

Economic Development

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Hilliard Comprehensive Plan



Chapter 8:

Economic Development

Economic Development Goal

Hilliard will be a prosperous and fiscally balanced community that takes advantage of new and emerging markets, as well as underutilized properties, to increase its tax base and maintain the high level of services residents have come to expect.

Hilliard must ensure that population growth is balanced with business and employment growth, providing improved access to local employment and generating additional revenue to the City. Though Hilliard has done a good job of attracting major employers to the City, more progress can be made to encourage the growth of new and local businesses, as well as satisfy Hilliard's retail demand.

The City is striving to be a great place to live and do business, providing a desirable community for employees to live, and a local government that is supportive of both small and large businesses. New strategies to create mixed-use employment, residential, and retail centers will help Hilliard provide a range of commercial office and retail

spaces surrounded by very desirable amenities. This will further improve the desirability of doing business in Hilliard, and help attract and retain an increasingly talented workforce.

Combined with traditional economic development strategies, the promotion of mixed-use, amenity rich developments comprise Hilliard's two-pronged approach to help ensure long-term economic health and stability for Hilliard. The City's Economic Development Department is allied with other state, regional, county, and local non-profit economic development entities and as such, is able to establish comprehensive strategies that can be implemented by the City. Excelling at providing a desirable range of financial incentives

will continue to be a critical component of driving economic development in Hilliard.

Economic development is an important component of the Comprehensive Plan, tying together recommendations for business and employment growth, future land uses and infrastructure development. The recommendations in this chapter also provide strategies that will help the city be a key player in the regional economy. These strategies will support and strengthen the economic viability of existing industries, foster a stable and competitive business climate to draw business to the city and, encourage new business start-ups, as well as encourage growth in several targeted sectors to the city.

Economic Development Key Findings

Much has changed since the 2003 Community Development Plan. With the economic downturn, many of the assumptions made in the 2003 Plan did not come to fruition. As a result, new strains were put on maintaining the balance between providing quality services, and attracting and promoting economic development.

In creating an update to the economic development strategy for the City, it is imperative to revisit the decisions of the past. This includes understanding changes in the marketplace and the effects these changes will have on future development opportunities, and where and how the city will grow in the future. As part of this planning process, the consultant team conducted a full market study (Appendix A) to better understand current real estate market conditions, and help assist future trends and opportunities.

This plan responded to the market findings by recommending policy changes to encourage inward, more compact growth, and to promote a wider variety of choices for both housing and office space through the creation of mixed-use, and flexible office use growth areas that will be attractive in the near future. Hilliard's economic development and future growth potential was evaluated, particularly in the Focus Areas, as was how development in these areas will impact the city. The economic success of the city will in large part depend on how these areas are developed.

The previously mentioned market study, public input, and guidance of City officials greatly informed the economic development component of the Comprehensive Plan. This approach, grounded in local knowledge and technical research, provides an intuitive and informed plan for the City's economic development.

Economic Development - General Strategy

As noted in the Focus Area Chapter, four Focus Areas were selected to target and direct future residential and economic growth in the community (see Map 4.4 on Page 59). These areas should be considered first when policies and programs

are developed to support economic development. Of the four Focus Areas, the number one priority should be promoting development in Old Hilliard. The City has, and should continue to make Old Hilliard a priority. In 2004, the City used CDBG funds to mitigate flooding issues which created new opportunities for economic development. Since then, the City has continued to invest in Old Hilliard by constructing a new streetscape on Main and Norwich streets, and building Hilliard's First Responders Park. Future investments should include the proposed Hilliard's Station Park, Heritage Rail Trail extension, streetscape improvements on side streets, and necessary sanitary sewer capacity improvements.



Figure 8.1 – Development in the Focus Areas presents an opportunity for Hilliard to create a wide range of retail, housing, and recreational amenities needed to attract premium large and small business office users.

Table 8.1 – General Revenue by Categories (2009 Year-End Projections Compared to 2010 Estimate)

	2009	2010	Change	
Category	Projection	Estimate	Amount	Percent
Income Tax	\$ 12,198,938	\$ 12,991,869	\$ 792,931	6.5
Real Property Tax	\$ 1,340,968	\$ 1,313,405	\$ (27,563)	- 2.1
Shared Taxes	\$ 1,598,620	\$ 1,439,052	\$ (159,568)	- 10.0
Interest Earnings	\$ 186,328	\$ 350,250	\$ 163,922	88
Fines and Permits	\$ 979,9860	\$ 995,200	\$ 15,214	1.6
Fees for Services	\$ 2,119,228	\$ 2,362,151	\$ 242,923	11.5
Other	\$ 103,792	\$ 104,500	\$ 708	.7
Total General Fund	\$ 18,527,860	\$ 19,556,427	\$ 1,028,567	5.6

Source: City of Hilliard 2010 Operations Budget and 2009 Projections

General Fund

Table 8.1 shows the revenue sources for the City. These revenues are used to fund primary government functions, debt service obligations, and capital improvements. Revenues are primarily generated from a two percent municipal income tax levied on all who earn income in the city, as well as residents who earn income in a city or township with an income tax of less than two percent. An offsetting credit of up to two percent is available when income tax has been paid to another city or township.

In 2010, income tax revenue is estimated at \$12,991,869 or approximately 66 percent of the City’s revenue, with income tax revenues increased by approximately 5.0 percent on a cash basis from 2009 to 2010. As noted in the 2010 operations budget, the 2009 revenue projections led City Council and the City administration to demonstrate flexibility in funding General Fund expenditures. Both agreed to contribute 71 percent of income tax revenues to the General Fund.

This was a significant change from the historical contribution of 62.5 percent with the remaining 37.5 percent spent on capital improvements. This seemed reasonable given that the City’s Capital Improvement Program (CIP) has been and will continue to be supplemented by capital project contributions financed by Tax Increment Finance (TIF) districts. Hilliard currently has 37 TIF districts, most repaying developers for infrastructure improvements they contributed as a part of development projects. These revenue sources continue to enable the City to fund capital improvements to infrastructure, helping the city attract economic investment. Hilliard must continue to utilize all of the tools available from the state legislature to generate additional revenue, and maintain service at the current level.

**Market Study and Economic Forecast
Office Uses**

A weakened demand for office space, coupled with overbuilding, has resulted in high negative net

absorption and lower marketability of the existing office product.

The marketplace for large, multi-tenant office space within Central Ohio has struggled significantly during the latest market downturn; resulting in high vacancy rates, negative absorptions, lower rents and owner concessions. Though the absorption rate a decade ago was over 215,000 square feet per year; current projections anticipate that growth will be limited to approximately 110,000 square feet over the next five years.

Preference toward office space has changed; leaving a high rate of vacancy among existing aging office space in Central Ohio, especially space that cannot easily be converted to a multi-tenant use. The Hilliard office market is heavily weighted toward single user class ‘B’ and ‘C’ space; making up over 87 percent of the marketplace. Given the high share of class ‘B’ and ‘C’ in Hilliard, and that such classes of office space typically commands lower rents, the average office rental rates in the Comprehensive Plan study area were 25 percent less than the central Ohio average for suburban office space at the time of the market study. (see Appendix A: Market Study, Market Assessment, II-4).

Development of new small/flexible office space will help attract and retain small business.

Small business, being the catalyst behind much of the economic growth in the country, has been recognized by the City when planning for current and future office demand. The majority of Hilliard’s commercial office development and rezonings have been focused on promoting small business development. This type of development has already been implemented at several locations

around the city. This trend toward smaller product is anticipated to increase and will continue to be considered as the City plans for future growth. This can be accomplished by following the trend towards office space that is a smaller and more flexible product, includes shared resources (shared common areas), and has increased operating efficiency.

The Dublin office market is affecting Hilliard's ability to support future corporate office development. High vacancies in Dublin's large class 'A' office product has affected the City's ability to attract large-scale, highway oriented corporate office developments. This trend will likely continue over the next five to 10 years as demand catches up with excess supply of office space particularly in Dublin, and in most suburban central Ohio suburban communities. Hilliard has and continues to adapt, promoting the development of smaller, flexible office space. This has improved the office condition in the city by competing in a segment of the office market that attracts small to medium sized businesses.

Increased Operating Efficiency

Many office users are looking to occupy space that has an increased level of operating efficiency to reduce overhead costs. Smart meters are one amenity for new office users to increase efficiency. Smart meters are an advanced meter that records consumption in intervals of an hour or less and communicates that information back to the utility for monitoring and billing purposes.

Retail Uses

Many existing retail centers and corridors are becoming non-competitive in the local and regional marketplace. Though retail vacancy rates within Hilliard are below regional averages, reinvestment and redevelopment of aging centers should be encouraged to maintain quality tenants and improve the image of several of the retail corridors. The results of the market study indicated Hilliard will experience moderate growth over the next 20 years at approximately 1.3 percent annually. The study also recommended Cemetery Road as a priority for redevelopment given the corridor's high traffic volumes and the large number of adjacent households.

Industrial Uses

Current large single use industrial space may not be viable for future tenant needs. According to the market analysis, the market for industrial space warrants very little new development. Current and future demand is tenant specific and therefore built to specific tenant needs. Although there may be a supply of 500,000 square feet of available space, much of it may not be marketable because it is not flexible space. Older less competitive industrial space in and around Old Hilliard should be replaced with more compatible uses, such as retail and medium to high density residential. The market analysis indicates only 115,000 sq. ft. of light industrial/warehouse space should be added to the market over the next five years.

Development Incentives

Hilliard offers a comprehensive package of development incentives to assist and encourage business growth in Hilliard. The City's Economic Development Director evaluates each project on its own merits to determine if economic incentives should be extended. Should it be determined that the City should offer assistance, the Director will negotiate the incentive package tailored to meet each businesses' unique needs. Key factors evaluated by the Director include a business' quality of payroll, growth prospects, compatibility within the community, level of investment and commitment to stay in Hilliard. Two of these incentives are Tax Increment Financing (TIF) Districts and Community Reinvestment Areas. Map 8.1 on page 170 shows where the City has established TIFs and CRAs.

Tax Increment Financing (TIF's)

Hilliard has successfully used Tax Increment Financing to generate funding for public infrastructure improvements necessary to accommodate new development. For properties within a TIF district, the property tax revenue generated from a property's increase in value (land and improvements made possible by infrastructure improvements) is directed to pay for the public improvements needed to support the development. Generally a TIF district is dissolved once the public improvements have been paid for. In 2009, Hilliard had 37 TIF districts that have produced about \$45 million in privately-financed public infrastructure improvements. In these arrangements, Hilliard generally insists that a developer hold the bond or loan for the capital

improvement. Over time, they receive debt service payments to pay off these bonds or loans. Debt service payments generated from active TIF districts totaled \$1.5 million in 2009.

Community Reinvestment Areas (CRA) and Enterprise Zones (EZ)

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. Real property may be abated up to 100 percent for up to 15 years. Currently, all of Hilliard’s existing and proposed commercial and industrial areas have been designated as CRA’s.

Enterprise Zones (EZ) are areas of the city where businesses seeking to start or expand operations can receive property tax abatements on new structures or building additions that facilitate new or expanded operations. Both the CompuServe (Verizon) and Laserflex properties had enterprise zones that ended at the end of 2010. The BMW property has about 10 years left on the abatement; however, this incentive was switched to a CRA to gain more local control over the incentive.

Tax Increment Financing (TIF’s)

TIF can be used to finance such public infrastructure serving new investment on one parcel or a number of parcels totaling up to 300 contiguous acres. Similar to the Ohio Enterprise Zone (EZ) program, the TIF program enables counties, municipalities, and townships to exempt from real property taxation the new value added to a parcel or group of parcels as a result of infrastructure investments. These funds are used to pay the debt service on the infrastructure investments. To use TIF, improvements must first be declared to have a public purpose by local authorities.

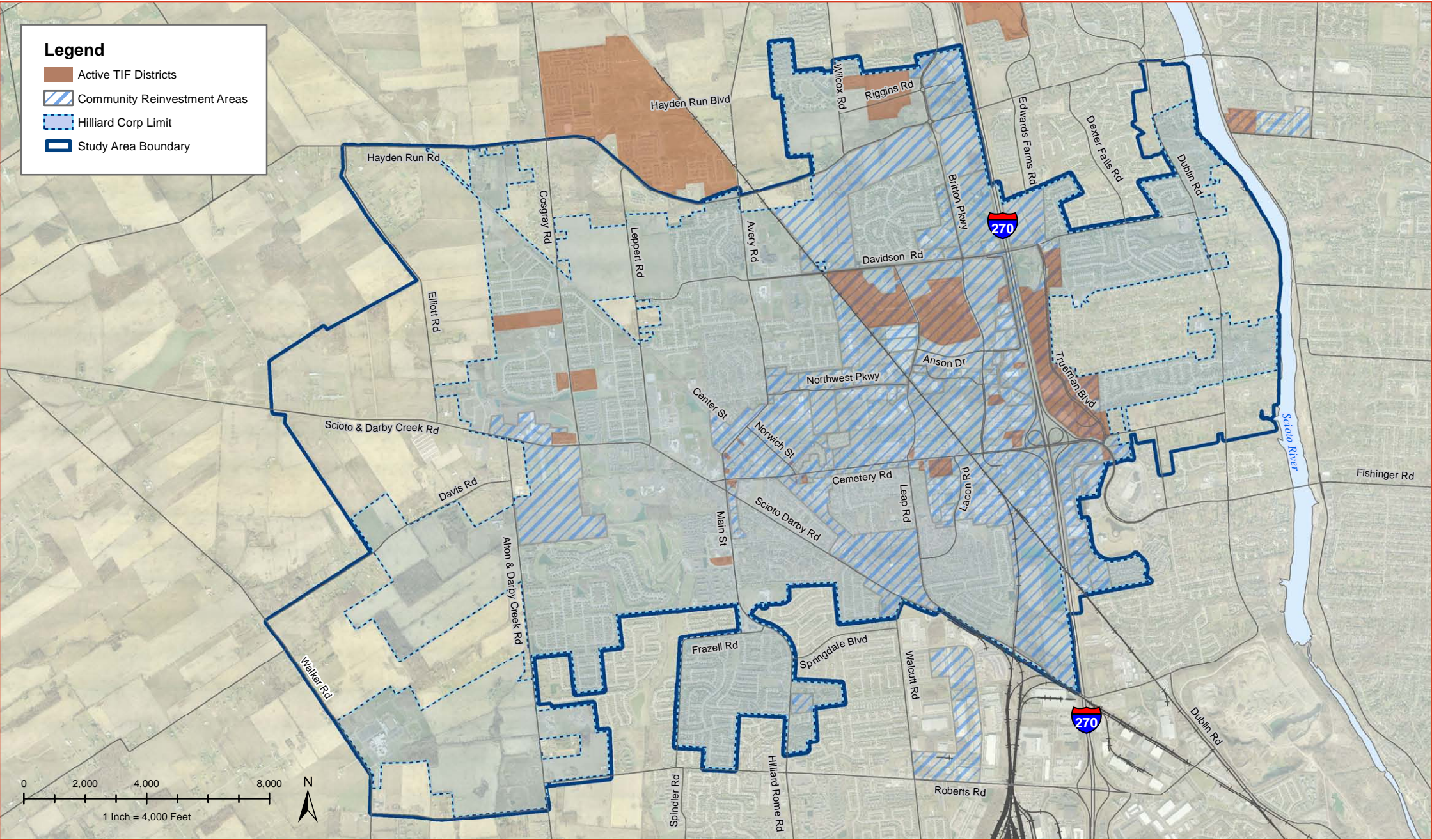
According to the Ohio Revised Code, public infrastructure is considered:

- Public roads and highways
- Water and sewer lines
- Environmental remediation
- Land acquisition
- Demolition
- Storm water and flood remediation
- Gas, electric, and telecommunication services



Figure 8.2 – Hilliard has a number of large office sites and complexes that have attracted corporate users. Over the next twenty years, the city will have new opportunities to develop other corporate sites, however, there will be a significant opportunity to build smaller flexible office space to attract small to medium sized companies.

Map 8.1 – City of Hilliard Tax Increment Financing (TIFs) Districts and Community Reinvestment Areas (CRAs)



Fiscal Impacts of Growth

It is the intent of this Comprehensive Plan to be fiscally balanced, and as such, all recommendations must be economically viable and supported. To fully understand future economic development impacts, the proposed land use and focus areas plans were analyzed. The purpose of this analysis was to determine whether or not the plan provided for sufficient revenue producing opportunities to pay for future growth.

Cost of Growth

As in the Land Use Chapter, the cost to serve future growth under the proposed land use plan, as opposed to an outward low-density pattern, has the potential to reduce the overall basic cost of services by approximately fifteen percent (see Table 4.2, page 10 of the Land Use Chapter).

When new growth is directed inward to one of the several Focus Areas, services and infrastructure will be concentrated, reducing overall service and capital improvement costs. Additionally, services such as fire, police, and other essential services are located in or nearby the Focus Areas, increasing efficiency and cutting response time. Roads, water and sanitary sewer service, and other resources can also be sited in a way that improves efficiency and reduces both capital and maintenance costs.

Figure 8.4 presents generalized cost vs. revenue projections for areas of new development should they be developed utilizing a compact development growth pattern similar to the patterns of the three case study communities referenced in Table 4.2 on Page 10 of the Land Use Chapter. As the City realizes infill development to grow inward, cost savings should be captured by the City.

Under such an “inward” approach toward facilitating growth, the estimated cost to serve a compact development may be up to 15 percent less than the cost to serve the same amount of development built at a suburban scale.

Beyond the lower cost to serve, it is projected that the kind of infill, mixed-use developments proposed for the Retired Railroad Corridor, I-270, and Old Hilliard Focus Areas will increase overall market absorption and property values. Such developments can realize up to a 20 percent increase in property values, as well as increased market absorption of residential, retail, and income tax-producing office uses. These benefits can be realized through implementing the proposed land use plan that calls for mixed-use developments that enhance the community’s character and improve its livability.

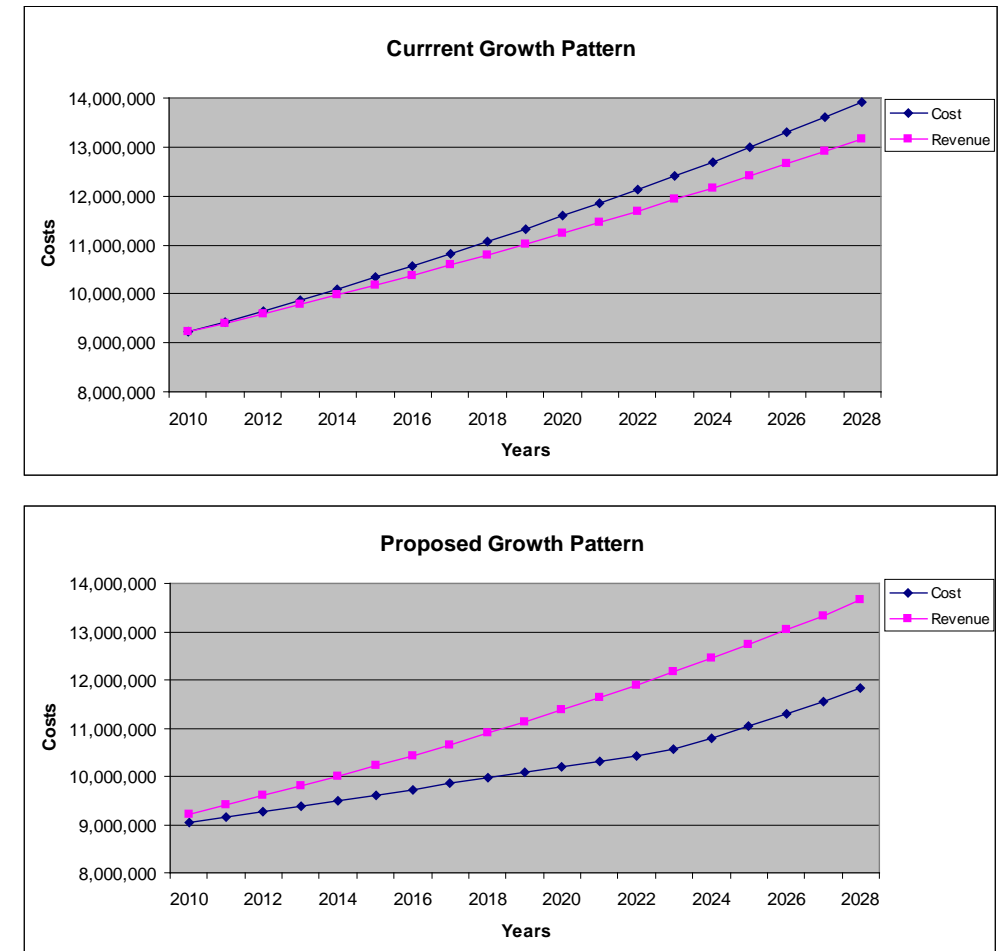


Figure 8.3 – Cost and Revenue of Current vs. Proposed Growth Scenarios

Note: These graphs were developed as a comparison for a mock community where infill development would total approximately the same percentage of the city’s total land area as the focus areas in Hilliard.

Goal

Hilliard will be a prosperous and fiscally balanced community that takes advantage of new and emerging markets, as well as underutilized properties, to increase its tax base and maintain the high level of services residents have come to expect.

Objective ED-1: Continue to support local business development.

- **Action ED-1.1:** *Act as a clearing house to connect businesses with funding assistance agencies.*
- **Action ED-1.2:** *Serve as a clearing house for small business training assistance.*
- **Action ED-1.3:** *Work with local agencies and commercial brokers to attract and promote new businesses in Hilliard.*

Ohio boasts an impressive variety of incentive offerings to align with an expanding company's financial needs. State and local tax incentives, grants and low-interest financing offer businesses the opportunity to reduce risk while encouraging investment in Ohio's local communities.

- **Action ED-1.4:** *Provide special support to businesses that create job opportunities for a variety of age groups within the community.*

Objective ED-2: Continue promoting development opportunities to targeted audiences.

- **Action ED-2.1:** *Continue to network and promote development opportunities before major developers and commercial brokerages with a Central Ohio presence.*
- **Action ED-2.2:** *Continue to actively participate in regional business attraction initiatives conducted by groups such as the Mid-Ohio Development Exchange (MODE), and Columbus 2020.*
- **Action ED-2.3:** *Promote the local and regional labor force's demographics, education, ability, and*

accessibility as an economic asset in marketing Hilliard to businesses, brokers, and developers.

- **Action ED-2.4:** *Encourage local initiatives that seek to improve cultural and quality of life amenities within the community.*
These efforts should continue on-going efforts to make Hilliard an increasingly attractive place to live and conduct business. Practical steps include the continued support of community festivals and events, and maintaining (or supporting others in maintaining) a community calendar of events published across multiple platforms including newspapers and social media websites.
- **Action ED-2.5:** *Continue to embrace the current development marketing strategy of "Promote the City."*
This initiative promotes Hilliard as a place to live and conduct business. It also places an

emphasis on continuing to deliver a high level of service to the public, businesses, and the development community to help bolster the perception of the City of Hilliard.

- **Action ED-2.6:** *Foster continued relationships with various media outlets to promote successes, opportunities, and events in the city.*

Objective ED-3: Support new housing options and community amenities to make Hilliard more attractive to a wider demographic spectrum of potential residents and workers.

- **Action ED-3.1:** *Develop local amenities to attract and retain young professionals.*
The City needs to focus on efforts to reduce the “brain drain,” attracting and retaining young professionals in the city.
- **Action ED-3.2:** *Diversify the housing stock, especially in Old Hilliard, and the Retired Rail Corridor.*
This should help to attract new employees to the city. Providing smaller residential dwellings will help the city attract younger workers, as well as empty-nesters.
- **Action ED-3.3:** *Continue to enhance recreational facilities and amenities to support future economic growth.*

Objective ED-4: Use a variety of development incentives to promote growth in Old Hilliard and the I-270 Corridor.

- **Action ED-4.1:** *Use job creation tax credits as a tool to help new and existing businesses grow.*

Ohio Venture Capital Fund

The Ohio Capital Fund was established by the State of Ohio to help increase private investment in Ohio companies in the seed or early stage of business development. To date, the Ohio Capital Fund has obtained \$150 million of commitments from private resources for investment in qualified venture capital funds. These venture capital funds commit to invest at least half of the Ohio Capital Fund monies in Ohio-based companies, corporations and individuals.

- **Action ED-4.2:** *Continue to use TIFs as a tool to attract and retain business in the targeted focus areas.*
- **Action ED-4.3:** *Continue to promote the CRAs to new and existing businesses to encourage investment within the city.*
- **Action ED-4.4:** *Set up an Economic Development Fund to be used as a tool to help promote and finance special economic development projects in the city.*
- **Action ED-4.5:** *Continue to ensure that any economic incentives extended to developers or businesses deliver benefits in excess of their cost to the taxpayer.*

Objective ED-5: Ensure development growth does not outpace the ability for the developer to pay for the infrastructure and increased services required to support it.

- **Action ED-5.1:** *Establish level-of-services standards.*
Such standards must be met by every residential, commercial, and industrial development as a condition of development and/or rezoning.
- **Action ED-5.2:** *Require a fiscal impact analysis for large developments.*
Such an analysis should be generated for large developments or subdivisions encompassing structures larger than 50,000 square feet or 20 residential units (regardless of project/development phasing). The report should determine the estimated service (public safety, infrastructure, etc.) cost and potential revenue to the City.
- **Action ED-5.3:** *Continue to utilize financial tools to contain costs of development.*
Tools such as Impact Fees, Community Development Authorities, TIFs to ensure new development pays for its upfront capital and legacy service costs.
- **Action ED-5.4:** *Require the collection of impact fees at approval of the final plat rather than delaying collection to the building permit.*
- **Action ED-5.5:** *Align the CIP with level-of-services standards and impact fees.*
This will help ensure that development pays its way and is reflected in the schedule for funding and financing capital improvements.

Objective ED-6: Respond quickly to development interest and applications that are in line with this plan.

- **Action ED-6.1:** *Maintain a streamlined development approval processes for projects that fulfill the objectives of the plan.*
- **Action ED-6.2:** *Create a “development handbook” that guides applicants through the City’s permitting processes.*
- **Action ED-6.3:** *Make all applications, application requirements, filing dates, meeting schedules, agendas, and contacts available in one central location on the City’s website.*
- **Action ED-6.4:** *Combine development applications and reviews that would otherwise be filed separately (e.g. sign permit and building permit applications).*
- **Action ED-6.5:** *Allow for internal administrative review of existing applications as appropriate.*

Objective ED-7: Position the city to benefit from the growing sector of the 65 and over population.

- **Action ED-7.1:** *Develop medical business clusters in the city, specifically around the I-270 corridor to serve the aging population.*
- **Action ED-7.2:** *Promote quality life amenities in Hilliard in a targeted media campaign.*

- **Action ED-7.3:** *Develop initiatives that support and create jobs for residents over the age of 65.*
- **Action ED-7.4:** *Allow home based businesses as a permitted use in all areas of the city if the business meets minimum standards set by the City.*



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