

The Role of Incentives in an Economic Development Project

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What are incentives?

- Programs designed to be an *inducement* to persuade or allow a project to go forward at a particular location.
- Either lower operating costs, reduce risk, or maximize available capital.
- Typically four types:
 - Tax incentives
 - Financing
 - Infrastructure
 - Training

Why Incentives?

- To enhance your location's competitiveness.
- Over 1,105 different business incentives exist in the 50 states
- *Area Development* reported that 84.9% of respondents to its 2009 Corporate Survey found state and local incentives as very important or important.
 - Incentives ranked third below labor costs, highway accessibility.

“But-for” concept

- Incentives are designed to be used to “induce” a project into reality not “subsidize” a project that was going to happen anyhow.
- If it were not but for the incentive, the project would not occur at a location.

Warning on incentives

- Caution is required. Incentives can be controversial. If not properly managed, abuse is possible.
- Economic developers walk a fine line. They must be stewards of the taxpayer yet get the deal done. Negotiation skills matter.

When to discuss incentives

- Incentives typically are used in the final analysis between a short list of competing locations to tip the scale.
- Logically, incentives should be one of the last things discussed.
- But don't start the discussion so late that it interferes with the project timeframe.
- Typically approval of the incentives are required prior to construction, signing lease, purchasing or installing equipment—"But for"....

Ohio Tax Incentives - Local

www.development.ohio.gov/Business/EconomicDevelopment.htm

- Enterprise Zone
- Community Reinvestment Area

Impact of Incentives

Estimated Project Investment			
With Out Exemption		With Exemption 90% for 10 years	
Real Property	\$6,500,000	Real Property	\$6,500,000
		Taxes Abated:	\$1,048,500
Taxes Paid	\$1,165,000	Taxes Paid	\$116,500
School District Reciepts	\$325,000	Schoold District Reciepts	\$32,500
		Company Donation to School	\$295,000
		Total School Benefit:	
		District Receipts+Donation	\$327,500
		Total Company Savings:	\$753,500
		Abated Taxes-Donation	

Enterprise Zone Program

- One of the most widely used incentives.
- Provides real property tax exemptions on NEW investments in designated zones.
- Exemptions capped at 75% for 10 years in municipalities or 60% for 10 years in townships without school board approval.
- Process: company makes application, term and percent negotiated, schools notified, legislative approval (after which project can begin), agreement executed, and copy sent to ODOD.

Enterprise Zone Program

New Bremen

- Established 1990
- Must be in zoning compliance
- Must be “legal” in Ohio
- No relocations without proper notifications and waiver from ODOD
- After local actions, County Commissioners must approve
- Each is negotiated on case by case basis
 - Amount of \$\$ invested
 - Job creation
 - Donations to schools

Community Reinvestment Area (CRA)

- Allows real property (building and land improvements) tax exemptions on NEW residential, commercial and industrial project in designated areas.
- Pre-1994 CRAs and Post 1994 CRAs. Pre-1994s exemption is automatic. Post 1994, exemption is negotiated.
- New industrial construction can receive 15 year exemption.

Community Reinvestment Area (CRA)—New Bremen

- Established in 2008
- Excludes: Cardinal, Pioneer, Teton 2, Walnut St. subdivisions
- Properties must be at least 60 years old
- Must be in zoning compliance

Community Reinvestment Area (CRA)—New Bremen

- **Residential Exemptions**
 - 100% for 5 years with minimum investment of \$10,000
 - 100% for 8 years with minimum investment of \$50,000
- **Residential structures with 3 or more units are considered commercial**
- **Residential projects may apply when construction is complete**

Community Reinvestment Area (CRA)—New Bremen

- **Commercial & Industrial Projects:
Renovations**
 - Term of exemption may be up to 12 years
 - Amount is negotiated on a case by case basis
 - Investment and Job Creation are considerations
- Application must be made prior to the start of construction

Community Reinvestment Area (CRA)—New Bremen

- **Commercial & Industrial Projects:
New Construction**
 - Term of exemption may be up to 15 years
 - Amount is negotiated on a case by case basis
 - Investment and Job Creation are considerations
- **Application must be made prior to the start of construction**

Ohio Tax Incentives - State

www.development.ohio.gov/Business/EconomicDevelopment.htm

- Job Creation Tax Credit
- Job Retention Tax Credit
- R&D Investment Tax Credit
- Technology Investment Tax Credit Program
- Motion Picture Tax Credit

Ohio Loans and Bond Programs

www.development.ohio.gov/Business/EconomicDevelopment.htm

- R&D Investment Loan Fund
- Ohio Enterprise Bond Fund
- 166 Direct Loan
- Regional 166 Direct Loan
- Ohio Capital Access Program
- Innovation Ohio Loan Fund

Ohio Grant Programs

www.development.ohio.gov/Business/EconomicDevelopment.htm

- Ohio Advanced Energy Fund
- Ohio Job Ready Sites Program
- Rapid Outreach
- Alternative Fuel Transportation Grant
- Community Development Block Grant

Additional Ohio Incentives

www.development.ohio.gov/Business/EconomicDevelopment.htm

- Ohio Third Frontier
- Ohio's Thomas Edison Program



Questions?

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Thank You