Ohio Municipal League
Our Cities and Villages ★ Bringing Ohio to Life

April 11, 2016

TO: MEMBERS OF SENATE WAYS AND MEANS COMMITTEE

FROM: KENT SCARRETT, EXECUTIVE DIRECTOR, OHIO MUNICIPAL LEAGUE
ED ALBRIGHT, DEPUTY DIRECTOR, OHIO MUNICIPAL LEAGUE

SUBJECT: INTERESTED PARTY TESTIMONY WITH CONCERNS ON SUBSTITUTE SB 235

Chairman Peterson, Ranking Member Tavares, Committee members, thank you for the opportunity to submit written testimony on SB 235. As mentioned previously, the Ohio Municipal League is currently an interested party with concerns. The following represent the primary concerns that have been brought to the League's attention from our membership.

1. Municipal Officials are concerned with how the current legislation may impact TIF's, JEDDS, CEDAS and every other current form of economic development tool currently used by all local government. Care has to be taken to make sure the current economic tools can be utilized when SB 235 is enacted.

2. There is a concern that the bill lacks local control. Current development tools have local input from all local governments. These tools are usually thought out plans developed by community leaders and businesses, where local nuisances or concerns can be addressed. In our reading of the bill it would automatically create a state mandated exemption for taxes on the increase of property valuation for redevelopment.

3. Currently Municipal Officials are concerned that the legislation seems to be open ended as far as the duration of the exemption. Almost all current local authorized tax exemptions include time limits. Usually, after the time expires, the property becomes fully taxable. Again as we read the legislation, the issuance of the occupancy permit is the triggering event, however there is no time limit as to how long the parcel could dormant before the aforementioned permit would be issued.

Following is a simple scenario that was shared with the league:

"***Consider the case of surface parking lots in Columbus. These lots generate significant profits to their owners with the only expenses being maintenance of automated equipment, periodic restriping of the lot and property taxes. Most of these properties are held by out-of-state trusts and have no debt service. Monthly parking rates in downtown Columbus for a***

reserved spot are approaching $150 per month. As it stands, these property owners are some of the most reluctant to sell property for redevelopment or undertake redevelopment on their own.

Under SB 235, as currently written, the property owner could develop and submit a building plan. They would then apply for and receive the property tax exemption under SB 235 without starting receiving a building permit or starting construction.

In fact, by capping the one cost of owning the parking lot that may increase, the lot becomes even more profitable as parking rates rise. This reduces the economic benefits to constructing new office, housing or additional parking in Downtown.

By having no time limits for the exemption, no ability for municipalities to determine the validity or desirability development or redevelopment plans, no linkage to site certification programs through Development Services Agency or JobsOhio, and no penalties for failure to follow through on development plans, this legislation discourage development by making it more profitable to hold property for less productive uses."

Mr. Chairman, members of the committee, please do not confuse the issues we have raised about the pending legislation with objecting to economic development. Quite the opposite; our members are big believers in economic development because we all benefit from it. We just want due diligence done to make sure that SB 235 is something that would be a positive addition to our member's economic development toolbox.

Thank you for taking the time to take the concerns of our members into account and we look forward to working with you on the legislative proposal.