County Commissioners Association of Ohio

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TO: **MEMBERS OF HOUSE FINANCE COMMITTEE**

FROM: **BRAD COLE, MANAGING DIRECTOR OF RESEARCH**

SUBJECT: **OPPOSITION TO AM. SUB. SB 235**

Chairman Smith, Vice Chair Ryan, Ranking Minority Member Driehaus, members of the House Finance Committee, my name is Brad Cole and I am here representing the County Commissioners Association of Ohio (CCAO). Thank you for the opportunity to testify this morning. CCAO opposes SB 235.

SB 235 would exempt from property taxes the increased value of property on which industrial or commercial development is planned until completion of the new or redeveloped facilities. The bill would apply to all commercial and industrial property, including "newly developable property" and "redevelopment property" for which no commercial or industrial operations are currently being conducted. The property in question would have to be zoned commercial or industrial, and the property valuation would be exempted or "frozen" until the issuance of an occupancy permit, the sale of the property, the rezoning of the property to a non-eligible use, or the commencement of industrial or commercial operations. If nothing else happens, the property values on such property would be reset once every 10 years.

CCAO opposes SB 235 for many reasons. The following bullets highlight some of our primary concerns:

- **Potential Harm to Existing Economic Development Programs/Tools –** Economic development professionals have raised concerns regarding the impact of this bill on existing economic development programs. Other witnesses will elaborate on this point, but suffice to say that there are serious

concerns about the impact of this bill on existing exemption agreements and about the future use of such exemptions by local governments. We believe that SB 235 could seriously disrupt the financing of existing economic development projects that rely on Tax Increment Financing (TIF) to pay for infrastructure improvements financed by local governments with bonds. SB 235 will undermine financing necessary for the completion of economic development projects.

- **No Local Input into Decision to Grant Property Tax Exemption** – All of the commonly used forms of tax abatement, such as enterprise zone agreements, community reinvestment areas and tax increment financing districts, rely on local officials, utilizing broad grants of authority from the state, to craft and approve agreements that promote economic development on a community basis, based on local needs and standards. SB 235 grants a property tax exemption as a matter of right to any eligible property owner upon the filing of a perfunctory exemption certificate with the county auditor. There would be no negotiation with the property owner regarding investment in plant and equipment, hiring of employees or any of the usual commitments by businesses to the local community.
- **Loss of Local Property Tax Revenue –** The fiscal note on SB 235 indicates that all newly developable property and redevelopment property in the state that is not already exempted under some other program may be eligible for this exemption. The fiscal note predicts an indeterminate amount of revenue losses for all local governments that receive a portion of the 10 inside mills or un-voted millage typically levied by schools, counties, townships and municipal corporations.
- **Ten Year "Reset" Requirement is Too Long –** The number of years for which a non-negotiated exemption should be granted should be less than 10 years. An attempt should be made to coordinate the reset with the existing schedule of triennial and sexennial updates performed on a staggered basis by county auditors across Ohio.

CCAO appreciates the opportunity to provide input on SB 235. CCAO would be happy to work with members of the committee and other parties on various options for mitigating some of the more harmful effects of this legislation on local economic development programs and counties.

I would be happy to try to answer questions from the committee at this time.