CITY OF HILLIARD est. 1853
City Council
Real People. Real Possibilities.
DON SCHONHARDT, MAYOR

Nathan D. Painter
President

November 28, 2016

Ryan Smith, Chairman
Ohio House Finance and Appropriation Committee
77 South High Street, 13th Floor
Columbus, Ohio 43215

Re: Senate Bill No. 235

Dear Chairman Smith:

The members of Hilliard City Council respectfully requests that the attached Resolution 16-R-95, Opposing Am. Sub. Senate Bill 235 is entered as written testimony in the upcoming hearing. Resolution 16-R-95 was adopted on November 28, 2016 and is in the process of being signed by all parties, including Mayor Don Schonhardt who expressed his approval.

Respectfully,

Nathan D. Painter, President
Hilliard City Council

cc: Senator Jim Hughes
Representative Cliff Rosenberger, Speaker of the House
Representative Stephanie Kunze
Representative Mike Duffey
Representative Kirk Schuring, Speaker Pro Tem
Representative Denise Driehaus, Finance Committee Ranking Member

Resolution: 16-R-95 **Adopted: November 28, 2016**
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RESOLUTION OPPOSING AM. SUB. SENATE BILL 235

WHEREAS, the City of Hilliard shall have and may exercise all municipal powers, functions rights and privileges and immunities of every name and nature whatsoever under the Constitution of the United States and the Constitution of the State of Ohio, including home rule provisions; and

WHEREAS, the Council of the City of Hilliard hereby strongly opposes the passages of Am. Sub. Senate Bill 235, as written as of November 28, 2016, for the reasons stated in the Local Government Associations' memorandum dated October 19, 2016, attached hereto, notably right of a property owner to apply directly with the county auditor's office to freeze the value of an owner's property and the total lack of participation, review and ability to negotiate such real property exemptions by local governments.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Hilliard, Ohio, that:

SECTION 1. The City of Hilliard strongly opposes the passage of Am. Sub. Senate Bill 235, exempting from property taxes the increased value of property on which industrial or commercial development is planned until completion of the new or redeveloped facilities, and which legislation by-passes all local governments in negotiating and approving these exemptions.

SECTION 3. This Resolution is effective upon its adoption.

ATTEST: **SIGNED:**

Lynne M. Fasone
Clerk of Council

Nathan D. Painter
President of Council

APPROVED AS TO FORM: **APPROVED:**

Tracy L. Bradford
Director of Law

Donald J. Schonhardt
Mayor

VOTE:	Yea	Nay	Abstain
Baker			
Carrier			
Erb			
Iosue			
McGivern			
Painter			
Uttley			
TALLY:			

M E M O R A N D U M

TO: Speaker Rosenberger and Members of the Ohio House of Representatives
FR: Local Government Associations
DT: October 19, 2016
RE: Opposition to Am. Sub. SB 235

On behalf of local government associations, we respectfully submit our joint opposition to Am. Sub. Senate Bill 235. This bill would exempt from property taxes the increased value of property on which industrial or commercial development is planned until completion of the new or redeveloped facilities. Local governments from across the state have been actively involved in several meetings with the bill's sponsors while the measure was in the Senate. We raised numerous concerns and objections but were unfortunately forced to oppose Am. Sub. SB 235.

No Local Control into Decision to Grant "Freeze" or Exemption on Property

Under the bill, a "freeze" on the value of commercial or industrial property would be granted as a matter of right to any owner of property in an area zoned for commercial or industrial use who files an application with the county auditor of the intent to develop or redevelop the property. Apart from the county auditor's perfunctory approval of an application, county, municipal, and township officials would have no authority to approve or disapprove any application or enter into a tax exemption agreement with the property owner. There also would be no local control over the level or duration of the exemption, no requirement of the property owner to make specific investments, no commitment to hire a specified number of employees, or none of the usual commitments in exchange for the property tax exemption.

The legislation eliminates the historical ability of local governments to direct development to enterprise zones, community reinvestment authorities (CRAs), and tax increment financing (TIF) districts, using local criteria, zoning and land use plans, and other factors. Inherent in the concept of local control is the ability of local governments to approve or disapprove a tax exemption on the basis of readiness to proceed, job creation or retention, and requirements that the exemption is critical to the project. Furthermore, local economic development professionals are inexplicably not included in the discussion.

Potential Harm to Existing Economic Development Programs/Tools

The bill effectively freezes or exempts every parcel of land in areas zoned commercial or industrial from any additional property tax for improvements made to any parcel until an occupancy permit is issued or ten years, whichever is sooner. This extremely broad based tax exemption would apply to ***all*** areas including potential areas for which other property tax exemptions or economic development plans are in use. There is concern that the legislation may have the unintended consequence of eliminating the incremental increase in value for existing TIFs projects involving commercial and industrial developments. For example, local government officials would be powerless to exempt existing TIF

districts, areas designated as enterprise zones, CRAs, cooperative economic development areas (CEDAs), and other areas for which local land use planning or land use tools might suggest an exemption would be appropriate.

Likelihood of Reduced Revenue for Local Government and Schools

The tax exemption or freeze in value has the potential to reduce property taxes for local governments and schools and, in some cases, could require other taxpayers to pay more than their fair share. When one commercial property is undervalued, the other commercial properties in taxing unit must make up the difference. Levy millage rates are set based on the total valuation of the political subdivision. If some properties are undervalued at the time a levy is passed, the millage rate set for the levy must be higher than necessary in order to raise the funds requested by the subdivision. This means property owners whose real property is set at a fair value will pay more than necessary.

Other Issues and Concerns

There is considerable confusion over the definitions of newly developable property, redevelopment property, remnant parcel, and original property and what is meant by "planned" commercial or industrial development. There appears to be a lack of specificity in the legislation as to what the developers' plans are, as well as the feasibility of the planned development.

There are also issues regarding the "triggering" of the tax exemption, an ability to recoup the exemption if the conditions are not met or if the development is not completed, and the length of time of the exemption. The measure is difficult to monitor and is vague as to who will decide when a property qualifies or when the exemption ends.

Conclusion

Am. Sub. SB 235 reverses 50 years of established practice regarding how local property tax exemptions are approved. Historically, dating back to the 1960's and proceeding to the present, the General Assembly has authorized local governments to establish property tax exemptions for businesses on a community by community basis. Each local government under laws of general application could determine when, where, and whether it made sense to offer tax abatement generally to incentivize economic development.

This bill is a dramatic departure from the historic approach embodied in Ohio law by granting all property owners of commercial or industrial property the right to a property tax exemption on the increased value of their property without any meaningful input from local governments as to whether such exemption is necessary, or likely to result in specific investment and hiring within a clearly understood and agreed to time frame.

In its current form, Am. Sub. SB 235 provides commercial and industrial property owners with an open-ended property tax exemption for up to 10 years at the expense of the respective treasuries of counties, schools, municipal corporations, and townships which will lose inside millage property tax revenue growth.

The local government associations sincerely appreciate the efforts of the Ohio General Assembly to promote additional economic development activity in the state, and your desire to provide additional tools to that end. However, we believe Ohio has adequate local economic development tools which can and should be used based on local needs and plans. We strongly oppose Am. Sub. SB 235 and respectfully request that you oppose it as well. Should you have any questions or concerns about our position on this bill, please feel free to contact any one of our associations.