Interested Party Testimony
Am. Sub. Senate Bill 235—Property Taxes
Jennifer Patterson
House Finance Committee
November 15, 2016

Good morning. My name is Jennifer Patterson and I am the Assistant to the City Manager for the City of Monroe. Monroe is located directly on I-75 between Cincinnati and Dayton, and the city covers both Butler and Warren Counties. We are a relatively young and small community of 13,000 residents that has experienced tremendous residential and industrial growth over the past 10 years, and as a result, I believe that I can offer a unique perspective on the economic development impacts of SB 235. The City welcomes this opportunity to work with the legislators to ensure that there are no unintended consequences that inhibit future economic development in our state.

In order for the committee to understand our concerns, I believe it is helpful to understand development in our part of southwest Ohio. In 2007, the City of Monroe was seeing economic development projects locate elsewhere on the I-75 corridor while the City was in fiscal emergency and struggling financially. Recognizing the need to take action, the City created a sophisticated development plan and partnered with two selected developers to construct two Class A industrial parks. For both parks, the City created a Development Agreement with specific job creation, payroll, and performance metrics that allows for a 100%, 15-year tax abatement on qualified buildings through our CRA, or Community Reinvestment Area, program. While both parks are located in TIF districts, only one developer needed infrastructure development assistance and so one park has a $10 million bond issuance backed by TIF funds and a special assessment. Since these agreements have gone into effect, the City has seen 3,000,000 square feet of speculative development. By nearly all accounts, these parks and Development Agreements have been highly successful.

Being mindful of time limitations, I'd like to focus on three aspects of the proposed bill – local control of economic development priorities, the effect of the bill on economic development tools such as TIF districts, and the ability to compete for high quality development projects and companies when the opportunity arises.

As an economic developer, I am always interested in creating quality sites so that we can better compete regionally and nationally. However, I believe that the bill allows for the taxes of buildings to be frozen, providing an incentive that unintentionally bypasses the locals with the potential for longterm, negative effects. We already have a local economic development tool that can adjust the taxable value of a site through the widely recognized CRA program. This is the exact mechanism that we've used in both of our industrial parks. The City has the ability to partner with a developer who has the same values and development goals as the community and use the CRA program to encourage development that our leadership has determined is appropriate for our area; what we don't have, and what may be helpful, is the ability to affect the land values. Limiting the tax freeze provisions of SB 235 to land only, instead of land and buildings as currently written, could be an appropriate and helpful tool in some situations.

My second concern is the effect of SB 235's provisions on existing and future TIF agreements. The City of Monroe has worked hard with our school district to develop TIF compensation agreements. We've worked closely with the Warren County Port Authority to understand the best way to structure $10 million of infrastructure bonds in the industrial park. This created a framework that allows the City, schools, financial institutions, and the private sector to more accurately assess the financial impact of potential projects, determine the most effective type of public-private partnership, sell bonds, if necessary, to fund the project's infrastructure, and begin to build the capital stack that is necessary in major economy-shifting projects. The SB 235 tax freeze essentially delays the flow of TIF funds into the accounts that could be leveraged to fund infrastructure and spur further development. Based on conversations with our financial partners, it is our understanding that the open-ended nature of the tax freeze provisions will possibly affect the ability to sell bonds on the open market, thus potentially creating a situation where cities have to balance bonding capacity for public assets and force developers to seek alternative financing or walk away from the project altogether. While one of our industrial parks only required one new road and was developer-funded, it is my understanding that our second industrial park would not have been possible without the TIF financing and $10 million bond issuance.

My third concern with SB 235 is the bill's effect on Monroe's ability to compete for high quality economic development projects when the opportunity arises. When the City was competing with Michigan, Indiana, and Kentucky on Project Delta, the company asked for a full tax abatement under the CRA program. Just as JobsOhio was able to move our state forward with an aggressive incentive package, the City was also able to support those effects through the CRA program. The City's ability to bring forward the full CRA may not have been possible if the building had been part of an SB 235 tax freeze for up to 10 years.

At the end of the day, the City has expenses that need to be paid– this includes items such as public safety vehicles, snow plow services, program administration, and park maintenance – and the funds need to come from somewhere. We're asking for the ability for the City to continue to direct its funds into incentives for the high-quality, revenue-generating projects that are truly in line with the community's objectives rather than starting the tax freeze "by right" several years before a project is in play, and then asking the City to issue a full CRA to be competitive at a later date.

The City of Monroe asks for your consideration in amending Senate Bill 235 to be a tool for local governments instead of something that can hinder our City and State's great momentum in economic development right now.

Thank you for your time and attention today. I am happy to answer any questions.

Contact Information: Jennifer Patterson, City of Monroe, 233 South Main Street, Monroe, Ohio 45050
pattersonj@monroeohio.org
513-539-7374 x 1023