County Commissioners Association of Ohio

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MEMO

TO: **MEMBERS OF SENATE WAYS AND MEANS COMMITTEE**

FROM: **BRAD COLE, MANAGING DIRECTOR OF RESEARCH**

SUBJECT: **INTERESTED PARTY TESTIMONY WITH CONCERNS ON SUBSTITUTE SB 235**

Chairman Peterson, Vice Chairman Beagle, Ranking Member Tavares, members of the Ways and Means Committee, my name is Brad Cole and I am here representing the County Commissioners Association of Ohio (CCAO). CCAO is an interested party with concerns on SB 235 at this time.

Two weeks ago CCAO staff reached out to economic development professionals in a few counties seeking comments on Substitute SB 235 dash 5 version of the bill. The input CCAO Staff received is the basis for our comments today as a CCAO standing committee has yet to formally consider the proposal. The following represents the primary points of discussion from a conference call we had on March 25th.

1. **Local Control** – Local officials representing counties, municipalities and townships generally should approve tax exemptions provided to businesses and developers. Under existing law, counties and municipalities may create community reinvestment areas (CRA's). Existing law also permits counties, municipalities and townships to create enterprise zones for economic development purposes. While local business groups and developers may encourage local officials to create community reinvestment areas and enterprise zones, historically local officials have been able to create zones and CRA's using local criteria, zoning, and land use plans, among other factors. CCAO supports retention of the concept of local control where local officials grant property tax exemptions to entities and developers doing business or proposing to do business within each community. 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, compliance with zoning and local land use plans, and other factors.

When tax exemptions are proposed to be granted, Ohio law typically requires general purpose local governments to notify and solicit comments from boards of education for each school district impacted by the proposed exemption. CCAO believes that notice and comment periods are a useful requirement that help school districts to stay informed about development decisions that affect the local property tax base.

2. **Establish limits on the duration of the exemption and permit local authorities to modify the level of exemption in order to permit property tax growth for benefiting taxing districts** – County economic development professionals recommended that exemptions be provided for no more than 3 to 5 years. Virtually all locally authorized tax exemptions have time limits after which the exemption expires and the property in question becomes fully taxable. Under the bill, the triggering event is the issuance of an occupancy permit, however, there is no limit on the number of years that a parcel could sit dormant before an occupancy permit would be issued.

   In addition, CCAO believes that local officials should have authority to vary the level of the tax exemption so that local taxing districts can experience growth in the property tax base as the growth occurs. Most existing local tax abatement permits the amount of tax abatement to be varied over time.

3. **"Planned" commercial or industrial development must be better defined** – The bill defines "newly developable property" to mean parcels of property on which construction of one or more commercial or industrial buildings is planned, but for which an occupancy permit has not been issued. "Redevelopment property" is defined as parcels on which one or more structures are or were situated, no commercial or industrial operations are currently being conducted, and construction or reconstruction of new commercial or industrial buildings or structures is planned, but for which an occupancy permit has not yet been issued. CCAO suggests that the property upon which the commercial and industrial development is planned needs to show evidence of sewer, water, drainage improvements and compliance with environmental requirements.

4. **Exemptions must be critical to making the project happen within a specified period of time** – A developer must show evidence that a development project is shovel ready and the tax exemption is critical to making the project come to fruition.

5. **Existing Tax Increment Financing (TIF) Projects may be adversely affected by the tax exemption provided by SB 235** – This legislation may have the unintended effect of eliminating the incremental increase in value for existing TIF projects involving commercial and industrial developments.

CCAO appreciates having the opportunity to provide input on SB 235. I would be happy to try to answer questions from the committee at this time.