Testimony

on

SB 235

before

The Finance Committee

of

The Ohio House of Representatives

Steven Stanley, Executive Director

Montgomery County Transportation Improvement District

November 16, 2016

Mr. Chairman, my name is Steve Stanley. I am the Executive Director of the Montgomery County Transportation Improvement District (TID). The offices of the TID are located in the County Administration Building at 451 West 3rd Street, Dayton, Ohio. I am here today at the request of the Montgomery County Commissioners and their County Administrator, Joe Tuss, to ask that you consider adding language to Senate Bill 235, as passed by the Senate, in order to prevent unintentional but potentially damaging consequences to local government infrastructure financing if the Bill in its current form should become law.

The Montgomery County Commissioners created the Montgomery County TID in 2001 to expedite and finance transportation and other infrastructure improvements necessary for high priority economic development opportunities in the County. I have been the Director of the TID since its inception. To date, we have been directly involved in financing and constructing over $100 million worth of public infrastructure and utility improvements that have been essential to economic growth in our region. TID projects with which you may be familiar include (1) financing and constructing roadway improvements and all utilities necessary for Proctor & Gamble's new 1.8 million square foot Dayton Mixing Center in the City of Union west of the Dayton International Airport and (2) financing and constructing the Austin Interchange on Interstate 75 in southern Montgomery County. It is the latter case that I want to bring to your attention today in light of what is proposed in SB 235.

The Austin Interchange on I-75 opened in the summer of 2010 and provided nearly 1,000 acres of prime development land in southwestern Ohio with direct access to one of the busiest interstate highways in the United States. One of the most unusual aspects of the development of the Interchange is how much we paid for it with local money. The total cost of the Austin Interchange was just shy of $41 million. Half of that came from a TID bond issue of over $20 million which was backed by tax increment financing from the local governments in which the Interchange was located. Today, over $300 million of new development in the vicinity of the Interchange is generating payments in lieu of taxes to cover our debt service for the Austin Interchange and other roadway and public infrastructure financed to support that development.

But it was not always so.

Miami Township and the cities of Miamisburg and Springboro each enacted tax increment financing legislation in 2005 under the terms of a single cooperative financing agreement that identified land that would directly benefit from the construction of the Austin Interchange and related infrastructure. Based on our plan for constructing the Interchange and complementary local roadways, commitments to finance the local share of the Interchange proceeded until it was time in the depths of the Great Recession to seek construction bids for the project in late 2008. In that three year interim, property in the area subject to the local TIF legislation had begun to change hands and be developed in anticipation of the construction of the Interchange. Several early development projects on both sides of I-75 included large tracts of land that were rezoned and platted for mixed commercial and industrial use. The County Auditor subsequently re-assessed the value of all of the land in those tracts along with the development of individual

buildings on subdivided parcels and we began to collect TIF revenue from the incremental increase in value of both the undeveloped land and the buildings and parcels upon which they were situated. The payments in lieu of taxes that were generated from the increased value of those parcels of land that didn't yet contain buildings but were directly serviced by the new interchange and new local roadway improvements and utilities were critical to our early ability to cover debt service for the millions we borrowed for our share of constructing the Interchange and other public infrastructure.

An unfortunate, and I am sure unintended, consequence of SB 235, as passed by the Senate, would be to undermine the capacity of local governments to rely on tax increment financing legislation already adopted to make debt service payments for publically financed roadways and other infrastructure providing benefit and increased value to property serviced by that infrastructure. As currently written, under most circumstances, the bill would allow the owners of industrial or commercial parcels to declare their plan to develop those parcels and be exempt from making payments in lieu of taxes on any increase in land value of those parcels until buildings were built on them, even if those parcels were already subject to TIF legislation and increasing in value because of improvements that local governments had made by borrowing millions of dollars in reliance on the generation of TIF revenue from those parcels. Specifically, ORC Section 5709.911 provides that tax exemptions granted under most ORC TIF provisions are subordinate to "any other provision of the Revised Code," which would obviously include the provisions of SB 235 if enacted into law in its current form.

That seems obviously out of whack. In our circumstances in 2008 in Montgomery County, the current provisions of SB 235 might have prevented the financing of the local share of the Austin Interchange completely because the local governments backing the bonds or the institutional investors considering buying the bonds or both would have been unsure that they could rely on TIF revenue from normal incremental increases in land value. Those same provisions could also have resulted in the loss of hundreds of thousands of TIF dollars that were critical to us in our high risk early years. I am sure that is not an outcome that any member of this Committee would intend.

Luckily, it seems to me that the problem can be easily remedied by just excluding from the provisions of SB 235 those parcels already subject to TIF legislation upon which local governments have relied to pay debt service for improvements that benefit those parcels. That would protect local government risk in pursuit of economic development and still give private land owners a tool to help manage their risk of development into the future when local government action had not already taken place.

Thank you for the opportunity to testify. I would be happy to answer any questions.