NORED
northwest ohio regional economic development

NORED Testimony regarding Sub. SB 235
House Finance Committee
November 16, 2016

Chairman Smith, Vice Chairman Ryan, Ranking member Driehaus and members of the House Finance Committee, we are Jamie N. Beier Grant of the Ottawa County Improvement Corporation and Kay E. Reiter of the Sandusky County Economic Development Corporation and we are the co-chairs of the Northwest Ohio Regional Economic Development Association (NORED) Legislative Committee. NORED is a non-profit association of economic development practitioners and partners spanning 12 counties throughout Northwest Ohio. Since 1988 NORED has been assisting in the growth and competitiveness of our business community northwest Ohio. County members of NORED include Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Sandusky, Seneca, Van Wert, Williams and Wood Counties. Our membership also includes private sector and public sector representatives with a stake in the economy of northwest Ohio.

NORED is familiar with Substitute Senate Bill 235 and the potential benefit of the program as an economic development tool in our toolbox. Creative financing and incentive tools that can benefit business across multiple industry sectors is forward-thinking and inclusive of the diverse business base in Ohio.

However NORED shares the same concerns as have been identified by the Ohio Economic Development Association (OEDA), the County Commissioners Association of Ohio (CCAO), and other local government associations. While we applaud the effort to foster new and creative ways to stimulate redevelopment and investment projects in Ohio, we respectfully ask that you consider these concerns before moving this legislation forward.

Our concerns are summarized as follow:

Unintended Consequences: 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 Sub. SB 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 Sub. SB 235 will deprive them of this important tool.

One Size Does Not Fit All: We understand that Sub. SB 235 would apply across the state and in every county. Our work as local economic development professionals 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. Sub. SB 235 takes away local control because its provisions are mandatory. The 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.

Harmful Effect on Financing: 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 believe that Sub. SB 235 provision that would "reset" property values every ten years if development has not yet occurred would create much uncertainty in the funding streams available to communities. Additionally, with no defined limit on the number of property value "resets," local communities lose the ability to forecast property tax revenue. This could have a chilling effect on their ability to obtain financing and thus work against infrastructure development in many of our communities.

While we do not doubt the good intentions of Sub. SB 235 we remain concerned that it could have crippling unintended consequences that would cripple many of Ohio's current effective economic development tools.

Thank you your consideration of these concerns and we regret we were unable to be in Columbus to personally present this testimony but please do not hesitate to contact us if you have any questions.

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