OHIO MAYORS ALLIANCE

A COALITION OF OHIO'S 30 LARGEST CITIES

Ohio House Finance Committee
State Rep. Ryan Smith, Chair
77 S. High Street
Columbus, Ohio 43215

November 28, 2016

Dear Chair Smith and Members of the Ohio House Finance Committee,

The undersigned are members of the Ohio Mayors Alliance, a bipartisan group of elected leaders of Ohio's 30 largest cities. As you and your colleagues consider Am. Substitute Senate Bill 235, we wish to express our concerns as to its potential impact on Ohio's largest cities, which are responsible for generating the vast majority of our state's economic growth and vitality.

As currently drafted, we strongly oppose this legislation. If it is amended to allow for local governments to decide on a case-by-case basis whether the tax abatement contemplated in the bill should be granted, then we would likely be much more supportive of the bill. While the tax abatement could be useful in some areas, a blanket entitlement could have very negative consequences.

Private sector investment is critical to the economic prosperity of our communities. As we review the bill pending before your committee, we believe the current language could create unintended consequences for municipalities.

First, because of its mandatory provisions, Am. Sub. Senate Bill 235 eliminates local control, preventing communities from making a determination whether a freeze on the value of a property is helpful for a particular development project or creates an impediment. As written, land speculators could be incentivized to buy and hold land for several years, which is the opposite of the stated goal of the bill to put unproductive land back to use.

Furthermore, we are concerned that the proposal as currently drafted would put at risk the effectiveness of one of the critical economic development tools cities use to spur development. As you know, tax increment financing ("TIF") deals capture the real property taxes generated from increased property values to help fund needed infrastructure development. Freezing the value of property slated for commercial development for an undefined period of time (up to 10 years or longer with no defined limit on the number of property value "resets"), as is envisioned by Am. Sub.

Senate Bill 235, could render TIF financing virtually ineffective in the future as local communities would lose the ability to forecast property tax revenue. This could have a profound negative effect on local government's ability to secure the bond financing necessary for many economic development and neighborhood related infrastructure projects.

Certainty of future revenue is a major factor considered by investors for local government bonds. TIF financings are structured on the theory that properties will increase in value. The taxes that would have been paid on the increase in assessed value are utilized as "service payments" that are then used as the repayment stream for bonds issued to fund infrastructure. The reset mechanism in Am. Sub. Senate Bill 235 would create much uncertainty in the funding streams available for TIF which could create a chilling effect on the City's ability to obtain financing for TIF bonds, preventing certain infrastructure developments in communities throughout the state.

As we work to unlock the potential of underutilized properties in our communities, we need as many tools as possible to move development forward. There are times in which this tax relief provided in this bill would be beneficial; but that determination can only be made at the local level. Should this be reflected in the final version we would be much more inclined to support this bill.

Thank you for your consideration.

Sincerely,

John Cranley, Mayor
City of Cincinnati

Tim DeGeeter, Mayor
City of Parma

Lydia Mihalik, Mayor
City of Findlay

Nan Whaley, Mayor
City of Dayton