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Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Blessing

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SUMMARY

- Authorizes a joint economic development district (JEDD) comprised of solely municipal corporations if at least one of them meets at least two distress criteria necessary to qualify the municipality for designation as an enterprise zone.
- Requires voter approval of a municipal-only JEDD contract if the JEDD is in a municipal corporation that either does not levy an income tax or levies an income tax at a rate of 1% or less.
- Allows such a municipal corporation to create a JEDD without voter approval, subject to a petition-initiated referendum, if certain requirements are met.
- Replaces the township representative on the board of directors of a municipal-only JEDD with a second municipal representative.

DETAILED ANALYSIS

A joint economic development district (JEDD) is a territorial district created by multiple local governments who enter into a contract. A JEDD is governed by a board of directors, which may extend and levy a member municipality's income tax within the district to promote economic development or redevelopment, create or preserve jobs, and improve the economic welfare of the district. JEDD income tax revenue may be used to enhance infrastructure in the area surrounding the district, provide new and additional services and facilities to the district, and supplement the revenue of the local governments that create the JEDD. Under the most common JEDD arrangement, a municipal corporation that levies an income tax enters into a contract with a township whereby the municipality's income tax is extended to territory of the township. In essence, such a JEDD allows a township to collect revenue from a municipal income tax that it is unable to independently levy.

Under continuing law, there are three sets of procedures that may be used to create a JEDD. Two are "restricted" and limited to political subdivisions that meet specific requirements.

The bill does not affect those procedures, it applies only to the general procedure that may be used by any municipal corporations and townships that are located in the same or adjacent counties.

Municipal-only JEDD eligibility

The bill specifically authorizes the creation of a JEDD comprised solely of municipal corporations. It is unclear whether such a municipality-exclusive JEDD is permissible under current law. For one to be formed under the bill, at least one of the municipal corporations must meet at least two criteria from a particular list of distress criteria used to determine whether a local government may designate a particular area as an enterprise zone. (Under continuing law, improvements and businesses with an enterprise zone are subject to partial property tax exemptions and, in some cases, other tax incentives.) Those criteria are:

- The municipal corporation is a principal city of a metropolitan statistical area;
- The municipal corporation is in a county designated as being in the federally designated Appalachian Region;
- The average rate of unemployment during the most recent 12 months for which data are available, equals at least 125% of the average rate for the state for the same period;
- There is a prevalence of commercial or industrial structures in the municipal corporation that are vacant or demolished, or are vacant and the taxes charged thereon are delinquent, and certification of the area as an enterprise zone would likely result in the reduction of the rate of vacant or demolished structures or the rate of tax delinquency in the area;
- The population of the municipal corporation, according to the 2000 census, decreased by at least 10% between 1980 and 2000;
- At least 51% of the municipal corporation's residents have incomes less than 80% of the median income of residents in the municipal corporation;
- The municipal corporation contains structures previously used for industrial purposes, but not currently used as such due to age, obsolescence, deterioration, relocation of the former occupant's operations, or cessation of operations resulting from unfavorable economic conditions either generally or in a specific economic sector;
- The municipal corporation is located within one or more adjacent city, local, or exempted village school districts, each of which has an income-weighted tax capacity that is less than 70% of the average of the income-weighted tax capacity of all city, local,

or exempted village school districts in the state according to the most recent data available from the Department of Taxation.¹

The effect of a municipal-only JEDD would be to allow a municipality that levies no income tax or levies a tax with a rate of 1% or less to create an area in which a second municipality's higher income tax rate would apply. Similar to a municipal-township JEDD, this arrangement would create a stream of development revenue for that no-tax or low-tax municipality.

Municipal-only JEDD voter approval or rejection

When a JEDD is formed between a township and municipal corporation, continuing law requires the JEDD's creation be submitted to the township's voters for approval unless certain requirements are met. Those are:

- The board of township trustees approves the resolution authorizing the JEDD unanimously;
- A majority of the property owners in the proposed JEDD have signed petitions seeking its creation;
- The territory to be included in the JEDD is zoned in a manner appropriate to the JEDD's functions.

If a township approves a JEDD without voter approval, its creation is subject to a petition-initiated referendum.

The bill extends the voter-approval requirement, and exception, to municipal corporations attempting to form a municipal-only JEDD in municipal territory that is not already subject to a municipal income tax above 1% – the threshold above which municipal income taxes are subject to voter approval generally.² In other words, if such a JEDD is proposed in the territory of a municipal corporation, and that municipal corporation does not already levy an income tax above the 1% cap, the JEDD must be submitted for voter approval in that municipal corporation unless exception criteria are satisfied. The same exceptions to voter approval that currently exist for townships proposing JEDDs, and the possibility of a petition-initiated referendum, are extended to municipal-only JEDDs under the bill.³

Municipal-only JEDD board membership

If a JEDD is formed among only municipal corporations, the bill requires that the board of director seat that would normally represent the township or townships in the JEDD be filled

¹ R.C. 715.72(A)(1) and (C)(3); R.C. 5709.61, not in the bill. The enterprise zone criteria referenced by the bill refers to "areas" that appear to be enterprise zones. The bill's provisions, however, refer to entire municipal corporations. As a result, some distress criteria is unlikely or impossible to apply.

² R.C. 718.04(C)(2), not in the bill.

³ R.C. 715.72(M) and (N).

by a second representative to represent the municipal corporations that make up the JEDD. Under continuing law, the board makeup varies depending on whether there are businesses or employees located in the JEDD, but in either case, one board member is required to represent member municipal corporations and, under current law, one member represents member townships.⁴

HISTORY

Action	Date
Introduced	02-28-23

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⁴ R.C. 715.72(P)(1)(b) and (P)(2)(b).