



ECONOMIC DEVELOPMENT STRATEGY

Economic Development Strategy

The preceding chapters of the Comprehensive Economic Development Plan identified the Community's preferences for population growth, annexation and, type of municipal services, including roadways and bikeways. The preferred levels of these services was also identified along with preferences for other quality of life amenities. These quality of life choices will bring great value to the community, but these choices will also have monetary costs associated with each one. The next step in the planning process is to relate these costs (preferences) to the amount and type of economic development the City needs to pursue in order to build the community of choice.

Hilliard is at a strategic point in its ever-evolving growth and development. Fortunately the existing pattern of growth is reasonably "smart". Current development is compact. As gaps are filled, this pattern will serve to make the City more functional by connecting the now disparate parts of the community. Growth within the current City limits is well managed and can continue without a concern that unexpected service costs will be incurred at a later date. Annexation, however, poses a much greater concern. It is apparent that development within newly annexed areas will be costly, as the development pattern must establish a whole new land use dimension with respect to function, character and image. The preferred conservation development is likely to have higher service costs associated with the somewhat more remote clusters of neighborhoods. The pressure for more annexation is entirely driven by the residential development market. The prospect of additional revenue producing property is limited, unless it is purposely created. To add to the potential fiscal burden, Ohio's new annexation law will

require Hilliard to share revenue with Brown Township should new annexation occur.

Hilliard has the opportunity to be a well balanced dynamic community given the good health of the central Ohio economy. While residential growth and development continues within a controlled framework, the community may comfortably devote its resources to “ripening” itself as a prominent location for economic development. Development associated with the Tuttle interchange just to the north of Hilliard is now nearly complete. The development synergy created at this location will most assuredly be extended down the I-270 corridor into the City of Hilliard. This economic migration notwithstanding, the municipality must still have an economic development strategy to capture this opportunity. There is a great deal of competition for economic development throughout the County and the development market changes very rapidly. Hilliard, along with other communities, is in a fight for its economic survival. The need for revenue to pay the costs associated with building a desirable city all point to a great need for an economic development strategy.

Fiscal Analysis

As a means of developing recommendations on the type and extent of economic development, the first step was to analyze the fiscal implications of the Land Use Plan. This would determine whether or not the plan provided for sufficient revenue producing opportunities to pay for the residential growth that Hilliard must accommodate over the next twenty years.

A review of the Land Use Plan concluded

that the City's existing and future employment areas are appropriately planned but there is little potential for a significant amount of additional revenue producing property to be incorporated into the plan. This raises a concern that there may not be a fiscal balance between residential and commercial development over the long term. The lack of additional revenue producing property may require the municipality to increase the employment densities of the designated commercial sites or, on the other hand, slow the rate of residential growth and development. In either case it is assumed that Hilliard will increase its expansion and retention programs to maximize revenues from existing commercial sites.

Fiscal Implications of Growth

The current population of the city of Hilliard is 25,300. As discussed in previous chapters of this Plan, the City can expect the population to increase by 700 new residents per year from the construction of new dwelling units. The residential build out analysis determined that approximately 2500 additional new dwellings could be built within the existing incorporated area. At 250 new dwellings per year (the current rate of residential construction), the build out of the existing corporate limits may occur in ten years. At 2.8 persons per household, 700 new people will be added to the City every year. Within 10 years the population is expected to be 32,300. If additional property is annexed, it is very likely that the projected number of dwelling units will substantially increase as new master planned subdivisions will offer more housing choices. An annexation scenario will be discussed later.

The analysis that follows was prepared to link the need for economic development with the rate of population growth. For purposes of

this analysis only the costs and revenues accruing to new growth were considered. The planning process validated the community's satisfaction with its current level of city services and there appeared to be no major service gaps looming in the future. It was therefore assumed that the current per capita operating expense of \$721.00 would adequately represent a revenue goal the City should achieve in order to maintain adequate service levels as the City grows.

Given Hilliard's projected growth rate, the annual revenue growth needed to cover operating expenses (700 x \$721) is \$504,700.

To further the analysis, a list of capital improvements was prepared to identify the City's future capital costs related to accommodating new residential growth. It was estimated that the total capital need related to future growth will be \$28,264,500. This cost may be spread over 20 years at 6% to arrive at an annual expenditure of \$1,498,018.

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A key component of this analysis is projecting the revenue and the capital expenses associated with Hilliard's future commercial areas. The economic development sites that were used for this analysis consisted of the four largest undeveloped parcels along I-270. These parcels were

- Trueman West at 120 acres
- Soma at 109 acres
- Ansmil at 214 acres
- Highlights at 175 acres

Based on the existing zoning of these parcels, it was estimated that the annual

payroll tax generated from these tracts would be in excess of \$10 million.

The capital improvements necessary to develop these parcels is estimated to be \$65,660,500. This cost was spread out over 20 years at 6% interest to arrive at an annual expenditure of \$3,480,000.

The analysis of a build-out scenario within the existing corporate limits is found in the adjacent table.

The analysis was repeated to examine the fiscal implications of development that would occur on land that would be annexed to Hilliard. Annexation is discussed on page 10. Development within annexed land will substantially increase the number of residential dwelling permits, as it would assumably provide more variety and choice in home types and styles. The development of this land will also substantially add to the number of capital improvements the City will have to make to service the expanded community.

The annexation scenario assumes that the City will issue 450 single-family building permits per year for the next 20 years. This will result in 1260 new residents per year. The per capita operating expense to service this growth will be \$908,460 (\$721 X 1260). The total cost of capital improvements attributed to residential growth in this scenario is \$131, 098,500.

The development forecast for the commercial areas remains as it was in the previous scenario. The annual cost of capital improvements will be \$3,480,000 with annual revenues of \$10,217,824.

A comparison of costs and revenues for the annexation scenario is shown adjacent.

City of Hilliard Comprehensive Economic Development Master Plan	
Analysis of build-out within existing corporate limits	
Total Capital Improvement Needs	\$28,264,500
Annual Cost over 20 years @ 6%	\$ 1,498,018
Annual ED capital expenditure	\$ 3,480,000
Per capital operating expenditure	\$ 504,700
Total annual expenditure	\$ 5,482,718
Annual payroll tax revenue from new development	Approx. \$10 million

City of Hilliard Comprehensive Economic Development Master Plan	
Analysis including annexed areas	
Total Capital Improvement Needs	\$131,098,500 (attributed to new growth)
Annual Cost over 20 years @ 6%	\$ 6,948,220
Annual ED expenditure	\$ 3,480,000
Per capita operating expenditure	\$ 908,460
Total annual expenditure	\$ 11,336,680
Annual revenue from new development	Approx. \$10 million

Implications for Economic Development and Future Planning

The demographic and economic profile and the analysis of future trends all conclude with the fact that Hilliard will attract its share of economic growth in the coming years. It must be warned that this development will not be automatic. Competition from surrounding communities will be steep and development deals are becoming increasingly more complex. Successful economic development will require the City to be in the right place, at the right time, with the right set of tools to facilitate commercial development.

The market analysis indicates that Hilliard can safely make the investments necessary to position itself as a vital location for economic development. It must take the necessary steps to put the community on the regional and statewide list of must-see sites.

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Unlike many communities, the investment of time and money into economic development will result in an additional benefit to the Hilliard community. Change caused by economic development has the potential to appreciably enhance the image, identity and character of the community.

Focus on Livability

The results of the fiscal analysis determined that the Land Use Plan is well balanced between residential and commercial property. This fact will provide City decision-makers with the confidence that the City can afford to focus on long term quality of life issues. The current tight revenue picture should not be an excuse to not seek quality in the built environment. Physical

change must be evaluated against its potential contribution toward enhancing the vitality, character and image of the community. A key aspect of this evaluation will be to define and maintain a high quality standard for commercial development. It will also be important to adhere to the objectives set forth in the traffic code pertaining to the maintenance of acceptable levels of traffic. Built-in amenities such as parks, open space, and bike and pedestrian trails for use by residents and workers, will also be a way to make each improvement increase the livability of the community.

The planning of future capital projects may also take on a longer-range outlook. Thoughtful creative design of these very visible projects must insure that the finished product is both functional and attractive.

The projects of particular importance are the traffic improvements to the Triangle Area and the Leap to Walcutt connector. The triangle formed by Main Street, Cemetery Road and Scioto Darby Road is an extremely important crossroad within the community. The widening of these roads must be done with a great deal of care so that the road improvements contribute to the historic fabric of Old Hilliard in both form and function. This project must be approached as a redevelopment project much as a road widening project. The redevelopment may be an opportunity to line the street with office or residential uses that will serve to enclose the street and generate activity.

The proposed Leap to Walcutt connector is another project that will require a more comprehensive planning and design approach. This project should be viewed as a redevelopment opportunity that will provide this area of the community with a visible landmark and an organized development pattern.

Both of these improvements should be planned and phased in a manner that will set up a long-term land use improvement. Project support and even private sector participation may be pursued well in advance of the final design of these projects. When the capital improvements associated with the economic development sites are completed and development is underway, the City will be able to focus more closely on the renewal and enhancement of the smaller planning areas that strongly contribute to the identity of the community. The area most deserving of this attention is the Old Hilliard District. Development options within Old Hilliard must be preserved and all change must be managed in a manner that positively evolves this important area of the City.

Keep Up with Growth

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The results of the fiscal analysis determined that the City should set a target annual revenue increases of approximately \$600,000. This is the amount necessary to maintain quality services over time. The target amount will increase as the annual operating budget increases. In terms of the current budget the target amount equates to one (1) \$43,000 job per new resident.

The current average annual salary of office workers is in the range of \$30,000 to \$35,000. The target amount will be raised from a total payroll of \$22.6 to \$30 million. At a typical standard of four (4) workers per 1000 sq. ft., the target revenue would be raised in 175,000 sq. ft. of office space. To put this target in perspective, 175,000 sq. ft. represented one-third of the total amount of space absorbed in the effective market area in 2001.

Promote the Entire Range of Economic Development Opportunity

The economic development strategy should concentrate on office development since it is the land use that yields the highest income tax revenues per worker. It is also the most appropriate use of the land along I-270. Given that, other economic opportunities must not be discounted. Hilliard is fortunate to have a good inventory of economic development sites that will allow it to market a wide variety of businesses. These businesses will include light manufacturing and assembly, call centers and limited retail. The southern portions of the Ansmil site and the Highlights site are appropriate for these uses.

Seek Additional Sources for Capital Improvement Funds

The capital improvements cost associated with preparing the City's primary economic development sites for construction will require the City to examine a range of funding mechanisms. Innovative funding is necessary to allow the City to make as many of the improvements as possible. This will allow the full range of development opportunity to be marketed. The tax increment financing tool provided for by state law represents an excellent tool by which the costs of the infrastructure may be paid from new property tax generated by the development. It is also the only way these improvements will get implemented within a short time frame. The prime economic development sites are under the control of owners who have little need to aggressively market and sell their property. This will require the City to initiate and facilitate the sale of these properties. In doing so, it is likely that the community will have to incur more of the costs associated with development. The tax

increment financing tool offers the City the ability to serve as developer and use the revenue generated from the development to pay for the costs of the infrastructure. It will be extremely important to have the School District fully knowledgeable about the large investment the municipality must make to position the community for quality development.

Fully Evaluate Future Annexations

Further annexation will be costly as it creates a whole new pattern of development. This new pattern of development will require the City to make substantial adjustments to the way it provides municipal services. Distances will be further, the cost of environmental mitigation will be greater, and the rate of growth will substantially increase.

Annexation is a very strategic issue due to the competition for annexation by surrounding communities. Hilliard is in a position to suffer the adverse impacts of development not within its control. Hilliard's policy should not be one that refuses annexation, but rather one that cautiously accepts annexations only after evaluating the costs and the consequences of the proposed development. Ideally the issue of annexation will not have to be addressed until the City has the infrastructure and funding mechanisms in place for its economic development sites. At that time the City's fiscal outlook will be much clearer. This will make the evaluation of the cost and benefit of proposed annexation much more straightforward.

If the municipal funding mechanisms are not in place the City must consider seeking increased developer participation in making the offsite capital improvements that are

necessitated by their developments. In addition, homeowner associations may be created to take on some of the operating services such as maintenance or even trash collection. As previously recommended in the Plan, the City should require development plans for annexed areas be tied to established revenue targets. This may require developers and landowners to plan for land uses that will produce the revenue necessary to pay for their developments. Applications for development may be used to hone fiscal impact study.

Given current state annexation laws, it is likely that future annexation will require increasingly sophisticated joint economic development and revenue agreements. This may provide the impetus for Hilliard, Columbus and Brown Township to undertake an area-wide plan that will sort out revenue and expenditures while developing a plan for this environmentally sensitive area.

Concentrate on Business Retention, Expansion and Enhancement

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The results of the fiscal build out analysis determined that Hilliard's greenfield development sites will generate an annual revenue of just over \$10 million. The existing commercial areas of the City are currently generating \$15 million. This simple comparison underscores the importance of developing an economic development strategy that puts the retention, expansion and enhancement of businesses as the highest priority.

The chief objectives of a retention and expansion program are to constantly communicate with all businesses to determine how the City may collaborate with the business community to enhance the business environment. The City

may also identify local, state and federal resources that may aid businesses to become stronger and potentially larger. It is also extremely important to anticipate business space needs so that solutions may be brokered to keep at risk companies in the community.

Economic Development Strategy Recommendations

The information and analysis of the Comprehensive Plan presents a real need to establish a strategy for ongoing economic development activities. It is clear that the City must aggressively facilitate the development of commercial property in order to maintain the quality of life now enjoyed by the community. The vision, goals and community preferences identified in the plan all relate to the important role economic development must play within the community.

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Chapter 3 presents a demographic and economic profile of the Hilliard community, assesses its competitive position and makes recommendations for improving Hilliard's potential for attracting new development. The following recommendations build on that information by providing a series of recommendations on what the City can do to strengthen its economic development capacity.

Recommendation: Enhance the quality of life

First and foremost the City should concentrate on quality of life issues related to the attractiveness of Hilliard as a place to live and work. The Comprehensive Economic Development Master Plan is

an ideal vehicle in which to communicate the vision, the preferences and the positive direction the community has decided to pursue. It demonstrates a commitment to build a better community. A better community is one that is more easily marketed. If these ideals and principles can be sold to outsiders then it will be an easy sell to those already in the community. The Plan also demonstrates that the community is in control of its destiny and is positioned to act in a fiscally responsible manner as the community continues to grow and mature. Good fiscal management and a strong sense of cost and benefit will allow the community to pick and choose among potential economic development prospects.

The physical form recommendations of the Comprehensive Economic Development Master Plan will also serve as a good marketing tool for economic development. The Plan clearly describes an achievable ideal that will bring lasting value to real estate investments. The City's reasonably compact pattern of development provides for quiet residential neighborhoods and vibrant commercial areas that will be attractive to future employers. The historic district of the community presents a very real picture of a solid community that rallies around education, civic life and recreation. Instilling the spirit of the Plan into every growth and change decision will positively evolve the community in a manner that increases the character, identity and livability.

The social dimension of the community is another important component of its health and vitality. A strong and active Chamber of Commerce and Visitor and Convention Bureau can participate in bringing the business community together to promote itself and to celebrate its collective accomplishments. The Old Hilliard Association is in a similar position to take on this role. The Chamber

may also participate in direct economic development activities related to increasing communication between the business community and the City, monitoring trends and key businesses, as well as taking a leadership role in implementing retention and expansion strategies. These are important tasks, however, it is the social nature of chamber activities that are a very visible symbol of the community's desire to create and maintain a successful business environment. It is also indicative of the level of sophistication necessary to form partnerships with surrounding communities and the State of Ohio to further larger goals related to those entities. In the long run, the social focus will begin to transfer into a sense of belonging and identity that in turn will promote a higher degree of civic involvement and match the social vision of the community plan with the physical vision.

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The final use of the plan as an economic development marketing tool is to demonstrate the City's ability to continue to provide quality city services as the community continues to grow. The plan demonstrates that private sector investment will be matched by public sector investment that is comparable and perhaps surpasses that of other communities.

Recommendation: Develop a point source for economic development activities

It is recommended that a single economic development entity be responsible for business development within the community. This responsibility will be vested with the Hilliard Economic Development Director and it must be done so in both title and practice. The Hilliard Economic Development Director must be given clear directives and authority

to guide the community's economic development effort. These directives must include funding, expectations and an understanding of the political considerations that can make for timely decision making. The ongoing duties of the director will include developing the appropriate data bases of community and prospective contacts, developing the "message" about available opportunities and then selling the community at every opportunity.

Other duties of the Economic Development Director should include:

- Developing and maintaining a prospect database
- Coordinating with other entities related to economic development and the recruitment of new business
- Acting as a liaison with the Mayor and other city staff on infrastructure, incentives, permits and the development process
- Acting as primary media contact concerning economic development

The Economic Development Director should prepare an economic development plan that will identify potential development targets. These targets will vary from year to year as determined by the health of the economy, by most recent development trends, serious prospects and by the Director's own feel for the local development market. These targets are not used to judge performance, but rather to serve as an honest professional assessment of Hilliard's commercial revenue goals and its ability to attract the necessary development. Since the development of Hilliard's remaining economic development sites will be paid for by tax increment financing agreements, the projections made for those agreements are likely to represent a major portion of the annual revenue goal developed for the plan. The Economic Development Plan must also continually assess Hilliard's competitive

position with respect to types of sites, incentives and other quality of life factors. The plan should also seek ways to increase the City's ability to respond to the needs and issues of local businesses.

Recommendation: Formalize an incentive policy

Currently the most widely used incentive tools used by local government in Ohio are community reinvestment areas, enterprise zones and tax increment financing. The following is a short description of each:

The **Community Reinvestment Area (CRA) Program** permits property owners to receive tax incentives for investing in real property improvements. The CRA program is a direct incentive tax exemption program benefiting property owners who renovate existing or construct new buildings. The Hilliard City Council has the legislative authority to determine the size, the number of areas and the term and extent of the real property exemption. Real property may be abated up to 100% for up to 15 years.

Currently all of Hilliard's existing and proposed business areas have been designated as CRA areas.

The **Ohio Enterprise Zone Program** permits local officials to negotiate with businesses to encourage new business investment within designated target zones. Once a community receives an Enterprise Zone Certification from the Ohio Department of Development the amount and term of the potential tax exemption are negotiated between local officials and the company. The Enterprise Zone Law permits the exemption of real and/or personal property assessed values of up to 75% for up to 10 years.

Tax Increment Financing is a mechanism to finance public infrastructure by redirecting new real property tax revenues to a targeted debt retirement fund. A portion of the value of new real property improvements occurring on specified parcels is exempted within the formal local TIF authorizing legislation. The TIF revenue stream can only be used to finance public infrastructure directly serving the real property specified in the authorizing legislation. Local jurisdictions implementing a TIF may exempt up to 75% of the value of the real property improvements. The term of the exemption can be for up to 10 years. The exemption level can be increased up to 100% and up to 30 years with the approval of the Board of Education.

As discussed above, the program best suited to address Hilliard's capital improvement needs is the TIF program. Potentially the CRA program could be utilized to renew some of the older industrial structures especially where there are current conflicts with existing single family homes. Higher office densities on land that is adjacent to the interchange may also require incentives to develop to their maximum potential. It is clear that the Administration, City Council and the School Board must come to an agreement on the use of incentives. The simple fact is that the municipality cannot pay for the large capital expenditures and make the District whole at the same time. The bar has been raised on the attractiveness of public improvements. The attractiveness of the Tuttle Interchange is a case in point. More visibly attractive improvements will cost more, but will yield high dividends related to attracting quality commercial development and enhancing Hilliard's identity and reputation as a quality community. The District must be sensitive to this dilemma and work with the municipality to level out these costs as much as possible. The policy and potential incentive scenarios must be agreed upon and made part of the authority

given to the Economic Development Director to begin negotiations with potential developers. A good incentive policy will maximize public investment.

Recommendation: Pursue business retention and expansion within a framework of change

It is recommended Hilliard further the planning process by developing the planning and design guidance tools that will direct growth and change in the community's existing employment areas. These tools will fulfill a number of potential objectives related to retention, expansion and enhancement of existing businesses. The primary objective will be to reposition the older industrial and warehouse areas to be more conducive to a mix of business uses. As part of the process the City may also seek to increase employment densities on underutilized properties as well as to resolve existing land use conflicts. The desired result of the process will be to have an adopted set of development standards and guidelines that will serve to articulate the City's commitment to enhance its business environment as well as be a road map for implementation.