

**THREE RIVERS LOCAL SCHOOL DISTRICT  
LEGISLATIVE COMMITTEE REPORT 11/9/2016**

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**POTENTIAL ACTION ON SB 235**

I received the following from OSBA:

*We are hearing that legislation may be taken up during the upcoming lame-duck session that could significantly affect the revenues in your school district. Senate Bill (SB) 235 was passed by the Ohio Senate prior to the summer break and has not yet been assigned to a House committee. We need your help in communicating our concerns to legislators.*

*SB 235 would authorize tax exemptions for undeveloped land that may be in a pre-development stage and reduce property taxes for land purchased for redevelopment. The tax exemption through SB 235 would freeze the value of the property until it is fully developed. This means local taxing authorities, including school districts, would lose out on new tax revenue that would otherwise be realized as the value of the property increases.*

*In addition, SB 235 also could interfere with other local economic development projects already in existence. Our three education associations testified in opposition to the bill while it was being heard in the Senate (see link to testimony below). We also have joined with other local government groups and economic development organizations in opposition to SB 235 and encourage you to contact your local legislators in the House and voice these concerns.*

I have attached copies of the testimony given by OSBA and opposition memo dated 10/19/16.

This is the only significant item to report at this time.



**Senate Ways and Means Committee  
Written Senate Bill 235 Testimony  
Ohio School Boards Association  
Buckeye Association of School Administrators  
Ohio Association of School Business Officials  
April 5, 2016**

Chairman Peterson, Ranking Member Tavares, committee members. Thank you for the opportunity to submit written testimony in opposition to SB 235. Our organizations represent the public school boards of education, superintendents, treasurers and business managers, and other school business officials from around the state. They are the leaders charged with the fiscal responsibility and accountability of their school districts.

SB 235 would authorize tax exemptions for land in the pre-development stage and reduce property taxes for land purchased for re-development. We oppose the legislation as it has the potential for reducing revenue for school districts and, in some cases, for requiring taxpayers owning other commercial property to pay more than their fair share. We believe the purchase price of the property is a fair representation of the value of the land asset obtained by the developer.

**When one commercial property is undervalued, the other commercial properties in the school district must make up the difference.** Levy millage rates are set based on the total valuation of the school district. 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 district. **This means property owners whose real property is set at a fair value, will pay more than necessary.**

Ohio already has a number of available economic development tax exemption tools meant to achieve the economic development aspirations of local communities and the state. These are applied based on well thought out goals and plans developed by community leaders. The provisions in SB 235 do not achieve a cohesive, consistent economic development strategy. In fact, passage of the bill would automatically create a state-mandated exemption for taxes on the increase in value for land purchased for re-development.

For land purchased for new development, other local governments would have the authority to approve the tax exemption. However, school districts will have no say, even though the planned development may affect their revenues and potentially increase district enrollment as a result of new development in the area.

The following is a list of reasons for why SB 235 should not be enacted:

- Ohio has existing local economic development tools, which can be based on local needs and plans.
- SB 235 could result in inconsistent and unfair economic development practices.
- Property owners whose properties are set at a fair value subsidize those properties that are undervalued.
- SB 235 will be difficult to monitor and is vague as to who will decide when a property qualifies or when the exemption ends.

We respectfully request that you, too, oppose SB 235.

Thank you for your consideration,

Barbara Shaner, Associate Executive Director, the Ohio Association of School Business Officials (OASBO).

Damon Asbury, Director of Legislative Services for the Ohio School Boards Association (OSBA), and

Thomas Ash, Director of Governmental Relations for the Buckeye Association of School Administrators (BASA).




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**M E M O R A N D U M**

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TO: House Majority and Minority Leaders  
 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.