

Ohio

Department of Development

Fiscal Year

2011

Annual Report

Ohio

**Department of
Development**

John R. Kasich, Governor

James A. Leftwich, Director



August 2011

John Kasich, Governor, State of Ohio
General Assembly, State of Ohio

Dear Governor Kasich and members of the Ohio General Assembly,

We are pleased to share the fiscal year 2011 Ohio Department of Development Annual Report, which outlines the significant accomplishments for the year.

In the last fiscal year, the Ohio Department of Development has undergone significant change and is in the process of restructuring its functions to better serve Ohio's businesses and communities. The Department collaborated with Governor Kasich to launch JobsOhio, a new, nonprofit economic development organization solely focused on promoting the state's assets to create, retain, and attract businesses to Ohio. JobsOhio's inaugural board meeting occurred on July 11, 2011. Going forward, the Department will work closely with JobsOhio as it moves at the speed of business to create a more prosperous and business-friendly Ohio.

The Ohio Department of Development has made strides in the second half of fiscal year 2011, with such successes as retaining American Greetings, Diebold, and Bob Evans, saving thousands of jobs for Ohioans. The retention of these long-standing Ohio institutions proves that Ohio is the right place for the corporate headquarters of large international companies, a place where businesses can be competitive in the global market place.

In total, our strategic business division provided financial incentives for 270 projects over the fiscal year, resulting in roughly 18,600 new jobs created and 31,000 jobs retained. As we move forward, we must hold companies accountable for job creation, while we accelerate our efforts to make Ohio the best place for expansion or relocation.

In addition to economic development efforts, the Department continues to provide critical services to Ohio communities. Clean Ohio for example has funded 66 projects in an effort to redevelopment brownfields for productive use, totaling more than \$61 million. Also, our Department is assisting more than 400,000 households through PIPP Plus, helping eligible Ohioans pay their utility bills.

The Ohio Department of Development is on a mission to transform its service delivery model and improve how we support businesses and communities. The Department's staff works to improve the efficiency and effectiveness of its programs, developing new standards for the Department's best practices and improving metrics reporting to track our successes. We look forward to providing you with more information as JobsOhio grows and as the Department of Development refines its guiding principles. If you have questions regarding this report or the reorganization of the Ohio Department of Development, please contact the Director's office at (614) 466-3379.

Sincerely,

James A. Leftwich
Director

Ohio Department of Development's Mission

Working with our partners across business, state, and local governments, academia, and the nonprofit sector, the Ohio Department of Development works to attract, create, grow, and retain businesses through competitive incentives and targeted investments. Engaged everyday in marketing, innovating, investing, and collaborating, the Ohio Department of Development works at the speed of business to accelerate and support the teamwork that is absolutely necessary for success by providing financial, informational, and technical assistance to those making an investment in Ohio's future.

JobsOhio

Early in 2011, Governor John Kasich acknowledged that to compete in the global economy Ohio must reform the way it executes its economic development efforts. He believes Ohio must move at the speed of business, not the speed of statute. In February, Governor Kasich signed legislation creating JobsOhio, a new, innovative, business-based model for economic development activities that will replace Ohio's current government-driven economic development efforts.

JobsOhio will arm itself with the best talent and tools to improve Ohio's business climate. It is an organization that is modeled after business, proactive, competitive, and more responsive to emerging and promising opportunities.



JobsOhio is a private, nonprofit organization that will aggressively and quickly pursue job creation, retention, and expansion opportunities for the state of Ohio. It also will help Ohio's business community, businesses of all sizes, thrive and grow. Led by a board of directors, and interim Chief Investment Officer Mark Kvamme, JobsOhio will be funded through the Ohio Liquor Enterprise, a stable, long-term revenue source. JobsOhio will secure the state's wholesale liquor enterprise for a term of 25 years in exchange for at least \$1.2 billion, including a \$500 million payment to the state's General Revenue Fund and approximately \$700 million to pay off current liquor profit bondholders.

The JobsOhio team will identify potential of projects, understand the needs of Ohio's customers, take appropriate risks, and structure deals innovatively. It also will develop regional partnerships, focusing on six targeted industries with histories of success in Ohio.

One of JobsOhio's key business principles is regional collaboration, and so it has identified partner organizations that will help coordinate the economic development efforts in each of Ohio's six regions. JobsOhio will work with the Appalachia Business Council in southeast Ohio, the Cincinnati USA Partnership in the southwest, Columbus 2020! in central Ohio, the Dayton Development Coalition in western Ohio, the Regional Growth Partnership in northwest Ohio, and Team NEO in northeast Ohio.

Another guiding principle of JobsOhio is to build upon Ohio's industry strengths. These six industry sectors have a long history of success here in Ohio and also show growth potential.

Ohio's targeted industries are:

- Bio-health
- Banking, Insurance, and IT
- Energy, Polymers, and Chemistry
- Aerospace, Automotive, and Advanced Materials
- Food Sciences and Bioproducts
- Logistics, Distribution, and Back Office

Moving forward, JobsOhio and the Ohio Department of Development will work together to execute the state's economic development efforts. JobsOhio will contract with the Department for limited services related to the creation, retention, and expansion of businesses in Ohio. Once the liquor transfer is complete, JobsOhio will have its own source of revenue and the Department's need for general revenue funding will decrease, thereby saving the State of Ohio critical revenue.

2011 Highlights

Strategic Business Investment Division Makes Strides Creating and Saving Jobs

The Strategic Business Investment Division plays a key role in establishing a targeted industry approach to Ohio's economic development. Increased prosperity and a higher quality of life are achieved and sustained through the creation, expansion, retention, and attraction of businesses. In fiscal year 2011, the Division provided financial incentives for 270 projects, including 77 grants worth more than \$50 million, 81 loans worth more than \$138 million, and 187 tax incentives worth more than \$305 million. These efforts resulted in the creation of 18,595 jobs and the retention of 30,956 positions for Ohioans. Growing Ohio's business climate contributes to job growth and long-term economic prosperity. As a result – company successes.

Company Successes

American Greetings Corporation is a leading manufacturer of innovative products that assist consumers in enhancing their relationships. The company's major greeting card brands are American Greetings, Carlton Cards, Gibson, Recycled Paper Greetings, and Papyrus, and other paper product offerings include DesignWare party goods, American Greetings and Plus Mark gift-wrap and boxed cards, and Date Works calendars. The company employs more than 2,200 employees in Ohio. With the Department providing \$72 million in incentives, these jobs will stay in the state. American Greetings will invest \$51 million to upgrade its headquarters in the Cleveland area, ensuring the company's lasting presence in Ohio.

Bob Evans Farms began in 1948 as a 12-stool diner in Gallipolis, Ohio, specializing in making sausage. It has since expanded and now distributes refrigerated and frozen grocery products to 49 states and parts of Canada. The \$1.75 billion company owns and operates 713 full-service restaurants and has a complete line of retail food products under the Bob Evans and Owens names. With the company's growing efforts, a decision was made to move its headquarters to the city of New Albany. The Department assisted the company in its site search and offered an incentive package valued at more than \$11.1 million, leveraging the company's \$34 million project. This relocation led to the creation of 150 high-wage jobs and the retention of more than 380 positions at the headquarters. Without the efforts of the Department, these jobs would have been at risk of leaving Ohio.

Diebold, headquartered in Canton, Ohio, employs more than 16,000 employees, with representation in more than 90 countries worldwide. Diebold is more than 150 years old and is currently a Fortune 1,000 company with revenue of roughly \$2.8 billion in 2010. Diebold made a decision to consolidate facilities, relocating its global headquarters in Canton. This was made possible by more than \$56 million in state incentives. The move retained 1,500 jobs in Ohio with an investment of roughly \$105 million by Diebold. These jobs could have gone to any number of Diebold sites from North Carolina to Virginia.

Improving Incentives

As the state works to create, retain, or expand employment opportunities for Ohioans, a critical component of its effort is the incentives it can offer. However, the changing business climate required Ohio to improve its incentives, making them more flexible and competitive, and so the 2012-13 Budget expanded the Refundable Job Retention Tax Credit. To receive this tax credit, companies must have a minimum payroll of \$20 million, retain a minimum of 500 jobs over a three-year period, and make a capital investment of at least \$5 million dollars over a three-year period. The company also must maintain its operations at its current site. This tax credit will enable the state to provide a higher value incentive when a company is considering multiple locations. It also will encourage long-term growth within local communities.

Accountability to Taxpayers

A key component of the new Refundable Job Retention Tax Credit is the program review, which begins on August 1, 2014 by the Director of the Ohio Department of Development. Beginning in 2014 and every three years thereafter, the Director will review the status of the program and determine if it meets the current needs of business.

The Department also continues to review the status of incentives offered to companies, making sure that the company fulfills its obligation to create the jobs and investments that initiated the state's incentive award. In fiscal year 2011, the Department reviewed incentives and determined that 12 companies did not meet the requirements of their agreements. Therefore, the state initiated the process to rescind these

incentives. The amount of taxpayer dollars that will be saved when this process is complete will total more than \$1 million. In fiscal year 2010, the state only initiated the rescinding process for three incentives. This stricter review of incentives demonstrates to companies that the State of Ohio is a serious partner in a company's future success.

The Ohio Department of Development is dedicated to job creation and improving the business climate in the State of Ohio. It also works to ensure that it is utilizing incentives to their fullest potential, while being good stewards of taxpayer monies.

Minority Businesses Assisted through Development Efforts

The Minority Business Enterprise Division assists in the creation, growth, and development of minority businesses by providing loan services that support emerging minority entrepreneurs in Ohio's urban areas. During fiscal year 2011, more than \$20.6 million in loans and more than \$4.4 million in bonds were executed to minority businesses, providing development and expansion opportunities and yielding 4,903 Ohio jobs created or retained.

Entrepreneurs and Small Businesses Served Through Network of Centers

The Ohio Department of Development not only offers financial incentives to companies, but also works in partnership with the Ohio Small Business Development Centers, a broad state network of public and private partners, to provide information, assistance, counseling, and training to small businesses. The Entrepreneurship and Small Business Division oversees the SBDC's. Throughout last year, the network of 41 centers statewide counseled and trained 25,383 clients and assisted in the creation and retention 24,703 jobs through loans and capital infusion, totaling more than \$167.6 million.

Incumbent Worker Training Voucher is Approved

During fiscal year 2011, the Ohio Department of Development provided funding assistance to help train 13,642 incumbent workers. In addition, the Energizing Careers Program provides customized training for improving workers' skills in Ohio's expanding advanced energy manufacturing sector, and helped train 24 Ohio workers during fiscal year 2011. Also, marketing efforts have increased for the website OhioMeansJobs.com. The site provides all Ohioans with the ability to locate jobs throughout the state and aids employers in finding qualified employees. Job seekers can search the comprehensive listing of roughly 100,000 employment opportunities in Ohio at no cost. Employers using the website can register through the Ohio Business Gateway, giving them the opportunity to browse through thousands of resumes at no cost. Ohio is the first state to implement this free jobs tool. Going into the future, it is critical to build an even stronger, globally competitive workforce. Governor Kasich, with the support of the legislature, created the Incumbent Worker Training Voucher Program. Targeting Ohio's six industry sectors, the program will offer companies and employees substantial, flexible assistance to cover training costs.

OhioMeansJobs

Ohio Third Frontier to Focus more on Commercialization

The Ohio Third Frontier provided \$60.29 million in grants and loans to more than 37 Ohio technology companies, universities, and research institutions during fiscal year 2011. However, in effort to support the Governor's job creation efforts, the program has shifted its focus to projects that are closer to commercialization. The Ohio Third Frontier is now focusing on short term investments that will yield job creation results within three to five years, as opposed to longer term research investments that can sometimes take 10 years to produce Ohio jobs. Since its inception in fiscal year 2002, the program has helped create and retain more than 68,000 direct and indirect jobs for Ohio, leveraging more than \$5.9 billion in additional private investment. Ohio Third Frontier is the state's premiere incentive to support Ohio's technology industries and is quickly gaining national attention for its effectiveness.

ONE Fund is Launched with Assistance from Ohio Third Frontier

Ohio's New Entrepreneurs Fund (ONE Fund) is an innovative approach to attracting and retaining the best and the brightest talent to Ohio. The pilot program, in collaboration with The Ohio State University Fisher College of Business' Center for Entrepreneurship, focuses on the professional development of young entrepreneurs with the necessary ambition to commercialize new technologies. The program,

ONE FUND!
OHIO'S NEW ENTREPRENEURS

funded through the Ohio Third Frontier, aggressively recruits young entrepreneurs from within Ohio and outside the state. They submit proposals and concepts; work under the guidance of seasoned entrepreneurs, industry experts, and investors; and then pitch their ideas to investors to launch a new Ohio business venture.

Ohio Historic Preservation Tax Credit Renewed in FY2012 Budget for \$60 Million

The Ohio Historic Preservation Tax Credit Program provides a tax credit to owners of historic buildings who complete rehabilitation projects. The tax credit reflects 25 percent of Qualified Rehabilitation Expenditures completed as part of historic rehabilitation projects. In fiscal year 2011, 13 projects were approved for tax credits. Since 2007, Development has approved 105 historic rehabilitation projects in 25 different Ohio jurisdictions. To date, 35 projects have been completed. These completed projects have led to \$420 million in private investments, 5,699 permanent jobs, 3,184 construction jobs, and 911 residential units. According to a Cleveland State University study, for every \$1 million in Ohio Historic Preservation Tax Credits, 83 construction jobs and 299 permanent operations jobs are created.

Clean Ohio Fund Cleans up Blight, Creating Opportunities for Reinvestment and Jobs

The Clean Ohio Revitalization and Clean Ohio Assistance Funds are key financial components in helping communities create economic opportunities by providing the funds needed for brownfield redevelopment. In fiscal year 2011, the Clean Ohio programs have funded a total of 66 projects, totaling more than \$61



CleanOhioFund

million. To date, there have been 196 Clean Ohio Assistance Fund projects that leveraged nearly \$1 billion and are expected to create and retain 5,600 jobs. Since its inception, 135 Clean Ohio Revitalization Fund projects have been awarded more than \$280 million, leveraging \$2 billion in private sector investment, and creating and retaining more than 12,000 jobs.

Governor's Office of Appalachia Supports Job Creation in Ohio's Appalachian Region

The Governor's Office of Appalachia advocates for Ohio's 32 Appalachian counties, working with the Appalachian Regional Commission in Washington, D.C. to promote the region's assets and support local, regional, state, and federal initiatives. These initiatives contribute to the economic, educational, and community advancement of the Appalachian region. Working to stimulate economic activity, during fiscal year 2011, state and federal funds allocated more than \$8.4 million to the region, leveraging more than \$29 million and assisting in the creation of 1,058 jobs and the retention of 2,560 positions in 732 industries.

Community Housing Improvement Program Assists Nearly 1,800 Ohio Households

The Community Housing Improvement Program (CHIP) is funded by the federal Community Development Block Grant and HOME Investment Partnerships program. Grants up to \$500,000 go to small cities and counties on a competitive basis to provide and improve affordable housing in communities throughout Ohio. From private owner rehabilitation to tenant-based rental assistance, and new housing construction for homes and rental properties, the CHIP program allows a flexible, community-wide approach to the provision and improvement of affordable housing. In fiscal year 2011, the Ohio Department of Development awarded more than \$35 million to 71 local communities, assisting 1,780 Ohio households.

Percentage of Income Payment Plan Plus (PIPP Plus) Improves Service and Benefits

The Percentage of Income Payment Plan Plus (PIPP Plus), a program that's been around for more than 25 years, got a new look in fiscal year 2011. PIPP Plus is an extended payment arrangement that requires gas and electric companies to accept payments based on 6 percent of a household's income. The new program standardizes monthly payments year-round, making monthly bills more affordable for low-income customers. The program also maximizes customer participation while minimizing the burden on ratepayers, by providing a financial incentive and no debt build-up to customers who pay their bills on-time and in-full. Customers may step up to Graduate PIPP Plus when their financial situation improves. During fiscal year 2011, more than 400,000 Ohio households benefited from PIPP Plus, which may be responsible for the decrease in demand for the Community Development Division's Winter Crisis Program that assists those who are threatened with disconnection notices.

Ohio | PIPP PLUS

Ohio Motion Picture Tax Credit Secures *The Avengers* for Cleveland

The Department moved quickly to capitalize on a misstep by the state of Michigan which cut its film tax incentive and was able to attract the film *The Avengers*, which is shooting in Cleveland this summer. The Ohio Film Office provided an \$8.1 million Motion Picture Tax Credit to the production, which was a huge boost to the growing film industry in Ohio. The project, starring Robert Downey Jr. and Scarlett Johansson, is expected to hire more than 1,500 Ohioans as cast and crew. In total, for fiscal year 2011, the Ohio Film Office provided more than \$19 million in tax credits to 17 productions.

Ohio Energy Resources Division Supports Green Technology for the Future

The Ohio Energy Resources Division works to grow Ohio's economy by connecting companies and communities with financial and technical resources to deploy renewable energy technologies and energy efficiency. The Division provides technical assistance and administers federal and state funds to projects for the deployment of renewable energy technologies including wind, solar photovoltaic, solar thermal, and biomass, as well as energy efficiency measures for industrial, commercial, and residential. In fiscal year 2011, the Division, as the state energy office, provided technical assistance and administered federal and state funds to projects for the deployment of energy efficiency and renewable energy technologies for industrial, commercial, and some consumer classes of residential. During fiscal year 2011, the Division supported 244 projects, totaling more than \$42 million. Those projects helped generate 29,415,826 kWh/yr of energy and 210,678,459 kWh/yr in energy savings.

Tourism Industry Continues to Grow



During fiscal year 2011, Ohio's tourism industry grew to an estimated \$38 billion in total sales and sustained roughly 439,000 jobs, while also generating approximately \$2.6 billion in state and local tax revenue. The Ohio Tourism Division helped achieve this growth by marketing Ohio through advertising, public relations, tourism information services, multicultural efforts, special promotions, and social media. Highlights of the year include:

- Generating \$275 million in new visitor spending for a return on investment of 13 new tax dollars created for every public dollar invested.
- Developing Ohio Tourism Groupon Week: a first-ever state tourism partnership that generated more than \$780,000 in sales for Ohio businesses.
- Generating \$8 million in earned media through public relations efforts, winning three national awards for having the top public/media relations program in the country.
- Creating a robust co-operative marketing program, leveraging approximately \$1.10 from the private industry for every public dollar invested and extending Ohio's advertising message.
- Partnering with Honda, Speedway, and Elmer's to conduct a mobile tour that helped drive new sales to industry partners.

Ohio Department of Development's Future

The Ohio Department of Development, in an effort to be more responsive and accountable to Ohio taxpayers, is in the process of restructuring its functions. While JobsOhio will focus on promoting the state's assets, the remaining Department will become a state agency focused on supporting those efforts through its business and community development incentives. The recommendations for this future agency will be provided to the General Assembly by August 18, 2011. For more details, please contact incoming Director Christiane Schmenk at Christiane.Schmenk@development.ohio.gov.

Programs & Incentives

Community Development

The Ohio Department of Development administers a variety of state and federally funded programs designed to build stronger, healthier communities throughout the state and to support families in need. Community Development programs solidify Ohio's infrastructure, improve housing conditions, create jobs, address energy needs, and support local social service initiatives.

Grants

- Alternative Fuel Transportation Grant Program
- Ohio Advanced Energy Fund

Programs and Incentives

- Energy Efficiency and Conservation Block Grant Program
- Ohio Energy Efficient Appliance Rebate Program
- State Energy Program
- Community Development Block Grant Program
- Community Services Block Grant Program
- Electric Partnership Program
- Emergency Shelter Grants Program
- Home Energy Assistance Program
- HOME Investment Partnerships Program
- Home Weatherization Assistance Program
- Housing Opportunities for Persons with AIDS Program

- Interagency Council on Homelessness and Affordable Housing
- Ohio Housing Trust Fund
- Percentage of Income Payment Plan (PIPP)
- PIPP Plus (November 2010)
- Community Investment Funds
- Distressed County Program
- Regional Initiative Program
- The Appalachian Regional Commission's Federal Access Road Program
- The Rapid Response Fund
- Brownfield Revolving Loan Fund
- Clean Ohio Assistance Program
- Clean Ohio Revitalization Fund
- Livable Communities Initiative
- Ohio Historic Preservation Tax Credit
- Ohio Hubs of Innovation and Opportunity
- Ohio New Markets Tax Credit Program

Business Development

Business Development plays a key role in establishing a targeted industry approach to Ohio's economic development. Increased prosperity and higher quality of life are achieved and sustained through the creation, expansion, retention, and attraction of business. Growing Ohio's businesses contributes to job growth and healthier, more vibrant communities.

Grants

- Ohio Job Ready Sites Program
- Rapid Outreach Grant
- Roadwork Development (629) Grant

Loans

- 166 Direct Loan
- Innovation Ohio Loan Fund
- Ohio Enterprise Bond Fund
- Regional 166 Direct Loan
- Research and Development Loan (with corresponding tax credit)
- Rural Industrial Park Loan
- Urban Redevelopment Loan

Tax Incentives

- Community Reinvestment Areas
- Enterprise Zones
- Job Creation Tax Credit
- Job Retention Tax Credit
- Ohio Motion Picture Tax Credit

Programs and Initiatives

- Ohio Manufacturing Extension Program
- Ohio Third Frontier Programs
- Ohio's Thomas Edison Program
- Ohio Venture Capital Authority
- Technology Investment Tax Credit Program
- Appalachian Training Investment Program
- Energizing Careers Program
- Governor's Workforce Policy Advisory Board
- Ohio Third Frontier Internship Grant Program
- Ohio Labor Management Cooperation Program
- Ohio Workforce Guarantee Program
- Project HIRE
- Ohio Means Home
- Ohio Means Jobs
- 1st Stop Business Connection
- Check Ohio First
- MicroEnterprise Support Program
- Ohio Lender Participation Program
- Small Business Hotline
- Women's Business Resource Program
- Entrepreneur Expo and other outreach event
- Jumpstart Launch100 Initiative
- Minority Business Assistance Centers
- Minority Business Development Organizations
- Procurement Technical Assistance Centers
- Office of Minority Financial Incentives