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by Mike Barhorst, Mayor, City of Sidney, Ohio

Good morning Chairman Smith and members of the House Finance Committee. I am Mike Barhorst, Mayor of the City of Sidney. Sidney is located on Interstate 75 about half-way between Cincinnati and Toledo. Sidney is the County Seat of Shelby County.

The City is very fortunate to have a large industrial base – in fact, you may know that Shelby County has more manufacturing jobs per capita than any other county in Ohio. Sidney, with a population of 21,229, is a community that daily imports more than 5,000 workers from surrounding towns and counties to fill the estimated 35,833 jobs that exist in Sidney.

I stand before you today in opposition to Amended Substitute Senate Bill 235. As you know, this bill 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. In theory, this should be a good bill, and one that we could support. Unfortunately, this bill is flawed.

As the bill is currently written, a "freeze" on the value of commercial or industrial property would be granted as a matter of right to any owner of property in an area zoned for commercial or industrial use who files an application with the county auditor of the intent to develop or redevelop the property. Apart from the county auditor's perfunctory approval of an application, county, municipal, and township officials would have no authority to approve or disapprove any application or enter into a tax exemption agreement with the property owner.

There also would be no local control over the level or duration of the exemption, no requirement of the property owner to make specific investments, and no commitment to hire a specified number of employees. In fact, none of the usual commitments that are typically made in exchange for the property tax exemption are required.

The legislation eliminates the historic ability of local governments to direct development to enterprise zones, community reinvestment authorities (CRAs), and tax increment financing (TIF) districts, using local criteria, zoning and land use plans, and other factors. Inherent in the concept of local control is the ability of local governments to approve or disapprove a tax exemption on the basis of readiness to proceed, job creation or retention, and requirements that the exemption is critical to the project. Furthermore, local economic development professionals are inexplicably not included in the discussion.

The bill effectively freezes or exempts every parcel of land in areas zoned commercial or industrial from any additional property tax for improvements made to any parcel until an occupancy permit is issued or ten years, whichever is sooner. This extremely broad based tax exemption would apply to ***all*** areas including potential areas for which other property tax exemptions or economic development plans are in use. There is concern that the legislation may have the unintended consequence of eliminating the incremental increase in value for existing TIF projects involving commercial and industrial developments. For example, local government officials would be powerless to exempt existing TIF districts, areas designated as enterprise zones, CRAs, cooperative economic development areas (CEDAs), and other areas for which local land use planning or land use tools might suggest an exemption would be appropriate.

The tax exemption or freeze in value has the potential to reduce property taxes for local governments and schools and, in some cases, could require other taxpayers to pay more than their fair share. When one commercial property is undervalued, the other commercial properties in the taxing unit must make up the difference.

Levy millage rates are set based on the total valuation of the political subdivision. If some properties are undervalued at the time a levy is passed, the millage rate set for the levy must be higher than necessary in order to raise the funds requested by the subdivision. This means property owners whose real property is set at a fair value will pay more than necessary.

There is also considerable confusion over the definitions within the proposed legislation of newly developable property, redevelopment property, remnant parcel, original property and what is meant by “planned” commercial or industrial development. There appears to be a lack of specificity in the legislation as to what is required for the developers’ plans, as well as the feasibility of the planned development.

There are also issues regarding the “triggering” of the tax exemption, an ability to recoup the exemption if the conditions are not met or if the development is not completed, and the length of time granted for the exemption. The measure is difficult to monitor and is vague as to who will decide when a property qualifies or when the exemption ends.

Amended Substitute Senate Bill reverses 50 years of established practice regarding how local property tax exemptions are approved. Dating back to the 1960’s and proceeding to the present, the General Assembly has authorized local governments to establish property tax exemptions for businesses on a community by community basis. Each local government under laws of general

application could determine when, where, and whether it made sense to offer tax abatement generally to incentivize economic development.

This bill is a dramatic departure from the historic approach embodied in Ohio law by granting all property owners of commercial or industrial property the right to a property tax exemption on the increased value of their property without any meaningful input from local governments as to whether such exemption is necessary, or likely to result in specific investment and hiring within a clearly understood and agreed to time frame.

In its current form, Amended Substitute Senate Bill 235 provides commercial and industrial property owners with an open-ended property tax exemption for up to 10 years at the expense of the respective treasuries of counties, schools, municipal corporations, and townships which will lose inside millage property tax revenue growth.

While the City of Sidney sincerely appreciates the efforts of the Ohio General Assembly to promote additional economic development activity in the state, and your desire to provide additional tools to that end, we cannot support this bill. We believe Ohio has adequate local economic development tools which can and should be used based on local needs and plans.

We strongly oppose Amended Substitute Senate Bill 235 and respectfully request that you allow it to die in committee. If the General Assembly believes that additional steps need to be taken to improve the state's efforts to attract business and industry, I would suggest that working on a bill in the coming year in which input is sought from those of us who work daily to create jobs would be a much better approach.

Thank you for your time. I would be happy to try to answer any questions you may have.