

How to Get Your Development Done in 2017: Valuable New Incentives & Opportunities



NAIOP Central Ohio
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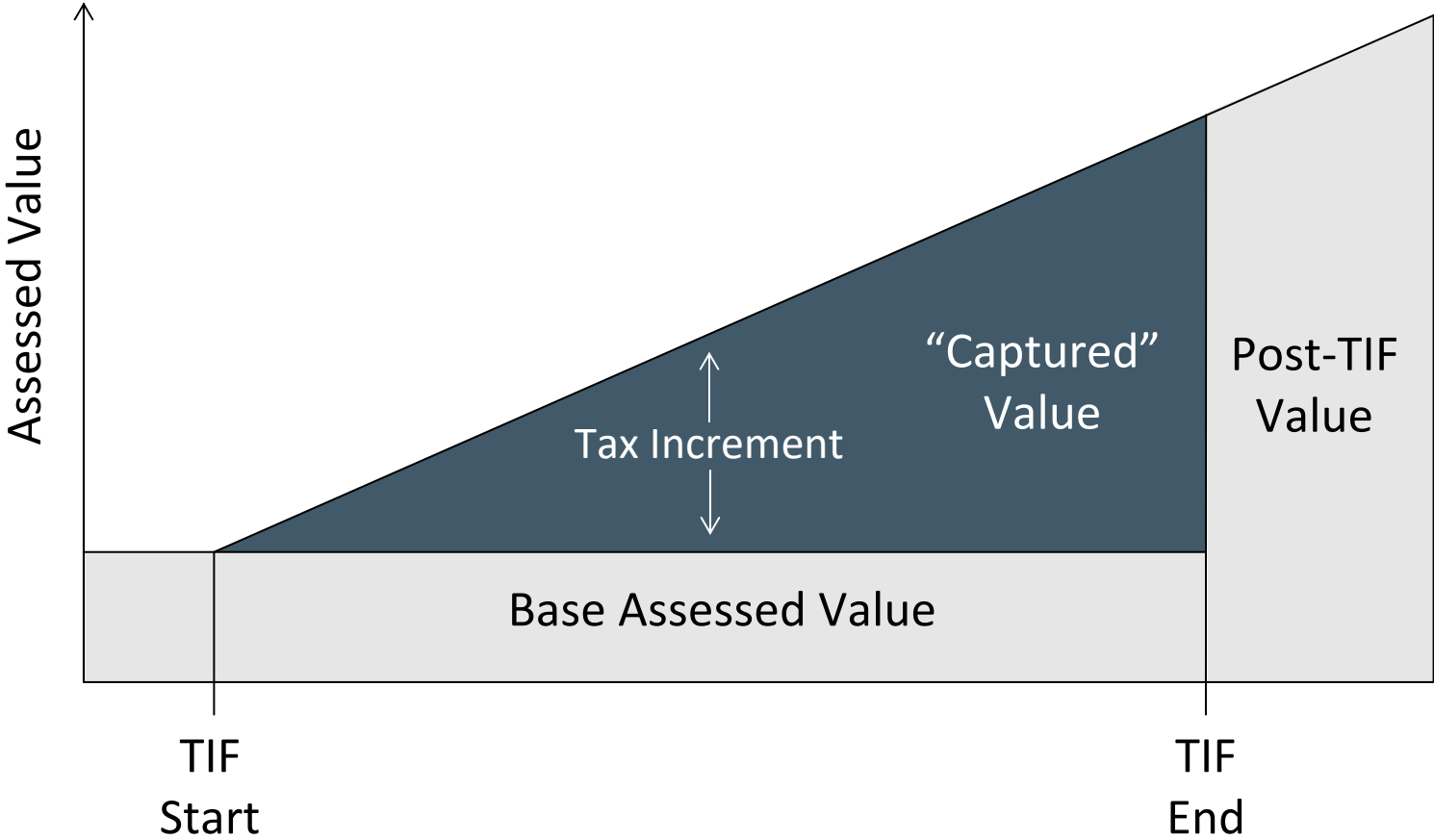
Downtown Redevelopment Districts

- Amended Substitute House Bill 233 (“HB 233”) allows for the creation of:
 - Downtown redevelopment districts (“DRDs”)
 - Innovation districts within DRDs
- Operate much like tax increment financing (“TIF”) areas
 - Service payments can be used for a wider range of uses than traditional TIF payments

What Is Tax Increment Financing?

- Increase in assessed value of real property is “exempted” from taxation
 - Rather than paying property taxes, amounts otherwise due from this increase in assessed value are placed into a special fund
- TIF funds, in general, can be used for defined “public infrastructure improvements”
 - Certain TIF types permit broader uses of TIF funds

TIF Visualized



DRD Exemption Details

- Improvements to parcels within a DRD can be exempted as follows:
 - Up to 70% for 10 years without school district approval; or
 - Up to 70% for 30 years with either (a) school district approval or (b) service payments to the school district(s) equal to the taxes exempted
 - Certain levy/increased levy carve outs
- Amounts exempted are paid as service payments in lieu of taxes

DRD Service Payment Uses

1. Loans or grants to owners of historic buildings within the DRD;
2. Contributions to SIDs, CICs, or certain nonprofit corporations (20% limit);
3. Loans to owners of buildings located within the DRD that do not qualify as historic buildings;
4. Financing “public infrastructure improvements”; and
5. Loans or grants to “qualified businesses” or businesses that support “qualified businesses” within an innovation district

DRD Redevelopment Charge

- Property owners may enter into an agreement with the municipal corporation to impose a redevelopment charge on the property for the life of the DRD
 - Runs with the land
 - Revenues may be utilized in the same manner as DRD service payments
- Redevelopment charge amount may be:
 - a) Fixed amount;
 - b) Based on the assessed valuation of the property; or
 - c) Based on the profits, gross receipts, or other revenues of a business operating on the property (including rental proceeds)
- Unpaid amounts are certified to the county auditor

DRD Purpose

- DRDs must be created for the purpose of:
 1. Promoting rehabilitation of historic buildings;
 2. Creating jobs; and
 3. Encouraging economic development in commercial and mixed-use commercial and residential areas



DRD Area Characteristics

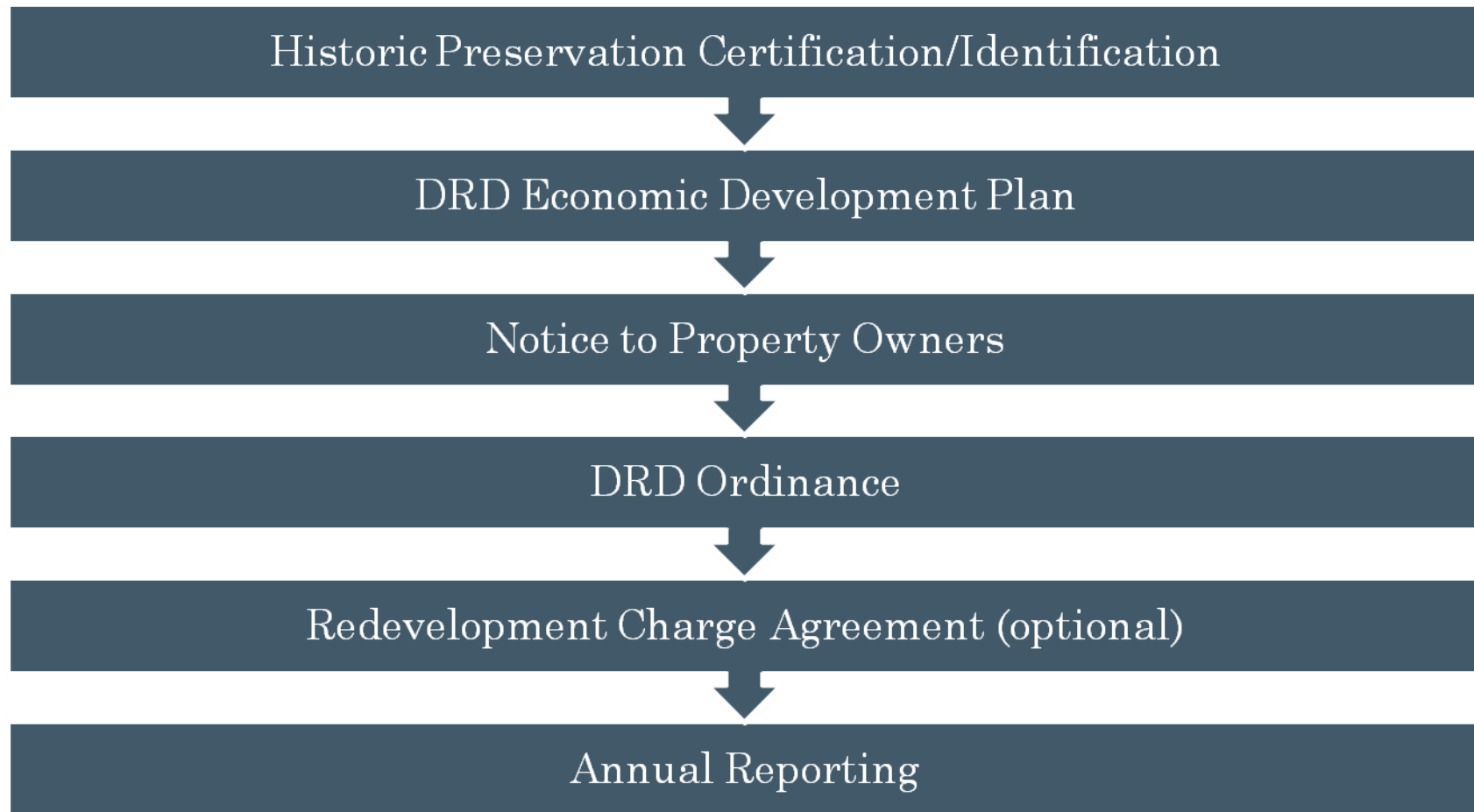
1. Must be enclosed by a continuous boundary not more than 10 acres;
2. Must include a historic building that is being or will be rehabilitated;
3. Not used exclusively for residential purposes; and
4. Does not include a parcel that is currently exempted by a DRD, a .40 TIF, or a .41 TIF



DRD Ordinance

- Once an area is identified, an ordinance must be passed specifying:
 1. The boundary of the DRD;
 2. The parcel number of every parcel in the DRD;
 3. The parcel(s) that include a historic building that is being or will be rehabilitated in the DRD;
 4. The proposed life of the DRD; and
 5. An economic development plan for the DRD.

DRD Creation



Innovation District Purpose

- Innovation district may be created within a DRD for purpose of attracting and facilitating the growth of “qualified businesses”



Innovation District Area Characteristics

1. Must be located entirely within an existing or proposed DRD;
2. Must be enclosed by a continuous boundary; and
3. Must be equipped with a high-speed broadband network capable of download speeds of at least one hundred gigabits per second

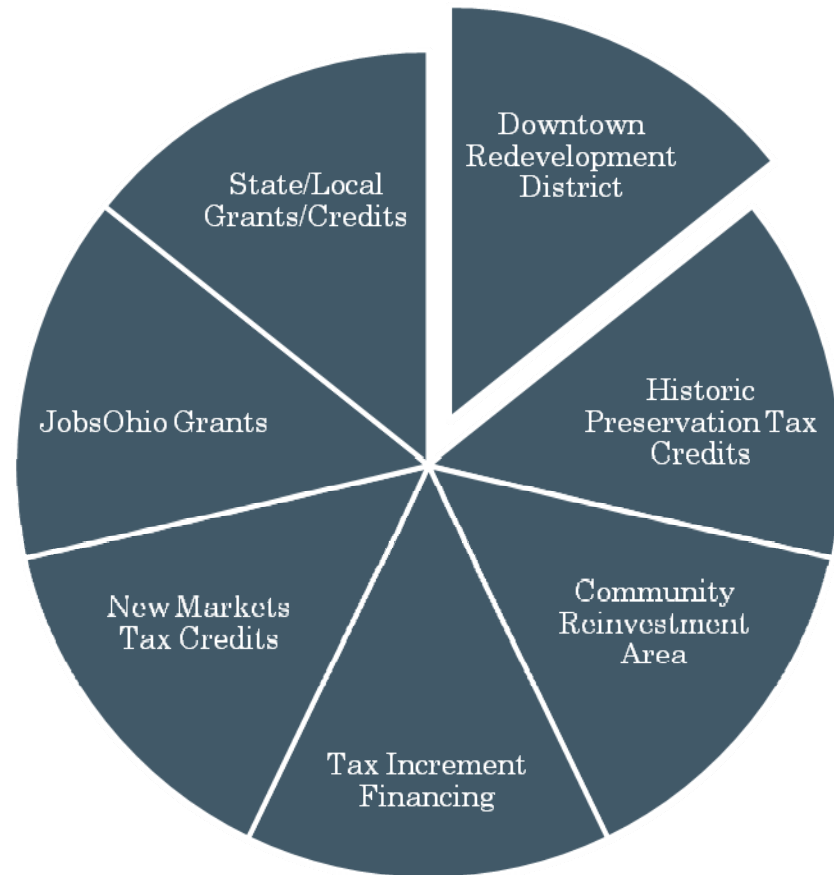


Innovation District Creation

- An ordinance designating an innovation district within a proposed or existing DRD shall include:
 1. The boundary of the innovation district;
 2. The parcel number of every parcel in the innovation district; and
 3. An economic development plan for the innovation district
- The life of the innovation district is identical to the life of the DRD in which it is located

Putting the Pieces Together - Generally

- Can be combined with other economic development incentives tools with sufficient strategizing and planning
- Consider impact of statutory priority rules



Putting the Pieces Together - Tools

- **Community Reinvestment Area**
 - Pros: Strong incentive for development
 - Cons: True tax abatement that does not generate funds for improvements
- **ORC 5709.41 TIF**
 - Pros: Very flexible fund uses: public and private improvements
 - Cons: City must enter chain of title; exemption begins when ordinance is passed
- **ORC 5709.40(B) TIF**
 - Pros: Exemption may commence on a “rolling” basis
 - Cons: Fund uses are more narrow than .41 TIF
- **Downtown Redevelopment District**
 - Pros: Very flexible fund uses; redevelopment charge available
 - Cons: Requires historic building; tax levy carve outs; max of 70%

Property-Under-Development Exemption

- SB 235 created a new real property tax exemption for commercial or industrial “newly developable property” or “redevelopment property.”
- Local approval required
- Effective on March 28, 2017



Property-Under-Development Exemption

- Property Qualifications
 - No certificate of occupancy issued
 - No current commercial, agricultural, or industrial operations being conducted on property
 - Must have plans for the construction or reconstruction of new commercial or industrial buildings/structures
 - Does NOT apply if any portion will be used as a dwelling

Property-Under-Development Exemption

- Any increase in assessed value is exempt from real property taxation for a period of up to six (6) years while under development
- Expires in the tax year that a certificate of occupancy is obtained
 - Limited value

CRA Remodeling Exemption Changes

- NAIOP-initiated change
- Effective April 5, 2017
- Extends maximum exemption period for remodeled property to fifteen (15) years
 - Was previously 12 years
- Statutory language clarified to exempt any increase in assessed value after remodeling began
 - Consistent with enterprise zone and TIF exemptions

Environmental Remediation Exemption Revision

- NAIOP-initiated change
- Effective April 5, 2017
- Relates to the ORC Section 5709.87 exemption, known as the Voluntary Action Program or covenant-not-to-sue exemption, granted for environmental remediation efforts
- Exemption is 10 years, 100% of the increase in assessed value of land and improvements, buildings, fixtures, and structures located on the property in base year

Environmental Remediation Exemption Revision

- The “base year” for purposes of the exemption is clarified as the tax year in which remedial activities began
 - Department of Taxation previously took the position that the “base year” was the tax year before the exemption order was issued, leading to potentially unfair results for projects that required multi-year remediation efforts.
 - The ten-year period begins the tax year in which the Ohio Tax Commissioner issues an order granting the exemption – promptly after the Ohio EPA Director issues a covenant not to sue

Joint Economic Development District (“JEDD”) Changes

- HB 182, effective September 13, 2016
- Business owner operating within the JEDD may now file a complaint with the relevant court of common pleas for an exemption from the income tax levied by the JEDD
 - Must not have signed business owner petition
 - Must show that neither the business nor its employees “has derived or will derive any material benefit” from the new, expanded, or additional services, facilities, or improvements described in the JEDD’s economic plan

Questions?

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