Policy Matters Ohio

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Tax & Budget

Columbus property tax abatements: transparency and accountability to schools and community

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Introduction & Executive Summary

Instead of investing in education, job training, infrastructure and innovation, Ohio and many Ohio municipalities are giving away revenue needed to make those investments in the form of incentive packages. The incentive bidding pits states and cities against each other in a "race to the bottom." It was on full display with the Amazon HQ relocation. As incentives continue to expand, the patchwork of oversight laws leaves too many accountability gaps. This allows corporations and developers to leverage not just states or cities against each other to get generous tax deals even to the point of locating in different abated areas within the same city. This was demonstrated most recently in the CoverMyMeds abatement negotiations in Columbus, during which it was reported that the software company suggested it would move to an area of Columbus, where it could receive an abatement that would not require school board approval, if the school wouldn't accept the agreement.

Public school boards have some notice and approval rights for some tax abatements and for some abatements they have revenue sharing or other compensation agreement rights. Most of the time, however, public schools are among the biggest losers in the abatement race. Ohio schools depend on local property taxes for funding. Incentive packages that zero out property taxes for 10 or 15 years can damage public schools' ability to keep up with changing needs of students.

Last year, Policy Matters Ohio found that three common tax abatements cost Ohio schools at least $125 million in revenue in Fiscal Year 2017.[1] Large metro regions where development has been heavily subsidized report the biggest losses. Cleveland-Elyria reported the most forgone revenue, $53.8 million. The Cincinnati area had the second highest revenue loss, $25.3 million, and the Columbus metro region reported at least $22.4 million in forgone revenue. This is based on a weak governmental accounting standard; the actual amount lost is likely far more. It is difficult to determine the total amount of property tax revenue lost to abatements and incentives.

The taxable value of abated property in Franklin County alone was over $3.2 billion in Tax Year 2017. This is more than any other county in Ohio and the county's reliance on abatements has grown over time. Any way the data is cut, it clearly shows that substantial school district revenue is lost to tax abatements and tax incentives. According to data from the Franklin County Auditor Columbus schools are losing out on at least $26.6 million a year.

The abatement deal for software company CoverMyMeds will cost Columbus schools at least $3.7 million in property-tax revenue each year of the abatement for an estimated loss of more than $55.5 million over the full term of the deal. Meanwhile, the corporation will save more than $77.7 million. The city expects to receive $1.8 million in new income tax revenue each year, totaling more than $28 million over the 15-year term of the abatement. As part of the deal, schools will receive a maximum of $20 million in income tax revenue from the city over 15-years in exchange for $55,579,170 in abated property tax revenue. In total, Columbus schools lose out on more than $35.5 million over the course of the deal.

[1] Zach Schiller, "Tax abatements cost Ohio schools at least $125 million," Policy Matters Ohio, October 2018, available at https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/budget-policy/tax-abatements-cost-ohio-schools-at-least-125-million, accessed April 21, 2019.

Transparency, accountability and equity should guild policy

There are ways to make economic incentives work for the community. The Columbus Tax Incentive Review Committee (TIRC) meeting in 2018 was well attended by school district representatives and the Council did discuss abatements and changing conditions of the deals. The Franklin County Auditor's office launched a set of online tools that help bring a measure of transparency to property taxes, levy proposals and abetments. These tools are providing modest transparency, and also are reasons why this report is possible. Many other local governments provide less.

The data gaps continue to be an obstacle. This report's central question — How much revenue are Columbus City Schools losing to tax abatements? — is difficult to answer. Results vary widely depending on which report is pulled. The full impact of tax increment financing (TIF) deals in particular should be more robust and public. The TIRC and the auditor's web reports should be expanded to include accessible data on TIFS and other counties should follow suit.

More broadly, and perhaps more urgently, the conversation about the goals of development and community revitalization must change. Questioning abatement policies should not be considered anti-business or growth. These are major decisions that will permanently alter our communities. Research shows that many business decisions would have happened regardless of incentives. Decisions to create an abated area or project should also include consideration of gentrification, racial displacement, housing affordability and whether the new investments benefit the existing community. The business case for the abatements should be part of the conversation, but not the only part. Equitable revitalization accounts for past policies of redlining, segregation, and exclusion that stripped communities of wealth and created the need for revitalization in the first place. Communities in Cincinnati are organizing around a more complete rubric for evaluating the value and impact of these deals. The scorecard helps decisionmakers evaluate how the project will impact housing, jobs, and the existing community that surrounds the abatement.

The goal of tax incentive packages and tax policy general should not be to appease corporate interests, but rather to support the public's interest in shared prosperity, quality jobs, and livable communities regardless of their zip code or demographic composition.

A flawed economic development strategy

Ohio's economic development strategy has centered on three basic tenets: cut taxes for the wealthy, cut regulation, and hand out tax incentives. Policymakers promised that doing so would create a so-called business friendly environment resulting in robust job growth. A decade after the recession, Ohio needs more than 16,000 new jobs to regain the number lost to the downturn and keep up with population growth[2]. Ohio failed to hit even 1% annual job growth since 2015. Instead of investing in education, job training, infrastructure and innovation, the state and many municipalities give away the revenue needed to make those investments through incentive packages. The incentive bidding can pit states and cities against each other in a "race to the bottom." It was on full display with the Amazon HQ relocation. As incentives expand, the patchwork of oversight laws leaves too many accountability gaps. This allows corporations and developers to leverage not just states or cities against each other, but also different areas within the same municipality. This was demonstrated most recently in the CoverMyMeds abatement negotiations in Columbus. The company, which makes software to automate the prior authorization process for health insurance companies, suggested it would move to a different area of Columbus in order to receive a tax abatement that does not require school board approval, if the board wouldn't accept its terms. Ultimately, a deal was struck and the CoverMyMeds relocation and expansion is moving forward.

Public school boards have some notice and approval rights for some tax abatements and for some abatements they have revenue sharing or other compensation agreement rights. Most of the time, however, public schools are among the biggest losers in the abatement race. Ohio schools depend on local property taxes for funding. Incentive packages that zero out property taxes for 10 or 15 years can damage public schools' ability to serve students.

Last year, Policy Matters Ohio found three common tax abatements cost Ohio schools at least $125 million in Fiscal Year 2017.[3] Large metro regions where development has been heavily subsidized report the biggest losses. Cleveland-Elyria reported the most forgone revenue, $53.8 million. The Cincinnati area had the second highest revenue loss, $25.3 million, and the Columbus metro region reported at least $22.4 million in lost revenue. Table 1 shows forgone revenue by major metro areas across the state.

[2] Department of Labor, CES data, comparing job change between Dec. 2007 and March 2019 and accounting for population growth.
[3] Zach Schiller, "Tax abatements cost Ohio schools at least $125 million," Policy Matters Ohio, October 2018, available at https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/budget-policy/tax-abatements-cost-ohio-schools-at-least-125-million, accessed April 21, 2019.

Table 1	
Reported forgone school district revenue by metropolitan area	
Metropolitan Areas	**Amount of Forgone Revenue**
Akron	$ 2,094,171
Canton-Massillon	$ 518,798
Cincinnati	$ 25,333,976
Cleveland-Elyria	$ 53,766,965
Columbus	$ 22,424,156
Dayton	$ 8,553,835
Toledo	$ 55,595,268
Youngtown-Warren-Boardman	$ 1,390,244
TOTAL	$ 119,677,416

Source: Policy Matters Ohio analysis of Fiscal Year 2017 district filings with the Ohio Auditor of State. These totals include compensation reported by many districts received for forgone revenue.

It is difficult to determine the total amount of property tax revenue lost to abatements and incentives. The actual amount lost is likely far more. Even with improved reporting standards required under a recently implemented governmental accounting rule, reporting is not consistent across districts, cities, and counties and the largest incentive programs are not necessarily included. These totals do not include one of the most significant abatements in the state—Tax Increment Financing (TIFS). As we reported previously, the estimated $125 million in forgone school revenue is likely an underestimate. Table 8 lists common tax abatements and serves as a glossary.

Abatements in Columbus

The Columbus Education Association has made improving schools for students part of bargaining efforts, making greater abatement transparency and accountability a top priority. The Association requested our assistance in sorting through the tangle of local abatement figures. In this report, we attempt to do just that — examine the available data on tax abatements in Franklin County and estimate the impact of those deals on the Columbus School District.

Examining abatements in Columbus is important for the whole community. Property taxes fund more than just schools. Libraries, parks and recreation, children’s services and zoos all receive funding through property tax levies. The tax is payed proportionally by all property owners, but abatements give some a deep discount. Fewer taxpayers are paying the sticker price, so to speak, of making sure our growing community can meet the needs of the residents.

Tax abatements have grown in Columbus and Franklin County. The Columbus Dispatch reported that in 1999 fewer than 400 privately owned land parcels in Franklin County were covered by a property tax deal; by 2014, that number had climbed to 19,000. A comprehensive report on Franklin County abatements from 2015 found that more than $300 million in property taxes had been abated over the prior five years. The Dispatch explained that the tax shift was "equal to about $250 in additional tax shifted to each of the 1.2 million residents of the county over that time."[4]

The taxable value of abated property in Franklin County alone was over $3.2 billion in Tax Year 2017. This is more than any other county in Ohio. Hamilton County was second with over $2.6 million in abated property. Table 2, shows the five counties with the highest amounts of abated property in Ohio.

Table 2

Top 5 Counties with the most abated property value:
Taxable value of real property exempted by tax abatements, by type of abatement, FY 2017

County	Community Reinvestment Area	Urban Redevelopment TIF	Municipal Urban Renewal	Enterprise Zones and other abatements	Community Urban Redevelopment Corporation	TOTAL ABATED TAXABLE VALUE
Franklin	$ 844,253,470	$ 2,277,752,590	$ 45,7864,010	$ 82,651,990	-	$ 3,250,453,320
Hamilton	$ 625,228,340	$ 1,868,796,080	$ 104,175,410	$ 104,175,410	$ 14,348,410	$ 2,628,470,190
Cuyahoga	$ 428,452,300	$ 483,900,380	-	$ 54,677,620	-	$ 967,030,300
Butler	-	$ 790,553,730	-	$ 69,287,940	-	$ 859,841,670
Delaware	$ 570,323,670	$ 37,666,030	-	-	-	$ 607,989,700
Statewide TOTAL	$ 3,540,807,46	$ 6,289,956,74	$ 457,864,010	$ 1,683,243,500	$ 87,342,130	$ 12,059,213,840

Source: Ohio Department of Taxation, Compilation of exempt real property abstracts filed by county auditors, FY 2017.

Determining the amount of forgone tax revenue from these abatements is much more complicated. Property is subject to different tax rates, depending on whether it is residential, commercial, or owner-occupied. Further, each abatement program has different rules about revenue sharing. The abatement programs and the general accountability rules are described in Table 5, below.

Changes in governmental accounting standards now require reporting on tax abatements in which tax revenue is reduced because of an agreement between a government and a taxpayer.[5] This covers many but not most of the tax abatements impacting local school districts. Pre-1994 CRAs are not included. TIFs are also partially reported. These reporting gaps are significant.

The most recent Columbus city schools annual financial report, covering the fiscal year ended in June 2018, states that the District gave up more than $4.6 million in tax abated revenue and received $1.5 million in negotiated compensation agreements.[6] The $4.6 million only reflects CRAs and Enterprise Zone abatements that include compensation agreements. The District financial audit does not report the total amount of revenue diverted through TIFS. The report notes that the District received more than $66.5 million from TIF payments in-lieu of taxes (PILOTs) in 2018.

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[4] Bill Bush, "Columbus teachers union to march next week over pay, tax abatements," Columbus Dispatch, April 17, 2019, available at https://www.dispatch.com/news/20190417/columbus-teachers-union-to-march-next-week-over-pay-tax-abatements, accessed April 21, 2019.
[5] See, Statement No. 77 of the Governmental Accounting Standards Board, Tax Abatement Disclosures, August 2015, at http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176166283745&acceptedDisclaimer=true, accessed May 3, 2019.
[6] See, Columbus City Schools, Annual Financial Report to the auditor, 2018.

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Table 3	
Summary of Forgone Property Tax Revenue, Columbus City School District **Forgone taxes, by type of abatement, municipality, including revenue offsets 2018**	
Program Name	**Amount of forgone revenue**
Community Reinvestment Area (Total)	$1, 604,913
Franklin County/Hamilton Township	$427,540
City of Columbus	$1,177,373
Enterprise Zones (City of Columbus)	$3,028,182
Pre-1994 and Residential CRAs	Not included in Report
Tax Increment Financing Districts	Unknown
TOTAL	$4,633,095
Compensation Agreement Revenue to Schools from CRAs and EZs	$1,526,902
Payment in-lieu of taxes, TIF service payments	$66,567,517

Source: Columbus City School District, Notes to the Basic Financial Statements for FY ending June 30, 2018.

While helpful, this report does not give a full picture of these programs' impact on schools. Tax Incentive Review Council meetings (TIRC) are another source of information on tax abatements. State law requires TIRC meetings to review property tax abatements annually and submit recommendations to the city council on whether to continue, modify, or cancel each abatement. Council then has 60 days to act on the recommendations. Separate reports from the Columbus TIRC show the District was impacted by 61 TIFS in 2017. The Ohio Development Services Agency reports more than 285 active TIF agreements in Franklin County.[7] So most are holding the school district harmless by paying PILOTS. Of the 61 TIFs included in the TIRC report, 54 impact just the Columbus School District. The remaining TIFS cover the Columbus school district, and a mix of vocational school district or neighboring districts.

The TIRC reporting also includes details on 20 Residential and Pre-1994 CRAs in the District that account for an additional $24.6 million in forgone Columbus school district tax revenue. The CRAs and EZs covered by an abatement agreement are reviewed by the TIRC and information on whether the project is meeting the job creation, retention and investment goals is included, but the reports do not include estimates of the forgone tax revenue. Other tax abatements are included in the materials but because pre-1994 CRAs do not require a negotiated agreement, they were not the focus of the review.

At our request, the Franklin County Auditor's office sent us a database of all parcels in the country covered by an abatement. The total impact of these abatements on the Columbus School District is an estimated $29,619,273 in 2017. Table 5 breaks down these estimates. It includes CRAs, Enterprise Zones and Environmental Protection Abatements, which are used to help clean up brownfields, but not TIFs.

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[7] Ohio Development Services Agency, Tax Increment Financing Project Information, available at https://development.ohio.gov/OTEISearch/tif/default.aspx, accessed May 2, 2019.

Table 4	
Summary of Forgone Property Tax Revenue, Columbus City School District **From the Franklin County Auditor's Office, as of May 2019**	
Program Name	**Amount of forgone or diverted revenue**
Community Reinvestment Areas (all)	$25,637,481
Enterprise Zones	$3,004,394
Environmental Protection Abatements	$977,398
TOTAL	**$26,619,273**

Source: Franklin County Auditor.

Any way the data is cut, it clearly shows that substantial school district revenue is lost to tax abatements and tax incentives. Without accounting for TIFs, tax abatements are costing Columbus schools at least $26.6 million. CRA and EZ compensation agreements generate around $1.5 million a year for schools. This is tough math for a district struggling to close budget gaps.

Proponents say tax abatements entice business and investments into so-called decaying communities. Without the abatements, there would be no increase in tax revenue and the community would miss out on increased investment, jobs, and the revenue schools receive through revenue sharing agreements and PILOTS. This argument suggests that overall, the shift in taxes is a "win" for everyone. This was, in part, the conclusion reached by the 2017 Franklin County Tax Abatement study. It found that these abatements had a small but positive impact on communities, specifically:

> A one percentage point increase in a school district's abatement intensity would result in an $11 reduction in the annual tax bill for a $100,000 residential property…that means tax incentives have generated enough growth in property values to offset the immediate drop in the tax base from an abatement and thus avoid a tax shift to non-abated properties.[8]

The study only evaluated the impact of CRA and EZ abatements. TIFs, which in 2017 abated more property value than both of those programs combined, were not included.[9] The study also could not isolate whether the small positive effects found by the study were due to the property abatements or income tax incentives that are frequently packaged together. Further, the study focused on benefit in terms of tax savings for non-abated households generated by increased economic activity and increases in property values. This overlooks other consequences of rapid construction and remodeling spurred by tax abatement. This can include displacement of low income residents and people of color driven by revitalized downtowns and central cities.

The New York Times examined every census tract in the county and found that between 1980 and 2000 more than 98% of those that grew more diverse did so because non-white families settled in communities that were already predominantly white.[10] Since 2000, however, that has changed with white residents moving into areas that were predominantly African-American and relatively poor. The study also found that unlike black residents who moved

[8] Daphne A. Kenyon, Adam H. Langley, Bethany P. Paquin, Robert W. Wassmer, "Evaluation of Real Property Tax Abatements in Franklin County, Ohio," Lincoln Institute of Land Policy, Prepared for Franklin County, Ohio, March 2017, available at https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=NTA2017&paper_id=52, accessed May 2, 2019.
[9] See, Table 2, supra.
[10] Emily Badger, Quoctrung Bui, and Robert Gebeloff, "The Neighborhood is Mostly Black. The Home Buyers are Mostly White," The New York Times, April 27, 2019, available at https://www.nytimes.com/interactive/2019/04/27/upshot/diversity-housing-maps-raleigh-gentrification.html, includes interactive map that covers census tracts in Columbus Ohio, accessed May 2, 2019.

into predominantly white areas, the relocating white home buyers had incomes on average twice as high as that of the community they moved into, two-thirds higher than existing homeowners, and they were receiving the majority of mortgages. The report also found that the places where white households are now moving to were once the same places most harmed by segregation and bank redlining.

Not every changing tract in the Columbus region fit the larger study's conclusions, but several did. Table 5 shows two examples. These communities also happen to be areas of the city covered by abatements, and historically redlined.[11] These neighborhoods need revitalization because of historic disinvestment but they need investment that includes the community living and working in the neighborhood. Columbus has made efforts to advance affordable housing set asides through property abatement policy, but the affordability targets are much too pricey for existing neighborhood residents.[12]

Table 5

Changing demographics in incentivized neighborhoods: Milo-Grogan and King Lincoln-Bronzeville

Neighborhood	Abatement available
Milo-Grogan	Ready for revitalization area, 100% 15-year abatements available for all projects, new construction and rehabs, multi-family units must meet affordable housing set asides, or earn credits to reduce requirement.
White population in 2012	19%
Share of loans to white buyers	63%
Average income of all homeowners, 2012	$34,000
Average income of white buyers, 2012-17	$62,000
King Lincoln-Bronzeville (Broad to Mt. Vernon, St. Clair to Ohio)	Near East CRA-Ready for revitalization area, 100% 15-year abatements available for all projects, new construction and rehabs, multi-family units must meet affordable housing set asides, or earn credits to reduce requirement.
White population in 2012	18%
Share of loans to white buyers	70%
Average Income of all homeowners, 2012	$52,000
Average income of white buyers, 2012-17	$75,000

Source: Emily Badger, Quoctrung Bui, and Robert Gebeloff, "The Neighborhood is Mostly Black. The Home Buyers are Mostly White," The New York Times, April 27, 2019, available at https://www.nytimes.com/interactive/2019/04/27/upshot/diversity-housing-maps-raleigh-gentrification.html, includes interactive map that covers census tracts in Columbus Ohio, accessed May 2, 2019. Census tract for Columbus, Ohio and corresponding tax abatements.

Residential abatements

Beyond limiting revenue, residential abatements have a profound impact on communities. Table 7 details three different Columbus properties, their market prices, net annual property tax and how much goes to Columbus schools. The first example is a tax-abated condo recently placed on the market for $1.25 million located within the Short-North CRA and covered by a TIF agreement. This condo is located in one of the fastest-growing neighborhoods in the city. The Short-North CRA covers residential and commercial property

[11] See, Joel Oliphint, "The Roots of Columbus' ongoing color divide," Columbus Alive, June 2018, available at https://www.columbusalive.com/news/20180627/cover-roots-of-columbus-ongoing-color-divide, accessed May 5, 2019.
[12] See, Hannah Halbert, "Comments on the City of Columbus' Affordable Housing and Community Reinvestment Area Incentives Policy," June 2018, available at https://www.policymattersohio.org/research-policy/fair-economy/economic-development/tax-policy/comments-on-the-city-of-columbus-affordable-housing-and-community-reinvestment-area-incentives-policy, accessed May 3, 2019.

in the district. It was created in 2009. According to the auditor's database, this CRA covers 223 parcels, and provides up to 100% tax abatement for 10-15 years. This CRA covers $102 million of property and results in $2.5 million in forgone revenue a year, of which $1.78 million would have gone to support Columbus schools. The owner of a $1.25 million condo pays net annual taxes of $381, and sends about $257 of that to Columbus schools.

A second property just outside of the Short-North CRA details property taxes on a non-abated property. The Hunter Ave. condo is listed for sale at much less, at $385,000, but the owner pays more than $5,000 in annual property tax, over $3,000 of which goes to city schools. The final property listed is a single-family home in the King-Lincoln/Bronzeville community located near downtown Columbus. The home is not-abated and listed for just under $165,000. The owner pays substantially more in property taxes than the owner of the million-dollar condo.

A final example that illustrates the more complex problems with abatement-driven reinvestments is a single family abated property located in the Near-East Side CRA. The property sold for more than $400,000, but the owner pays just $324 in taxes, with $218 supporting Columbus schools. According to the Census the more than 24% of people living in the same zip code as the property are in poverty, and 53% are kids. The property transfer history show that it was taken over by the City of Columbus and transferred to the Central Ohio Community Improvement Corp in 2015 for $0. Then to the Right Property Group in 2017 for $0. After new construction, the property was sold last year for $415,000. This property shows how abatements can drive up property values, but leave the existing community with fewer affordable housing options.

Table 6

**Who Pays:
Comparing property tax payments of abated and unabated property**

Property Description	Listing/Recent Sale Price	Taxable Value	Abated	Net Annual Tax	Amount to Columbus Schools
Condo Jackson Building N. High St. Short-North CRA and TIF	$ 1,250,000	$ 326,830	$ 320,530	$ 381	$ 257
Condo Hunter Ave. Blocks away from Short-North CRA	$ 385,000	$ 83,830	$ 0	$ 5,075	$ 3,422
Single family home King-Lincoln, Bronzeville Unabated	$ $164,900	$ 46,940	$ 0	$ 2,842	$ 1,916
Single family home, Near East Side, Abated CRA	$ 415,000	$ 145,650	$ 140,420	$ 324	$ 218

Source: Policy Matters Ohio, based on tax and levy estimates for each parcel available at https://www.franklincountyauditor.com/, list prices available on Zillow.com

Tax abatements are justified as necessary to retain and attract jobs. The Columbus Development Director suggested this was why the CoverMyMeds tax abatement, which will cost $55 million in school revenue over the life of the deal, is needed. He called the jobs "inherently portable."[13] A recent study found that incentives tip a firm's location, expansion or job retention decision between 2% and 25% of the time. He called the jobs "inherently

[13] Bill Bush, "Columbus schools could cut 163 employees because of the budget shortfall," Columbus Dispatch, January 2018, available at www.dispatch.com/news/20180122/columbus-schools-could-cut-163-employees-because-of-budget-shortfall.

portable."[14] A recent study found that incentives tip a firm's location, expansion or job retention decision between 2% and 25% of the time. That means, even under the most generous outcome, at least 75% of the incentivized firms would have made the same decision without the incentive.[15] Ohio and Columbus must do more to ensure tax deals don't give away the store in a quest to secure businesses. Without transparency and accountability, large corporate tax incentive deals look more like extortion than a partnership to help the entire community and the business thrive together.

CoverMyMeds deal

The CoverMyMeds tax abatement process is illustrative of how the proliferation of tax abatements has reduced the negotiating power of school boards and communities. Now, corporations can leverage relocation not just to another state or city but into a different tax abated zone within the same jurisdiction, as CoverMyMeds reportedly did during the abatement process that secured the company more than $77 million in property tax savings.[16]

CoverMyMeds was a unicorn start-up in Wall Street terms, meaning it was valued at more than $1 billion. Founded in 2008, with offices in Cleveland and Columbus, the McKesson Corporation acquired the company in 2017 for $1.3 billion. McKesson reported revenues of $208 billion in 2018 and has initiated a $4 billion stock buy-back program to boost shareholder profits.[17] The CEO makes $18.1 million a year, or about $473 to every $1 paid to a typical McKesson employee.[18]

One of the nation's largest drug distributors, McKesson has paid more than $150 million in fines for failing to monitor and detect suspicious orders of oxycodone.[19] Most recently, McKesson agreed to pay $37 million to West Virginia to settle claims of improper distribution of opioids, a pittance compared to the $8.8 billion the drug crisis has cost the state's economy. As reported by Bloomberg:

> [b]etween 2005 and 2006 one pharmacy in Kermit, West Virginia, population 400, received nearly 5 million doses from McKesson. Between 2006 and 2014, it shipped more than 5.8 million opioid painkillers to a pharmacy in Mount Gay, population 1,800. The company provided another 2.3 million doses to a pharmacy three miles away.[20]

The City of Columbus has sued McKesson along with other opioid distributors and manufacturers.[21] The city's complaint states that despite the millions in fines and McKesson's claims that it has a "best-in-class" monitoring program to identify suspicious orders, opioids

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[14] Bill Bush, "Columbus schools could cut 163 employees because of the budget shortfall," Columbus Dispatch, January 2018, available at www.dispatch.com/news/20180122/columbus-schools-could-cut-163-employees-because-of-budget-shortfall.
[15] Bartik, Timothy J. 2018. ""But For" Percentages for Economic Development Incentives: What percentage estimates are plausible based on the research literature?" Upjohn Institute Working Paper 18-289. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. https://doi.org/10.17848/wp18-289
[16] See, https://www.columbusunderground.com/opinion-covermymeds-should-cover-their-taxes-ae1, accessed May 6, 2019.
[17] See, McKesson Press Release available at https://www.mckesson.com/about-mckesson/newsroom/press-releases/2018/mckesson-reports-fy2018-4th-quarter-and-full-year-results/
[18] Bloomberg, CEO to employee compensation tracker, available at https://www.bloomberg.com/graphics/ceo-pay-ratio/. Median McKesson employee compensation $38,370
[19] Department of Justice, "McKesson agrees to Pay Record $150 Million Settlement for Failure to Report Suspicious Orders of Pharmaceutical Drugs," January 2017, available at https://www.justice.gov/opa/pr/mckesson-agrees-pay-record-150-million-settlement-failure-report-suspicious-orders, accessed May 2, 2019.
[20] Jef Feeley, "Opioid Deal in West Virginia May Spur More Agreements," Bloomberg, May 2, 2019, available at https://www.bloomberg.com/news/articles/2019-05-02/mckesson-settles-west-virginia-opioid-sales-claims-for-37-mln, accessed May 2, 2019.
[21] City of Columbus v. Purdue, et. al., Complaint available at https://www.scribd.com/document/367283587/City-of-Columbus-lawsuit-against-drug-companies#from_embed, accessed April 21, 2019.

have "flooded Columbus in such numbers that either the [distributor] controls are illusory or the distributors intentionally ignored suspicious orders." The lawsuit asserts that the actions of the manufacturers and distributors, including McKesson, resulted in substantial increases in drug abuse, overdoses, loss of life, and medical costs.

Despite the harm the city says McKesson caused Columbus, CoverMyMeds sought and received an Enterprise Zone tax abatement to help cover its corporate headquarters move from its current location near downtown Columbus about three miles up the Scioto River to McKinley Ave. in Franklinton, a quickly changing neighborhood within an existing Enterprise Zone. Under state law, Enterprise Zone abatements require 14-day notice to affected school boards before local government review of the proposed abatement.[22] The Board's comments on the abatement must be considered. The school board must approve abatements that are greater or longer than average abatements in the area (75% in cities and/or abatements lasting longer than 60% of the average abatement term). School boards are also entitled to a meeting to discuss the terms of the abatement.

CoverMyMeds will pay no property taxes on the improved property value for 15 years. The supporting documents on file with the City of Columbus show that the abatement is estimated to yield a property tax savings of more than $77.7 million. A 30% income tax deduction on new hires increases to 35% for hires who live in Columbus. The income tax offset is estimated to save McKesson/CoverMyMeds about $4.5 to $5.3 million a year.[23] The total package is worth about $83 million for McKesson/CoverMyMeds.

As part of the move, CoverMyMeds will invest $225 million in additions and new construction and an additional $15 million in furniture and fixtures for its corporate campus. The corporation will retain the existing 592 full-time jobs, that have a current total payroll of $43 million and will create 1,032 new full-time positions at the new campus, with an estimated annual additional payroll of $75 million by December 2022. Under the terms of the agreement only full-time positions with an hourly wage rate of $15 an hour are eligible for city incentive support. The city expects to receive $1.8 million in new income tax revenue each year, totaling more than $28 million over the 15-year term of the abatement. Local income tax revenue does not fund schools and this controversial deal was subject to school board approval. In order to secure the Board's approval the city entered into a revenue sharing agreement with Columbus City Schools. That agreement will backfill only fraction of the potential property tax revenue the schools would have received without the incentive deal.

According to the documents filed with City Council, Columbus schools will miss out on at least $3.7 million in property-tax revenue each year of the abatement for an estimated loss of more than $55.5 million over the full term of the deal. Table 7 details the cumulative impact on the school district's property tax revenue.

[22] O.R.C. Sect. 5709.83

[23] Columbus City Council, Fact Sheet and School Board Resolution, July 2018, available at https://columbus.legistar.com/LegislationDetail.aspx?ID=3551772&GUID=839E799D-3F43-420B-ACDF-FA648B9D4B24&FullText=1, accessed April 21, 2019.

Table 7		
CoverMyMeds: Impact on School District Property Tax Revenue		
	Average Annual	15-year summary
Current CSD Revenue from Project Site	$32,821	$492,315
Abated Impact on School District Revenue from Property Tax Liability (100% abatement for 15 years)	$3,705,278	$55,579,170
Net School Revenue	$32,821	$492,315

Source: Columbus City Council, Fact Sheet, CoverMyMeds, July 2018.

Under the terms of the abatement agreement, the City of Columbus will share a portion of the increased income tax revenue with Columbus Schools. For years 1-10 of the agreement, the city will give the schools 50% of income tax revenues collected from new CoverMyMed hires when that revenue exceeds $1 million. In the final five years of the agreement, the city will pay the lessor either 80% of the prior year's payment or 50% of income tax revenue from new hires. The City expects this will send just under $1 million to schools per year of the agreement. The maximum amount the city will share with the school district through the total term of the agreement is $20 million. In sum, the schools will receive a maximum of $20 million in income tax revenue from the City over 15 years in exchange for $55,579,170 in abated property tax revenue. The schools lose out on more than $35.5 million over the course of the deal. Table 9 breaks down these terms.

CoverMyMeds will provide additional workforce development activities as part of its obligations under the agreement, including:

- Computer programing workshops for Columbus students totaling 16 sessions per year, 24 hours of total CoverMyMeds-led instruction;
- Career Guidance Counseling on tech careers totaling 16 sessions a year;
- Passes, tickets, or access to CoverMyMed events for Columbus school program staff,
- 20 $500 scholarships per year for Columbus students to attend TechCorps summer camps;
- Six to eight CoverMyMeds employees will work with district faculty on leadership development for up to 20 hours per school year;
- CoverMyMeds will make six to eight employees available to work with Columbus Schools to develop a workforce preparedness curriculum, and;
- CoverMyMeds will host five paid, part-time apprenticeships to students per year at $12 per hour, 120 hours of work per year, per student apprentice.

The value of these additional benefits to the community are not calculated in the agreement. These activities are in CoverMyMeds's long-term interest of building its own local talent pipeline. While beneficial to some in the school district they don't add up to more than a small portion of the forgone millions.

Community controls to rein in tax abatements

State law provides limited protection for schools and communities from overzealous or failing abatements. Some abatement programs require school approval, revenue sharing or compensation agreements, and school boards can participate in the annual Tax Incentive Review Council meetings. Table 8 lists common property incentives and the role the school board plays in approval or accountability.

Table 8

School Rules: How school districts participate in property tax abatement approval

Abatement	Description	Accountability
Enterprise Zones (EZs)	Negotiated property tax abatement of up to 75% on commercial and industrial improvements for up to 10 years. Can cover real and personal property when project includes job creation. Applies to all property in the zone. Minimum population threshold. EZs can be established as distressed or non-distressed zones.	School boards must receive notice and opportunity to comment on proposed projects. EZs with abatement rates above 75% or terms beyond 10 years must have Board approval. Boards can approve the abatement, enter into a compensation agreement with the government. O.R.C. Sec. 735.08, 1728.10 Clawbacks may be included in EZ agreements. Incentives can be revoked if obligations of the agreement are not met.
Community Reinvestment Areas (CRAs)	CRAs provide exemptions to property owners who make improvements to their property within specific geographic areas. They can cover commercial, industrial or residential properties. Post-1994 CRA- Negotiated property tax abatement on property improvements of up to 100% for up to 15 years. Pre-1994- Not negotiated, 100% property tax abatement on real improvements for up to 15 years.	Post-1994 CRAs with exemption rates above 50% require school board approval. The Board may approve the abatement, and enter into a compensation agreement with the government. See O.R.C Sect. 3735 School boards must receive notice and the opportunity to comment. No clawbacks permitted in residential CRAs but can be revoked if property not properly maintained or improved. Commercial and industrial CRAs may include clawback provisions in agreements. Can be revoked if corporation fails to meet promises in the CRA agreement. Pre-1994 CRAs can be amended twice; if amended a 3rd time, become subject to post-1994 CRA rules.
Tax Increment Financing Districts (Property Tax Redirection)	Cities, townships, and counties can create TIFs. TIFs are negotiated, project based agreements that set property that is within the designated district value at its unimproved value for up to 30 years. Payments based on the increased property value can be used to finance infrastructure improvements, residential rehabs, or other projects. TIFS many hold the school district harmless through payments in-lieu of taxes. Revenue sharing agreements with alternative terms may be used.	The TIF agreement require the city, township, or county to set service payments to school districts to help offset the forgone property tax revenue. These payments to school districts are in financial statements as "payments in lieu of taxes."
Tax Incentive Review Council (TIRC)	Review council meets annually and provides ongoing oversight of tax exemption agreements and makes recommendations on continuing, modifying, or cancelling each to the city council or legislative body. One member of each TIRC must be from each effected school board.	
City of Columbus Affordable Housing Policy	Post-1994 CRAs are divided into three categories based on the community's level of economic distress. Market ready areas (little to no markers of distress), which include AC Humko, Fifth by Northwest, and the Short North, must include set asides for affordable housing or earn credits to reduce the set asides by making certain environmental or housing investments. Ready for revitalization zones showing two to four distress indicators will require similar set asides, or payments. Ready for Opportunity areas, which show five to six signs of distress can receive 100%, 15-year abatements for all projects without the housing set asides or payments. This is an improvement over prior policy that had no such requirements, even in districts like the Short North. The set asides and affordability measures are remarkably low. Our full comments on the policy are available at https://www.policymattersohio.org/research-policy/fair-economy/economic-development/tax-policy/comments-on-the-city-of-columbus-affordable-housing-and-community-reinvestment-area-incentives-policy.	

*Source: Policy Matters Ohio, based on information available at the Ohio Development Services Agency at https://development.ohio.gov/bs/bs_busgrantsloans.htm, and the Affordable Housing Property Tax Incentive Policy available at ***.*

The reality of tax abatements is that most continue, and occasionally agreement goals are modified, but it is not often that tax agreements are amended in a way that includes reducing the abatement amount. The 2018 Columbus TIRC discussed each abatement that was falling below the original job creation goals. The abatement held by Fireproof Partners, developers of a mixed-use project in the Short North, was ultimately revoked after the company created only one of the 24 promised jobs. The abatement agreement had already been modified to require only 4 jobs but the project didn't deliver.[24] Other agreements have been broken by corporations without consequence. A different development in the Short North by Pizzutti Short North Office LLC received a 10-year, 75% abatement on the promise of creating 217 new jobs while building a parking garage and office space. Only 20 qualifying jobs were created. At the time the city required jobs to pay at least $12 an hour to satisfy tax abatement agreements, but even leaving aside this requirement and counting the low-wage jobs, the company failed to create the promised jobs. The wage standard has since been raised to $15 an hour. After review, the Columbus City Council followed the lead of the TIRC and voted to reduce the number of jobs required under the agreement so the company was in compliance rather than penalize the company by reducing the abatement value.[25]

The TIRC along with school district notification and approval could provide much greater tax abatement accountability. The broad geographic coverage of CRAs, TIFs, and EZs has eroded school leverage over the process. The most recent mega-deal in Columbus illustrates how corporations can leverage moving to a location within the same city that does not require school board approval to cut a deal. Increasing stakeholder engagement and public transparency could bring balance to this process, so schools and TIRCs are not derided as "anti-business" or as being naïve to the ways of economic development when they challenge the value to the community of these deals.

Consideration of impacts on gentrification, racial displacement, and equitable growth and affordability for the existing residents of the neighborhood targeted for reinvestment and incentives is not part of the review or approval process. Columbus has recently implemented affordability standards for residential abatements in an attempt to address the ongoing housing crisis. The policy is an improvement but it sets the standards for affordability far too high for the community currently living in the abated districts.[26]

[24] Marc Kovac, City Council intends to dissolve tax abatement for Short North firm," Columbus Dispatch, October 2018, available at https://www.dispatch.com/news/20181008/city-council-intends-to-dissolve-tax-abatement-for-shorth-north-firm, accessed April 21, 2019.
[25] Steve Brown, "Columbus Won't Punish Developed that Failed to Meet Tax Break Agreement," WOSU, June 2018, available at https://radio.wosu.org/post/columbus-wont-punish-developer-failed-meet-tax-break-agreement#stream/0, accessed April 21, 2019.
[26] See, Hannah Halbert, "Comments on the City of Columbus' Affordable Housing and Community Reinvestment Area Incentives Policy," June 2018, available at https://www.policymattersohio.org/research-policy/fair-economy/economic-development/tax-policy/comments-on-the-city-of-columbus-affordable-housing-and-community-reinvestment-area-incentives-policy, accessed May 3, 2019.

Conclusion & recommendations

Where can we go from here? Transparency, Accountability and Equity should guide local tax abatement policies.

There are ways to make economic incentives work for the community. The Columbus TIRC meeting in 2018 was well attended by school district representatives and the Council did discuss abatements and changing conditions of the deals. The Franklin County Auditor's office has launched a set of online tools that help bring a measure of transparency to property taxes, levy proposals and abetments.[27] These tools are providing modest initial transparency, and also are reasons why this report is possible. Other municipalities provide less. These are positive steps. Much more is needed.

Data gaps remain an obstacle to transparency. As this report demonstrates, the ultimate questions about abatement costs and benefits are not answered, or not consistently answered using the currently available reporting. These gaps exist because reporting is limited to compliance and not intended to inform residents, the community, and stakeholders broadly. The most straight-forward question asked by this report is: How much is Columbus City Schools losing to tax abatements? Results are wildly different depending on which report is pulled. TIF impact, other than the hold-harmless PILOTS, is not clear. Tax abatement reporting should be more robust. The TIRC and the auditor's web reporter should be expanded to include accessible data on TIFS. A simple data map or key would also enable users of the site to better understand the data.

As noted, Ohio law already provides school districts with the authority to approve many significant abatement agreements, but this appears to be less than totally effective. As noted in our earlier report, school boards face tremendous pressure to agree to new abatements or be perceived as opposed to economic development if they exercise their full rights and demand the best possible deal. This dynamic was on full display with the CoverMyMeds deal. On-ramps for stakeholder participation are needed early in the project planning process and throughout the incentive review process as a balance to overwhelming corporate power at the bargaining table.

The patchwork of accountability rules and the proliferation of abatement zones and programs generally have tilted the incentive negotiation balance too far in favor of corporations at the expense of communities and schools. As some already have, local governments could consider excluding school districts from tax increment financing, insulating them from revenue losses. Enforcement of abatement agreements must improve. School boards can help by staying informed and being active participants at the TIRC meetings, and passing that information along to the broader collection of stakeholders, including staff, teachers, parents and the community. The City or the county auditor could expand existing online resources to include a public report on whether the promised jobs are being realized, and the broader community can assist in holding the corporation and the city accountable to the terms of the deal. If the job targets are amended, the incentives should also be changed.

The conversation about the goals of development and community revitalization must change. Decisions to create an abated area or project, or solidify a deal should also include consideration of the impact on gentrification, racial displacement, housing affordability in the

[27] See, Franklin County Auditor, Web Reporter, available at https://apps.franklincountyauditor.com/reporter

neighborhood and inclusivity of the existing community. The business and growth case for the abatement should be a part of the conversation but not the only part. Equitable revitalization accounts for past policies of redlining, segregation, and exclusion that drained communities of investment and created the need for revitalization.

The Peaslee Neighborhood Center in Cincinnati has proposed an equitable development rubric for engaging communities in this broader development evaluation.[28] The rubric is a points-based scorecard that considers a project's contribution to equity across class and race. It has four categories:

- Housing affordability, based on the number of units reserved for residents who qualify for income-based housing subsidies;
- Jobs and labor, based on fair employment practices and access to high-quality jobs for existing, long-term community residents;
- Community input, based on how well community engagement addresses barriers to participation in the process and includes input from people without connection to economic and political insiders; and,
- Community footprint, based on how existing community assets are included in development project plans.

The rubric has five bonus categories: diversity and inclusion; public space and infrastructure; natural environment, which includes sustainability building standards; community organization and programs; and local enterprise opportunities.

The rubric is more than a scorecard to prioritize development, but a way to address the underlying historical policies that eroded and limited many of the communities now targeted for revitalization.

The goal of tax incentive packages and tax policy general should not be to appease corporate interests, but rather support the public's interest in shared prosperity, quality jobs, and livable communities regardless of their zip code or demographic composition.

[28] The Peaslee Center, "Economic Development Rubric," available at http://peasleecenter.org/rubric-intro/, accessed May 5, 2019.