



GFOA Annual Conference
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Financing Public Infrastructure and
Supporting Job Creation
Economic Development Tools for Ohio
Communities



Introduction



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Presentation Goals

- Discuss economic development policy considerations and goals.
- Provide a list of economic development tools and strategies, including a brief summary of each.
- Establish a foundation for a discussion regarding which tools and strategies would best serve your community's particular goals and desired impact.

- Economic development policy goal is to create economic opportunity, jobs and investment for community.
- How? The needs and economics of every project are different.
 - Frequently, the only inducement needed to attract a particular project is providing the public improvements necessary for the project. (TIF)
 - Often, an incentive is needed to make the project more sustainable. (CRA, TIF, Capital Lease, etc.)

Local Government and School District Policy Considerations

- Local Government focus is on property valuations, tax base, jobs, wages and impact on income tax collection.
- School District focus is on increase in property valuations, tax base and potential enrollment impact (residential development).
- Communication is key.

- Tax Increment Financing (TIF)
 - School TIF vs. Non-School TIF
 - Minimum Service Payments
 - Minimum Values?
- Special Districts and Special Assessments
- New Community Authority Charges
- Upfront public funding (i.e., general or nontax revenue bonds)
- Tax Redirection or Credits (income tax, lodging taxes, etc.)
- Land banking/donation

Project Cost Savings

- Tax-exempt financing
- Property tax exemption
 - Port Authority/New Community Authority
 - Community Reinvestment Area or Enterprise Zone
- Sales tax exemption
 - Port Authority or other public body ownership and bond issue

Tax Increment Financing (TIFs)

Basic fundamentals of TIF law

- Types of TIFs
 - Commercial/Parcel TIF (ORC 5709.40(B))
 - Special Municipal TIF (ORC 5709.41)
 - Incentive District (RID) (ORC 5709.40(C))
- Terms of TIF exemption
 - Period – up to 30 years
 - Percentage – up to 100%
- How a TIF works
 - Municipalities (ORC 5709.40-43, Chapter 725), townships (ORC 5709.73-75), and counties (ORC 5709.77-81) all have TIF authority
 - Uses property taxes that would have been paid by a property owner with respect to improvements to real property to fund infrastructure improvements that benefit the property
 - PILOTs (Service Payments in Lieu of Taxes)
 - Real property tax exemption – Not an exemption of making PILOTs.
 - All of the “Increment” goes into TIF Fund
 - Can only be used to pay for public infrastructure improvements (or housing renovations in a RID); or
 - Pay compensation to the School District/JVS;
 - Exception: Compensation to County/Township (in a RID)

TIF Example and School District Approval/Notice

- Example:
 - Base property taxes on undeveloped land = \$1,000
 - Tax “increment” from development = \$100,000
 - School District’s share = \$65,000
 - City’s share = \$5,000
 - County’s share (including agencies) = \$30,000
- Involvement of School District
 - Exemption of up to 75% or a term of up to 10 years – No School District approval is required
 - Exemptions over 75% or a term over 10 years – School District approval is required
 - Non-School TIF – School District(s) receive 100% of what they would have received – No School District approval or compensation is required
 - School District income tax sharing may be required for School TIFs (ORC 5709.82)

Incentive District TIF Examples

- City of Cuyahoga Falls
 - Two Residential Developments (single family homes)
 - Investments in road improvements, utility improvements, storm water management and trails.
 - Public Participation

Public Improvements



Special Districts

- **Special Improvement District** (ORC Chapter 1710)
 - Usually for Services in District; Improvements
 - Special Assessment Procedures
- **Energy Special Improvement District** (ORC Chapter 1710)
 - Energy Efficiency and Improvements
 - 100% petition for Special Assessments
- **Downtown Redevelopment District** (ORC 5709.45-47)
 - No more than 10 acres
 - Historic Building
 - TIF-like; no overlap with TIF

New Community Authorities (NCA)

- Powers of an NCA (ORC Chapter 349) include:
 - Purchase real/personal property
 - Improve/sell real/personal property and community facilities
 - Provide recreation, educational, health, social, vocational, cultural activities primarily for residents of the district.
 - Collect service fees to cover community development programs
 - Enforce collection of Community Development Charge
 - Issue debt and pay costs of operation and maintenance of community facilities
 - An NCA does not have the power over:
 - Zoning or subdivision regulations
 - Provision of police or fire protection
 - Water supply or sewer treatment/disposal

New Community Authority (NCA)

- Community Development Charge
 - Runs with the land by way of a real estate declaration
 - May be calculated on a variety of bases: uniform fees, property values, income, profits, gross receipts, or certain combinations of the foregoing
 - Is not a property tax
 - Unpaid charges can become a lien on the property against which it is charged and collected in the same manner as property taxes
 - Can be used to pay:
 - Debt service on bonds issued to pay costs of land development and community facilities OR
 - Costs of operating and maintaining community facilities

Economic Development Bonds

- Bonds issued by city or county payable or secured by nontax revenues.
 - Usually proceeds are loaned to private entities and are used for private project costs.
- Bonds issued by city, county or port authority payable from PILOTs under a TIF program.

- Job Creation Tax Credit (ORC 718.15)
 - Provides a credit against a company's municipal income tax liability.
 - Amount of the credit is to be based on a percentage of the new income tax revenue the municipality will derive from new employees at the company's project.
- Job Retention Income Tax Credit (ORC 718.151)
 - Similar to Job Creation Credit, except the credit is based on retained employees; may also be refundable or nonrefundable.
- Negotiate agreement specifying conditions of credit.
- Historic Tax Credits (ORC 149.311)
- New Markets (and other) Tax Credits (Federal, and ORC 5725.33-35)
- OWDA
- JobsOhio

Tax Abatements (CRAs and others)

- There are several programs granting tax abatement to new projects. The most often used is the Community Reinvestment Area Program and Enterprise Zone Program.
- Community Reinvestment Area program permits property tax abatement for new construction or remodeling of residential, commercial or industrial facilities for up to 10-15 years.
- Enterprise Zone program (ORC 5709.61-69) permits property tax abatement mainly for non-retail industrial or commercial projects.

Community Reinvestment Area (CRA)

Economic development tool established in 1977 and revised in 1994 to encourage the development of new structures and revitalization of existing housing stock through use of an exemption on real property

CRA's are frequently used for redevelopment where the costs are typically higher due to:

- Lost economic value of existing structures
- Demolition costs
- Infrastructure needs
- Dense, mixed use nature of the redevelopment projects

Ohio Revised Code Sections 3735.65-70

School District Notice and/or Consent

- School Notice. Unless a project is located in a grandfathered CRA (Pre-94), either a 14-day or 45 business day notice to the school district is required prior to approval of an agreement for tax abatement. The timing requirement is the same for TIFs.
- School Approval. For each Program, school board approval is required if the percentage of the abatement, the Enterprise Zone Program, or the TIF, the length of the tax abatement, exceeds a certain threshold.
- Income Tax Sharing. If the payroll from new employees is expected to equal or exceed \$1,000,000, *up to 50%* of income tax from those employees must be shared with the school district unless the school district agrees otherwise, usually in a compensation agreement. (ORC 5709.82)

- Many school districts enter into compensation agreements as a condition to approving TIF or tax abatement proposals, which often involve the following:
 - Payments by the developers to the school district.
 - Income tax sharing.
 - For a TIF project, a percentage of the payments in lieu of taxes received.
 - A lump sum payment on the date TIF bonds are issued for a project.
 - Other services to be provided by the local government or the developer. (Parking Lot Example)

Property and Sales Tax Exemptions

- Real property tax exemption for projects owned by a port authority or NCA for public use (i.e., parking garage or community building)
- Sales tax exemption for port authority (more often) or other public body
 - Ownership by port authority (capital lease structure)
 - Issuance of bond

Conclusions

- Understand and utilize economic development tools appropriately
- Engage stakeholders (especially schools) as soon as possible
- Engage advisors as soon as possible
- Think long-term
 - Project administration
 - Administration of economic development tools
 - Life cycle of public improvements
- Public relations is very important
- Questions?

Thank you!



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