Testimony to the Ohio House Finance Committee
Eric Phillips, Union County/Marysville Economic Development Director
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Good morning to each of you. Thank you for the opportunity to speak before the committee as it relates to SB 235.

My name is Eric Phillips and for the past 15.5 years I have been honored to serve as the Economic Development Director for Union County and Marysville. Union County is one of the fastest growing counties in the state of Ohio. With over 500 single family home permits in 2015, we will likely come close or exceed that total in 2016. Union County now exceeds 56,000 residents and is expected to grow another 20-30,000 by 2050. Additionally, Union County and Marysville are home to the world headquarters of the Scotts Miracle-Gro Company, Honda North American Services, Honda of America, Honda R&D Americas, Transportation Research Center, Nestle R&D Center, Continental, Select Sires, and Parker Hannifin. The NW 33 Innovation Corridor between Dublin, Marysville, and the Transportation Research Center is home to over 50 automotive related companies led by Honda's Marysville Auto Plant, R&D Center, Performance Automotive Manufacturing Center, and the Heritage Center. Recently, we began planning and will now realize through state, national, and local investments the extension of fiber and the installation of dedicated short range communications that will allow for on the road testing of autonomous and connected vehicles.

My professional experience includes serving as the past president of the National Rural Economic Developer's Association, Past President and current board member of the Mid-Ohio Development Exchange, Past Chair and Executive Committee member of the Mid-Ohio Regional Planning Commission, and current Columbus 2020 Board Secretary.

Today, I am here representing Union County as its Economic Development Director. As I have explained in my testimony, Union County has been blessed with growth and development and is an example of how business and government can work together to promote job and wealth creation. To this end, and with great respect to the Ohio General Assembly for its goal of promoting more investment and job creation, I feel that the proposed SB 235 has various unanticipated negative impacts on local communities and their ability to maintain and expand their tax bases. Moreover, I believe that SB 235 will remove the historical responsibility of local governments to review, consider, and approve or deny local property tax breaks.

I would like to go over a few of my concerns on the potential negative impacts of SB 235 and then recommend the possible amendment:

1. Impacts Economic Development Tools – SB 235 will have definitive impacts on existing and future TIFs throughout Ohio. Existing TIF financial projections are based on not only building construction but also the increase in property valuation for undeveloped properties. If taxes will be frozen in existing TIF districts, these districts will realize less income which could negatively impact future infrastructure improvements and debt service payments. Additionally, if we are not permitted as local governments to include natural property tax increases with the growth in valuations into our TIF agreements, it will hamper our ability to complete infrastructure and support debt service payments for TIFs in the future. In 2005, the City of Marysville created a TIF District for a retail development known as Colemans Crossing. With the recession in 2008 and 2009, the shopping area has never realized the retail development planned. Over the last 11 years, the TIF has had difficulty in covering the debt service payments due to the lack of development. If increased property valuations are not realized it will hurt funds available for debt service payments and for future infrastructure improvements.
2. Hurts Local Incentive Collaboration – Historically, schools and local governments work closely together to devise a plan on how to encourage businesses to expand or locate in their respective community. This collaboration is typically done by agreeing to some type of property tax abatement, income tax rebate, or tax increment financing to support the company's expansion. If SB 235 is passed as it is proposed, it will entitle an owner, typically a developer, of a commercially zoned undeveloped property to apply and automatically receive a freeze on property taxes for up to 10 years with extensions permitted. If this occurs on a property for 5, 10, or 15 years, then the developer sells the property to a company to expand, the community will then be expected to not only accept the years of taxes forgone with the freeze, but to consider an additional tax abatement or incentive that will remove additional funds from local governments. This will place undue stress on schools and local governments making it difficult to consider a continuation of property tax relief; and will also strain local collaboration on tax incentives going forward.
3. Property Taxes are Local/Only Property Owners Benefit – Property taxes are collected to support the local governments such as schools, cities, police, fire, and social services. Historically, the state of Ohio has allowed local governments to approve or deny property tax incentives. SB 235

would not allow local governments to review and consider applications to freeze taxes. This loss of local review, allows others to determine the outcome of an incentive that impacts local taxes that support local services. Additionally, in most cases undeveloped commercially zoned property will be owned by a developer or property owner who will eventually benefit from the sale of the property. Market conditions will more than likely determine the eventual sale of the property to a company that will invest and create jobs. In most cases, the freezing of taxes will not always result in the expedited sale of commercial property, but it will always insure that there is a benefit to the developer or property owner.

4. SB 235 Actually Shifts Property Taxes on Homeowners and Businesses – Although SB 235 freezes valuations for commercially zoned undeveloped properties, it will actually proportionally shift the property taxes to the other property owners in each respective county. Levies are based on exact dollar amounts and then divided among all property owners. A freeze of valuations on commercially zoned undeveloped properties will cause a shift in the property taxes for the other property owners to meet the exact dollar amount of the levies.
5. "Opt-In" Amendment Preserves Local Control - If SB 235 continues as proposed, I would instead prefer an "opt-in" provision, which I feel would be the best option to allow local communities to determine if HB 235 is right for their respective communities. Each community in Ohio has a different tax base structure and portfolio and allowing a choice by local governments will enable them to understand the impacts and make the best decision locally.

I would like to thank you for your time and consideration for hearing from both sides of this issue. Also, I wanted to thank you for creating the JobsOhio network which has taken economic development to a new level. We appreciate all the work done by JobsOhio and Columbus 2020.

Thank you, I am available for any questions or comments.