Critics: State misuses tax deals

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A nonpartisan research group yesterday questioned $1.4 million in state tax credits for a huge Kroger warehouse being built near Delaware as well as $10 million in incentives given to three new Wal-Mart facilities across the state.

"As welcome as new jobs are, state policy should ensure that companies are not provided incentives where none are needed," said Zach Schiller, senior researcher for Policy Matters Ohio, based in Cleveland.

Although Kroger is creating 276 jobs for its new 750,000-square-foot distribution center -- the largest building project in company history -- another 439 jobs are being relocated from two facilities in Columbus and one in Whitehall.

"The state shouldn't be in the business of giving companies money to move around the state," Schiller said.

The director of Columbus' Department of Development echoed the concern.

"We are concerned about a policy that lets companies obtain state tax incentives for short-distance moves (such as to an adjacent county)," said Mark Barbash in a letter last week to Daryl P. Hennessy, executive director of the agency that awarded the tax breaks, the Ohio Tax Credit Authority.

"Such a policy can encourage 'tax abatement chasing' and is not in the best interests of local government," Barbash said. He noted one of the Kroger facilities in Columbus already is located in an enterprise zone on the city's southeast side, an economically distressed area that has tax incentives in place.

"It is incongruous for state tax incentives to be offered for jobs moving out of our (enterprise zone)," Barbash wrote.

However, the city's protests turned out to be futile; state Development Director Bruce E. Johnson already had OK'd the Kroger deal June 20 -- 11 days before Barbash sent his letter.

It turns out the state -- required by Ohio law to notify cities that will lose jobs to relocation -- had told Columbus about only one of the Kroger facilities potentially being moved. The other notification was mistakenly sent to the clerk of courts in Hamilton County (Cincinnati) and to Hamilton Township.

The corrected notice was mailed June 4 -- months after preliminary approval for the Kroger tax credits was granted, and 2 1/2 weeks after ground was broken for the facility -- with Columbus officials given until June 14 to reply.

Despite the notification mix-up, the state met its legal duty to notify the city about the relocated jobs, Hennessy said. The law doesn't state how much notice is required.

He also noted the tax credits -- a 70-percent reduction in state income taxes over the next 10 years -- apply only to the new jobs, not to the 439 workers being relocated.

The state also provided a $500,000 roadwork-development grant, a $400,000 community development block grant and a $120,000 Ohio Investment in Training Program grant.

Nick Reese, spokesman for Kroger, praised the efforts of Gov. Bob Taft as well as other state and local officials in paving the way for the company's $69 million project.

He said Kroger's president, Marnette Perry, told Columbus Mayor Michael B. Coleman (as well as Whitehall Mayor John A. Wolfe) about the move before it was announced -- but after the decision had been made.

The Wal-Mart tax credits challenged by Policy Matters include those for an eyeglass manufacturing/distribution site -- expected to generate up to 900 jobs in the largest such facility in the country -- in Obetz, a small community in southern Franklin County.

However, most of the nonprofit think tank's criticism was directed at a large Wal-Mart warehouse that is opening this month near Washington Court House. It got a $2.6 million tax credit over the next 10 years.

Schiller said the tax break -- designed to lure employers to Ohio instead of other states -- was awarded in October 2001 even though the company already had begun construction of the facility the previous summer.

"In that case, it's hard to imagine the incentive was needed to attract them here," he said.

Hennessy said Wal-Mart began construction with the understanding that Joe Robertson, then interim state development director, and his staff would recommend approval of the tax breaks when they came before the tax credit authority last fall. The acting director provided Wal-Mart with a "go forward" letter in June 2001, Hennessy said.

The five-member authority -- which consists of three members picked by the governor and one each by the House and Senate -- has never rejected a staff recommendation in the four-plus years Hennessy has been executive director.

While Schiller criticized the tax breaks given to a company with about $218 billion in revenue and $6.6 billion in profit last year, Hennessy said the size of Wal-Mart means the retailer always has a choice in where it can locate a facility.

In this case, the incentives were needed to bring the warehouse to Ohio instead of Indiana or Kentucky, he said.

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