

The reason for providing the payroll tax incentive is that the project provides an advantageous return on investment for the City. In addition, the incentive will require the Company to maintain an operation within the City until at least 2034

Estimated Total Term JCTC Value to Company:	\$4,023,900
Estimated Total Term New Payroll Tax Revenue:	\$6,438,240
<b>Incentive Leverage per Dollar of City Investment:</b>	<b>\$1.60</b>

### **PROJECT TEAM & TIMELINE**

The project's legislative team (listed below) is available to answer questions regarding this project.

- Assistant City Manager: Billy Weber (Ext. 3318)
- DCED Director: Markiea Carter (Ext. 1953)
- Project Attorney: Timothy Lynch (Ext. 4544)

The anticipated council timeline is as follows:

- November 10, 2021: Introduction to City Council
- November 15, 2021: Budget and Finance (#1)
- November 22, 2021: Budget and Finance (#2)
- November 24, 2021: City Council for Final Approval

### **RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

Copy: Markiea Carter, Director, Department of Community & Economic Development

Attachment A: Location and Photographs

