



County Auditors' Association of Ohio

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MICHAEL E. YODER
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Opponent Testimony of Warren County Auditor Matt Nolan

HB 371

House Ways & Means Committee

November 28, 2017

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Chairman Schaffer, Vice Chairman Scherer, Ranking Member Rogers, and Members of the House Ways & Means Committee: I am Matt Nolan, Warren County Auditor, speaking on behalf of the County Auditors' Association of Ohio (CAAO). Thank you for this opportunity. I am here today to express our strong opposition to HB 371. The CAAO is part of the Local Government Association Coalition opposed to this bill; you should have already received a copy of our memo in opposition.

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This bill would authorize a tax exemption or freeze in the value of land in the pre-residential development stage and reduces property taxes for land purchased for residential development purposes. Specifically, the exemption applies to any subdivided, unimproved parcel on which construction of residential buildings (single or multi-family dwellings) is planned but has not started. The bill specifies that residential construction is not deemed to have begun solely on the basis of streets, sidewalks, curbs, driveways, or water, sewer, or other utility lines having been constructed or installed.

County Auditors take very seriously their role as the appraiser for their counties and therefore have serious concerns about the impact the legislation would have on current practice and appraisal methodology. As indicated in the LSC bill analysis, "The appraisal is supposed to approximate the "true" or fair market value of the parcel, which, generally, is the unconditioned price the property would sell for in an arm's length sale, or the price for which it has in fact been sold recently in such a sale. The subdivision

of land itself might cause the aggregate appraised true values of the new parcels to exceed the appraised true value of the original parcel before it was subdivided, because the subdivision itself might influence the market value of the land. Also, the appraised value of any parcel subdivided or not, may change because of market factors without the parcel itself undergoing any construction or other physical change". Freezing the value under this bill is a drastic alteration of the uniform standards of appraisal practice and could have unintended and unpredictable consequences on the value of neighboring parcels. The freeze applies to the newly purchased property and also continues in spite of streets, sidewalks, curbs, driveways, or water, sewer, or other utility lines having been constructed or installed. Not only is it likely that the purchase itself would increase the value of this property as well as neighboring properties, but the actual installation of "neighborhood amenities" would have a definite impact on this and neighboring properties.

The bill creates new terminology, "ascribed taxable value" which equals a portion of the taxable value of the original property before it was subdivided. This is a confusing phrase and definition that does not appear to be used within the context of the valuation of real property. It has the potential to be used more broadly and in random fashion to alter the equalization of the valuation of real property.

In Warren County as of today, we have 5231 planned platted lots. These are subdivisions that have been laid out and while not every lot is fully platted, if this bill were put in place they would be. I used our lowest home site of \$30,000 and subtracted out 5,000 for our lowest vacant farmland value (the bill exempts the difference between those two). Most of these lots have higher home sites and lower vacant land rates

because they are not on full acres, but I used the simplest math for explanation sake.

I then used an average tax rate in Warren County of 61 mills. Most of the developed areas in Mason and Springboro pay over 70 mills, but again, keeping it simple. That would eliminate \$2,745,000 dollars in taxes from Warren County local governments.

In May of 2009 Warren County had approximately 3800 vacant lots; most of those sat vacant for 4-5 years. That would have been nearly \$2,000,000 a year taken from local governments and given to developers. A similar scenario is currently playing out in Union County and in other growing counties.

We hope you will consider the impact of this unnecessary valuation freeze and oppose this bill. Thank you very much for the opportunity to address you and for your kind attention. I would be pleased to answer any questions you may have at this time.