



December 17, 2019

SENATE WAYS AND MEANS COMMITTEE

SENATE BILL 212 – INTERESTED PARTY TESTIMONY

Jon Honeck
Senior Policy Analyst

Good morning Chair Roegner, Vice Chair Blessing, Ranking Member Williams, and Members of the Senate Ways and Means Committee. My name is Jon Honeck. Thank you for allowing me to present Interested Party testimony on Senate Bill 212 on behalf of the County Commissioners Association of Ohio (CCAO). SB 212 allows a township or municipality to create a Neighborhood Development Area to provide property tax incentives for the construction of new homes or the renovation of existing homes. The CCAO Taxation and Finance Committee will consider taking a formal position on this legislation during its meeting this later week. In the meantime, I am here today to offer some initial thoughts on the bill based on our 2019-2020 Legislative Platform.

I would like to thank the sponsor for bringing forward this legislation. CCAO agrees that housing is a priority for the state. The CCAO platform states the following with respect to affordable housing:

An often-overlooked necessity for economic development is quality, affordable housing. Housing is considered affordable if it makes up 30 percent or less of a family's income. This asset is sorely lacking in every part of the state and it creates a significant drag on the economy. Ohio should explore ways to empower commissioners to provide targeted incentives to increase the supply of affordable housing.

We recognize that housing issues are complex and that solutions need to reflect the diversity of our state. For example, we hear concerns from commissioners in our rural counties that the lack of modern, quality housing is holding back economic development. Companies that show an interest in locating a facility in a rural location often turn away when they see that the only nearby housing options are aging structures that were built in the mid-20th century or before. On the other hand,



County Risk
Sharing Authority

Fax: 614-220-0209
www.corsa.org



Fax: 614-229-4588
www.cebco.org



Fax: 614-221-6986
www.ccao.org

commissioners in counties near major metropolitan areas are very concerned about the overuse of existing incentives, such as tax increment financing (TIF). The overuse of incentives reduces revenue available to the county general fund and levy-funded services, such as mental health and addiction treatment, in order to subsidize development which would probably occur without incentives.

The following are some initial observations about the bill:

1. A positive element of the bill is that it is permissive and gives local government the flexibility to decide whether to use the incentive based on conditions in the local housing market. One issue that should be considered is allowing greater flexibility in percentage of the tax abatement. Currently, the bill specifies that lowest available rate is a 70 percent abatement. It may be that a lower abatement, such as 25 or 50 percent, may be sufficient to achieve the desired objective.
2. The legislation lacks any role for counties, even in an advisory or coordinating capacity. The county cannot create a Neighborhood Development Area nor can it object to a proposed NDA. Under the bill, townships and municipalities are not required to notify a county of an NDA proposal, even when it may require a substantial infrastructure investment by the county or if it differs substantially from plans developed by a county or regional planning commission.
3. The incentive has no link with affordable housing. It can be used for greenfield housing development or it can be used in dense urban areas. This flexibility may be an advantage, but it also may lead to unintended consequences. The need for housing must be balanced with farmland preservation, which is another important priority in the CCAO platform.
4. Ohio currently has a similar incentive called a Community Reinvestment Area (CRA). The LSC Bill Analysis contains a comparison of the proposed NDA and the existing CRA. A CRA cannot be utilized by townships and cannot be used for the construction of new homes. The CRA also must be accompanied by a housing study and must be approved by the Ohio Department of Development Services. We urge the committee to analyze in detail how the new proposal differs from the CRA and whether some of the same objectives could be accomplished through improvements to the CRA rather than the creation of a new program.

Thank you for allowing me to offer some the initial observation of CCAO on this legislation. I expect that CCAO will be able to provide some additional feedback when the committee meets again in 2020. I would be pleased to answer any questions that the committee may have.