

CITY OF KENT JOB CREATION TAX CREDIT ADMINISTRATIVE GUIDELINES

The City of Kent Job Creation Tax Credit (JCTC) Program, established under the authority of Section 718.08 of the Ohio Revised Code, and Kent Ordinance 2000-___, is authorized grant municipal income tax credits to qualified applicants. These tax credits can be applied against the municipal tax on income levied against business entities that also receive a state authorized Job Creation Tax Credit under section 122.17 of the Ohio Revised Code. Provided below is a description of the Kent JCTC program, the review criteria, reporting and application requirements. Prior to submitting an application for a tax credit through the Kent JCTC, all applicants should carefully review all of the following program guidelines, as well as: State of Ohio program requirements found in Section 122.17(A) to (M) of the Ohio Revised Code; Section 122:7-1-01 to 122:7-1-08 of the Ohio Administrative Code; and the State of Ohio program guidelines as established by the Ohio Department of Development (ODOD) and the Ohio Tax Credit Authority (Authority). Copies of the State regulations and guidelines are available through the Kent Community Development Department upon request.

INTRODUCTION

The Kent JCTC Program is an economic development incentive offered to qualifying businesses who agree to create a specified number of new jobs. If qualified, companies may receive a refundable tax credit up to a maximum of 24% of municipal income tax withheld for qualifying new jobs against their City of Kent income tax, or an individual's income tax assessment. The Kent City Council may grant a tax credit that exceeds 24%, if extenuating circumstances exist, and the spirit of the program is satisfied. "Extenuating circumstances" may include, but are not limited to: a plausible threat that an existing company will relocate out of the City of Kent in the absence of this incentive; prolonged, adverse national economic conditions; the creation of more than 50 new positions. The term of the tax credit may be up to a maximum of ten years, but in no case will the term of the Kent JCTC exceed that offered through the State of Ohio JCTC. The City Manager or his/her designee is hereby authorized to administer the program and to take all necessary and appropriate actions to achieve its objectives.

ELIGIBILITY CRITERIA

The following are general guidelines for considering applications to participate in the Kent JCTC Program. (The City may consider, on a case-by-case basis, applications that do not meet all of the below referenced criteria if special circumstances exist, and if the spirit of the program is satisfied.)

All projects must meet all of the following criteria to be eligible for this program:

1. Eligible Companies – Any non-retail oriented project, which commits to the creation of new, full-time, or full-time equivalent jobs in the City of Kent. These new, full-time, or full-time equivalent jobs must be created, and maintained, by the company (Applicant), within three years of the granting of the Kent Jobs Creation Tax Credit incentive. An eligible company must currently be paying, or will be paying, municipal income taxes.
2. Eligible Projects - Eligible projects may include headquarter, manufacturing, science and technology, research and development, distribution, and certain types of service projects.
3. Each applicant must concurrently apply for, and secure, a State of Ohio Jobs Creation Tax Credit Agreement as authorized by Ohio Revised Code Section 122.17. **(This is a mandatory program requirement)**
4. At least 25 new, full-time jobs must be created and maintained by the company (taxpayer) within three years of initial operations. Upon the recommendation of the Administration, when there are extenuating circumstances, or when the conditions as described in Section 5 below are met, then projects creating as few as 10 new, full-time jobs within three years of initial operations may also be eligible to receive tax credits through the Kent JCTC program. For the purposes of this program, "new jobs" do not include transfers from affiliated companies within Kent, nor for wage and salary increases of existing jobs. Tax credits are not available for those jobs filled by non-residents of Kent, unless tax revenues are collected, and not refunded, for those employees of the participant who do not live in the City of Kent.
5. The average hourly base wage rate (excluding benefits) of the project's new, full-time, or full-time equivalent jobs for three years must be at, or above 150% of federal minimum wage (average income jobs). If the average hourly base wage rate (excluding benefits) of at least 10 new, full-time, or full-time equivalent jobs are at, or above 400% of the federal minimum wage (high income jobs), then the minimum number of new jobs to be created to qualify for this program is reduced to 10. Tax credits will be provided for only those eligible employees that meet the 150% and 400% wage rate categories listed above. In addition, the amount and type of employee benefits being provided will be considered, and may impact the term and amount of tax credit offered.
6. If the project involves an expansion or consolidation of an existing facility, the company must commit to retaining the current number of employees. The City of Kent tax credit will apply only to the net new, full-time, or full-time equivalent positions in the project at the Kent project location.
7. The project must involve a substantial fixed-asset investment in land, building, machinery/equipment, and/or infrastructure.

8. The company must demonstrate through its financial statements and sources and uses of funds, that it is economically sound, and financially viable.
9. The project must not have already begun. The applicant may not make a public announcement of the proposed project prior to receiving JCTC program approvals from both the State of Ohio and the Kent City Council. Employees hired prior to the above referenced approvals cannot be counted as eligible, new employees for the purpose of the tax credit programs.
10. The City of Kent must provide direct and primary financial support for the project in an adequate manner.
11. The company must demonstrate that the tax credit is a "major factor" in its decision to expand or locate at the Kent site.
12. The company must agree to maintain operations at the project site for at least twice the term of the tax credit, up to 20 years.

For those participants who meet the criteria listed above, the following apply:

- a. Refundable income tax credits shall be established by a written Kent Jobs Creation Tax Credit Agreement with each Applicant as authorized by Municipal ordinance.
- b. The maximum job creation tax credit granted under §181.21 will be 24% of the municipal income tax withheld on the qualifying new jobs. The rate of any tax credit granted to the applicant shall be established by the Kent City Council, and will be based on a recommendation by the Administration as determined by criteria established in the Kent Jobs Creation Tax Credit Program Description. This is a refundable credit against the company's Kent profit tax or an individual's income tax.
- c. The tax credit shall only apply to income taxes actually collected from the qualifying new jobs or against the company's Kent profit tax.
- d. The maximum term of tax credit granted under §181.21 shall be established by the Kent City Council, and will be based on a recommendation by the Administration as determined by criteria established in the Kent Jobs Creation Tax Credit Program Description. Under no circumstances shall the term of the tax credit exceed that provided to the applicant under the State of Ohio Jobs Creation Tax Credit Agreement as authorized by Ohio Revised Code Section 122.12.
- e. Failure to comply with the terms and conditions of the Kent Jobs Creation Tax Credit Agreement may result in the loss of subsequent credit for the duration of the agreement by action of the City Council.
- f. The participant shall comply with all applicable Municipal Code requirements.

APPLICATION PROCESS

1. All companies must have an initial consultation with City of Kent and ODOD representatives prior to submitting an application. The City of Kent can coordinate the consultation and site visit.
2. The completed application must be returned to both the Ohio Department of Development, and the City of Kent. There is no fee for the City of Kent JCTC program.
3. Applicants may not have any significant outstanding issues or liabilities with the City of Kent in the form of taxes due, or unpaid utility payments.
4. Kent City Administration will determine project eligibility and a recommended level of tax credit support to be offered to the Applicant. The Administration's recommendation will be presented to City Council who maintains authority with regard to the granting of tax support through the Kent JCTC program.
5. If the applicant receives JCTC authorization from the State of Ohio, and is approved by the Kent City Council for tax credits through the Kent JCTC program, then the City will enter into an agreement with the applicant for the amount and term of tax credit approved by Council.
6. If the Applicant ceases to operate at this location prior to the expiration of its Kent JCTC Agreement, the City of Kent shall have the right to terminate the agreement and demand repayment of all current and previously credited taxes through the Kent JCTC Agreement.
7. The Applicant agrees to provide the City of Kent reports annually no later than January 31 of each year in which the Kent JCTC Agreement is in effect listing the number of full-time and full-time equivalent jobs created in accordance with the provisions of the Kent JCTC Program, the payroll generated for each employment category and any other information deemed pertinent by the City of Kent, and as specified in the Kent JCTC Agreement.

RATE AND TERM OF TAX CREDIT

The amount and term of the tax credit is based on, but not limited to, the following criteria:

1. Number of new jobs created within the City of Kent (10 points maximum)
 - a. 1 point for the creation of the required, initial 25 average income jobs
 - b. 1 point for every additional 25 average income jobs created up to a maximum of 10 total points in this category
 - c. 2 points for the creation of the required, initial 10 high income jobs
 - d. 2 points for every additional 10 high income jobs created up to a maximum of 10 total points in this category

NOTE: Points may be awarded for the creation of both average and high income jobs up to a total of 10 points in this category.

2. Wages paid for the new jobs created (2 points maximum)
 - a. 1 point for the creation of average income jobs, **or**
 - b. 2 points for the creation of high income jobs

3. Level of capital investment expected through the project (5 points maximum)
 - a. 1 point for \$250,000 to \$1,000,000 of capital investment
 - b. 2 point for \$1,000,001 to \$3,000,000 of capital investment
 - c. 3 point for \$3,000,001 to \$5,000,000 of capital investment
 - d. 4 point for \$5,000,001 to \$7,000,000 of capital investment
 - e. 5 point for \$7,000,001 or more of capital investment

4. Type and amount of benefits provided to new employees (5 points maximum)
 - a. **Minus 5 points** for absence of basic benefits program
 - b. 1 point for two-weeks, or more, of paid vacation after one year, or less, of employment (basic requirement)
 - c. 2 points for employer paid health insurance coverage (basic requirement)
 - d. 1 point for employer paid dental insurance coverage
 - e. 1 point for employer paid vision insurance coverage

5. Location of the proposed project (5 points maximum)
 - a. 2 points for location in Central Business District (boundaries as defined by Kent City Council)
 - b. 2 points for location in a Brownfield site (Brownfield definition as established by the State of Ohio)
 - c. 1 point for location in an existing building
 - d. 2 additional points for location in an historic building (designation of an historic building utilizing the Ohio Historic Preservation Office guidelines)

6. Total amount, and type, of City of Kent economic development incentives requested, and previously received (10 points maximum)
 - a. 1 point for utilization of State of Ohio incentive programs other than the Ohio JCTC
 - b. 2 points for utilization of the Kent Community Reinvestment Area (CRA) Program
 - c. 1 point for use of Kent Enterprise Zone (EZ) Program
 - d. 2 additional points for utilization of a Compensation Agreement between the impacted School District and the applicant returning 25% of the abated taxes or more through either the City's CRA or EZ Programs
 - e. 2 points for use of City Revolving Loan Fund
 - f. 2 points for use of City Facades Improvement Program
 - g. **Minus 5 points** for requiring infrastructure improvements funded with more than 50% of the costs attributable to the City
 - h. **Minus 1 point** for utilizing both the CRA and EZ programs in the absence of a Compensation Agreement between the impacted School District and the applicant returning 25% of the abated taxes or more through either, or both,

programs

7. Location of corporate headquarters (5 points maximum)
 - a. 1 point for businesses with 25 - 50 employees
 - b. 1 point for each additional 25 employees up to a maximum of 5 total points in this category
8. Number of years within the City of Kent (5 points maximum)
 - a. 1 point for at least five, consecutive years of active service in the City of Kent
 - b. 1 point for each additional five, consecutive years of active service in the City of Kent up to a maximum of 5 total points in this category
9. Commitment to hiring disadvantaged persons and/or minorities – 1 point for demonstrated disadvantaged persons/minority hiring program
10. Measure of relative competitive advantage (2 points maximum)
 - a. 2 points for businesses in industrial classifications not previously represented in the previous local industrial mix
 - b. **Minus 2 points** for companies in industrial classifications where there are existing, established companies within the City in the same, or similar, industrial classifications

Extraordinary Circumstances – The Kent City Council may modify the rate and term of the JCTC awarded to an applicant under one or more of the following conditions up to a maximum of 5 points, for:

1. Businesses graduating from a City of Kent sponsored industrial incubator program
2. Businesses creating 25 or more jobs specifically targeted for City of Kent residents
3. Businesses solidifying an economic connection between the University and the City of Kent
4. The State of Ohio grants special condition to applicants in the award of their JCTC

APPLICATION CONFIDENTIALITY

1. Financial statements and other information (including, but not limited to, tax returns) submitted to the City of Kent by the applicant are generally not considered public records subject to Section 149.43 of the Ohio Revised Code: The City Manager or his/her designee may, however, make use of the information received, including but not limited to the following, for the purpose of issuing public reports:
 - a. Name of the business entity;
 - b. Description of the project;
 - c. Location of the project;
 - d. Number of jobs created and/or retained;
 - e. Amount of fixed-asset investment in the project;

- f. Percent and terms of the tax credit, dollar value of the tax credit, years the company wants the tax credit to begin and end; and the
 - g. Business entity's contact person, office address, and telephone number.
- 2. The City Manager or his/her designee may also make use of the statements and other information in connection with court proceedings concerning the Tax Credit Agreement.