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M E M O R A N D U M

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Date: May 16, 2019  
 To: Members of Senate Finance Committee  
 From: Local Government Associations  
 Re: Local Governments, Schools and Economic Development Groups Oppose Inclusion of HB 149 in Operating Budget (HB 166)

We are writing as a strong coalition of twelve organizations representing schools, local governments, and local economic development interests, urging you to remove the provisions of House Bill 149 from HB 166, the Operating Budget Bill as passed by the House. House Bill 149 provides a tax exemption for new residential development and is an attempt to usurp local decision making on land use, community planning and economic development incentives with a **one-size-fits-all mandate**.

House Bill 149, and the language included in HB 166, would treat property owned by residential housing developers differently than other property by freezing the taxes for up to three years or until the sexennial reappraisal is completed or until construction begins or the property is sold. It is likely this is unconstitutional because similar properties must be treated the same for valuation and taxation purposes. The Ohio Constitution provides that “land and improvements thereon shall be taxed by uniform rule according to value”. (Article XII, Section 2).

We believe this language is unnecessary because there are currently incentive programs that are available to local governments to accomplish the underlying purpose of this language. Community Reinvestment Areas (CRAs), Tax Increment Financing (TIF) agreements, and other programs provide local governments with adequate tools to offer residential construction incentives in specific circumstances that are tailored not only to provide assistance and incentives to the developer, but also to take into consideration the unique requirements of the particular local government.

- Existing development agreements could be seriously impacted by the passage of this language resulting in default bond payments or additional general fund obligations.
- Local governments are required to develop and maintain land use plans in order to be sure development occurs where it makes sense and where the development can be supported efficiently. This language circumvents the purpose of local planning.
- Unplanned and unorganized housing developments have the potential for over-burdening local government services and school districts.
- When developers and local governments negotiate tax incentives, the agreements are not one-size-fits-all, but rather specific, case-by-case agreements.

The property tax exemption for the increase in value of subdivided parcels could result in loss of revenue to school districts and other units of local government. The loss of potential incremental revenue increases that would occur naturally under current law is particularly important in light of the current scarcity of funds coming from the state to these local entities.

- According to the LSC Fiscal Note and Local Impact Statement, “The magnitude of tax revenue loss might range into the low millions of dollars statewide...”
- “Revenue losses might be higher if residential building activity continues to strengthen.”, also according to the LSC Fiscal Note.
- During the time period of the exemption, existing property owners will end up paying more to make up the difference for levies raised through outside millage.

The language included in HB 166 had been promoted as a potential driver for an improved economy, yet historic economic development patterns show that demand for new homes will increase as the economy grows with no tax-break incentives. The incentive for successful housing developments is access to jobs for potential home-buyers. This provision is not providing new jobs.

- The bill essentially subsidizes sprawl by incentivizing and promoting economically and environmentally unsustainable development across the state.
- Although there are communities throughout Ohio where the need for new or increased housing development does exist, the financial risk of building-up an undeveloped area should be carried by the developer, not the local governments in which the development is proposed to occur.
- Proponent testimony on HB 149 shows that Ohio has more new housing starts than any state in the Mid-West. Conversely, experts have testified that Ohio’s population is stable, and there is no demonstrated need for housing developer tax subsidies in many communities.

On behalf of all our members, we respectfully urge you to remove the provisions of House Bill 149 from the budget bill. If you have questions, please feel free to contact any one of our associations.