Interested Party Oral and Written Testimony
Am. Sub. Senate Bill 235—Property Taxes
Jennifer Tisone Price, Executive Director
House Finance Committee
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Chairman Smith, Vice-Chair Ryan, Ranking-Member Driehaus and members of the House Finance Committee, thank you for the opportunity to testify today regarding Am. Sub. Senate Bill 235. My name is Jennifer Price and I am the Executive Director of the Ohio Economic Development Association (the "OEDA"). I am providing this oral and written testimony on behalf of the OEDA.

The Ohio Economic Development Association (OEDA) represents over 500 economic development professionals from across the state. The organization as it stands today was created in 2005 through the merger of the Ohio Development Association and the Ohio Economic Development Council. OEDA is a non-partisan organization which advocates on behalf of economic development issues important to growing the Ohio economy.

On behalf of OEDA, I would like to express our sincere appreciation for the legislature's and the sponsor's efforts to support local economic development. As you know, this bill exempts from property tax the increased value of property on which industrial or commercial development is planned until the completion of new commercial or industrial facilities at the property. We are submitting this testimony as an interested party as a way to share the feedback we have received from our members who have taken an interest in this legislation. We are also happy to assist in making our members available to answer questions related to the practice of economic development at the local level.

Though it is our understanding that the intent of the bill is to encourage economic development at the community level, OEDA has a few concerns regarding this legislation.

First, OEDA believes that this bill could lead to a number of unintended consequences that might hinder the use of current economic development tools which have been very effective and acted as a critical catalyst to economic development. Many of Ohio's current economic development tools rely on property values and real estate taxes to encourage development. Tax increment financing ("TIF"), for example, relies on the taxes that would be generated from increased property values to fund needed infrastructure development. Because Am. Sub. Senate Bill 235 would freeze the value of real property slated for commercial development, it appears that it would render TIF ineffective in the future. Our members work with many Ohio municipalities and counties that rely on TIF to fund infrastructure development, and we are concerned Am. Sub. Senate Bill 235 will deprive them of this important tool.

Second, OEDA believes that one size does not fit all. We understand that Am. Sub. Senate Bill 235 would apply across the state and in every county. Our work as local economic development directors has shown us that each economic development project is unique. Factors vary, depending on the needs of the business involved, the land under consideration, the local government and school districts' needs and even local public sentiment. Typically the only way a project can be accomplished is to find a unique combination of assistance programs that convince a business to come to a community or expand at a current site. Am. Sub.

Senate Bill 235 takes away local control because its provisions are mandatory. This bill does not allow local jurisdictions to assess whether a freeze on the value of a property is required for a particular project or whether it could, in fact, jeopardize development. We are concerned that the lack of an "opt out" provision at the local level deprives our local communities of their ability to decide what is right for them.

Finally, OEDA is concerned about the negative effect this legislation would have on financing. As you know, many economic development and infrastructure projects are funded by bond financing. When investors consider investing in bonds issued by local governments or port authorities, they look for certainty in the revenues that will repay the financing. TIF financings are structured on the theory that properties will increase in value. The taxes that would have been paid on the increase are instead treated as "service payments" that are then used as the repayment stream for bonds issued to fund infrastructure. We have been advised by several investment bankers that the provisions of Am. Sub. Senate Bill 235, particularly those that "reset" property values every ten years if development has not occurred, would create much uncertainty in the funding streams available for TIF. This would thus put a chilling effect on their ability to obtain financing for TIF bonds, preventing infrastructure development in many of our communities.

Thank you for your time in reviewing the information we have presented. We greatly appreciate the opportunity to share our thoughts on this bill and provide additional insight into the local economic development process, particularly the area of project financing. We would be happy to discuss these issues with you further and have provided contact information below. Again, thank you for considering this information and for your efforts to encourage economic development throughout Ohio.

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