

2015, OWDA issued \$240 million in Ohio WPCLF Revenue Bonds Series 2015 to make loans to local governments for wastewater infrastructure projects under the WPCLF Program.⁸⁴⁷

Industrial Parks

Ohio's industrial parks can be sites zoned, designed, and built specifically for manufacturing facilities and companies within the manufacturing supply chain. Ohio and its local governments have a range of tools available for creating industrial parks.

Manufacturers can take advantage of the extensive development of already-existing industrial parks in Ohio. These sites offer modern necessities like water, sewer, electric, and broadband access while providing access to transportation and the same tax incentives found throughout the state.

Holmes County provides an effective solution to obstacles associated with locating to a semi-rural area. Holmes County offers a number of well-developed industrial parks and is home to Loudonville Industrial Park (housing companies like Mansfield Plumbing and PV Communications) and Straits Industrial Park, home to five local manufacturing plants (including Save N' Serve and Grace Automation).⁸⁴⁸

Infrastructure and Economic Development Tools

Many communities may be deterred from investing in infrastructure because of the high costs involved in those investments. Funding and constructing infrastructure can be expensive and time intensive. The economic benefit can take years to appear, and the construction process can cause inconvenience and even disruption to business. Nonetheless, research shows that improvements to infrastructure can promote economic growth.⁸⁴⁹ A variety of tools allow communities of all sizes to invest in their infrastructure.

Tax Increment Financing

Tax Increment Financing ("TIF") is an economic development tool that enables local governments to finance public infrastructure improvements and, in select circumstances, privately owned economic development projects and residential projects.⁸⁵⁰ TIF is an economic

⁸⁴⁷ *Id.*

⁸⁴⁸ Holmes County Economic Development Council, Inc., Industrial & Business Parks, http://www.holmescountydevelopment.org/industrial_business_parks.

⁸⁴⁹ Calderon & Serven, *The Effects of Infrastructure Development on Growth and Income Distribution* 2 (2004) (summarizing studies on infrastructure's impact on economic growth).

⁸⁵⁰ R.C. 5709.40(B).

development tool that can be used by municipalities,⁸⁵¹ townships,⁸⁵² and counties.⁸⁵³ As discussed below, there are parcel TIFs and incentive district TIFs. In addition, TIFs are authorized to be created under an urban renewal plan for “blighted” areas⁸⁵⁴ and for projects performed by an urban redevelopment corporation.⁸⁵⁵

Creating a TIF begins with the local legislative authority. The local legislative authority must, by ordinance or resolution, declare improvements to certain parcels of real property within its jurisdiction to be a public purpose.⁸⁵⁶ The legislative declaration may vary for each TIF but generally includes the following:

- (1) the time frame the TIF or incentive district will be in place;
- (2) the percentage of improvements that will be exempted from real property taxation;
- (3) a list of improvements to be made and a declaration that any improvements to private property within the specified area serve a public purpose;
- (4) at least one project either planned or currently underway that will depend on the improvements proposed in the resolution;
- (5) the boundaries of the district; and
- (6) whether payments in lieu of taxes (“PILOT”s) will be required of the owner of the exempted real property and the amount of PILOTs and other funds required to be paid to the municipality, county, or township in connection with the public infrastructure improvement.⁸⁵⁷

Once the TIF is established by legislative action, the political subdivision may begin collecting moneys to fund infrastructure improvement. TIFs are not tax increases. Rather, they capture increases in the taxable value of real property. A TIF works by exempting from real property taxation the increase in assessed valuation resulting from an improvement to the real property.⁸⁵⁸

⁸⁵¹ R.C. 5709.40–.41.

⁸⁵² R.C. 5709.73–.74.

⁸⁵³ R.C. 5709.77–.81.

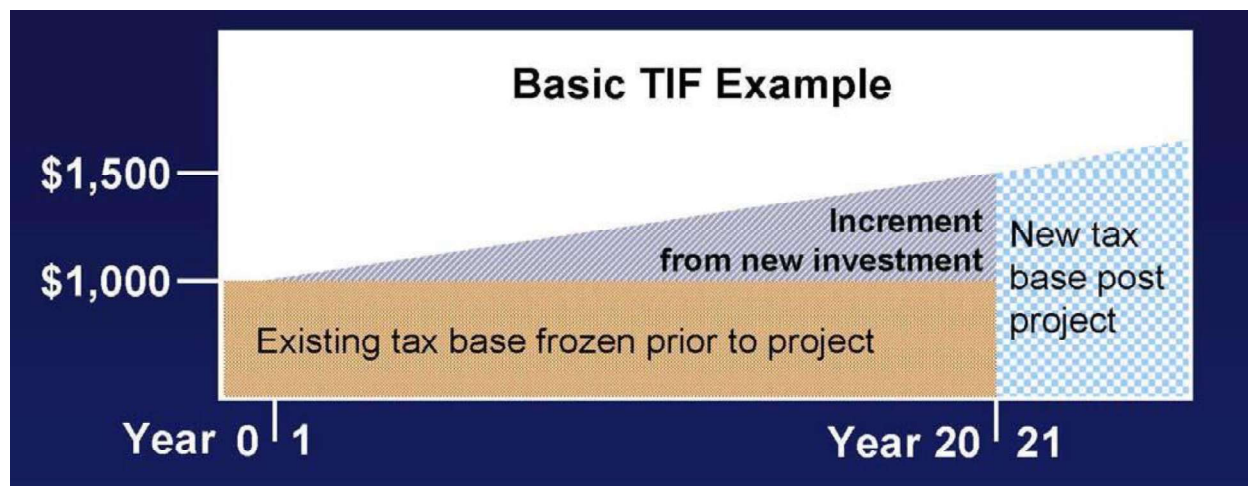
⁸⁵⁴ R.C. Chapter 725.

⁸⁵⁵ R.C. Chapter 1728

⁸⁵⁶ R.C. 5709.40–5709.43 (municipalities), 5709.77–5709.81 (counties); and 5709.73–5709.74 (townships).

⁸⁵⁷ R.C. 5709.40(C)(1), (C)(1)(3)(a), and 5709.43(A).

⁸⁵⁸ Ohio Development Services Agency, Tax Increment Financing: General Purpose (Parcel) at 1, available at https://development.ohio.gov/files/bs/TIF_Summary.pdf.



As improvements are made to the property, its value— and therefore the taxable value—should increase. TIFs, however, exempt the increase in assessed valuation of real property at its unimproved value, i.e., the value before enactment of the TIF ordinance or resolution. The government creating the TIF may require the owner of the real property to make PILOTS.⁸⁵⁹ A PILOT is a payment made by the owner of real property that is the difference between (1) the taxes the owner would have paid if the improvements to real property had not been exempted minus (2) the taxes the owner pays based on the assessed value of the unimproved real estate that has not been exempted from real property taxation by the TIF.⁸⁶⁰ PILOTS are not taxes, but they are collected at the same time and in the same manner as property taxes.⁸⁶¹ Any PILOTS received by the government are placed into a special fund.⁸⁶² The fund is then used to support and subsidize projects serving a public purpose, such as road construction and improvements to water, communication, or sewage lines.⁸⁶³

Various Forms of TIFs

Local governments can enact TIFs on a single piece of property or multiple pieces of property. Large tracts, not exceeding 300 contiguous acres, can be aggregated to create an Incentive District TIF.⁸⁶⁴ Both TIFs for individual parcels and incentive districts must serve a

⁸⁵⁹ R.C. 5709.42(A), 5709.74(A), and 5709.79(A).

⁸⁶⁰ *Id.*

⁸⁶¹ *Id.*

⁸⁶² R.C. 5709.43(A).

⁸⁶³ R.C. 5709.40(A)(7).

⁸⁶⁴ R.C. 5709.40(A)(5).

public purpose.⁸⁶⁵ A TIF created for a specific individual parcel can fund improvements only to that specific parcel.⁸⁶⁶ For public infrastructure improvements to directly benefit a single parcel, the improvement must place additional demand on public infrastructure.⁸⁶⁷

TIFs, under certain circumstances, may be enacted for improvements to purely private property. Improvements to residential parcels may be declared a public purpose if the parcel is located in a blighted area of an impacted city.⁸⁶⁸ A blighted parcel is a parcel that has one or more of the following characteristics:

- (1) The structure is dilapidated, unsanitary, unsafe, or vermin infested and has been labeled unfit for human habitation by a housing authority;
- (2) The property poses a direct threat to public safety or health in its current condition;
- (3) Delinquent taxes exceed the fair market value of the land; or
- (4) It satisfies any two characteristics of R.C. 1.08(B)(2).⁸⁶⁹

TIFs consisting of more than one parcel of property are called Incentive District TIFs. The incentive district may not exceed 300 contiguous acres, enclosed by a continuous boundary.⁸⁷⁰ Additionally, the incentive district must have one or more of the following characteristics:

- (1) More than half of the residents' incomes in the district are less than 80% of the median income of the residents in the political subdivision where the TIF district is located;
- (2) The average unemployment rate over the last year for the district is equal to 150% of the average rate of unemployment for Ohio over the same year;

⁸⁶⁵ R.C. 5709.40(A)(7) (defining "public infrastructure improvement" as "public roads and highways; water and sewer lines; environmental remediation; land acquisition, including acquisition in aid of industry, commerce, distribution, or research; demolition, including demolition on private property when determined to be necessary for economic development purposes; stormwater and flood remediation projects, including such projects on private property when determined to be necessary for public health, safety, and welfare; the provision of gas, electric, and communications service facilities, including the provision of gas or electric service facilities owned by nongovernmental entities when such improvements are determined to be necessary for economic development purposes; and the enhancement of public waterways through improvements that allow for greater public access").

⁸⁶⁶ R.C. 5709.40(B).

⁸⁶⁷ Kral, McElroy, & Rossman, *Tax Increment Financing in Cleveland 8* (2009), available at Council of Development Finance Agencies, <http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=tifcleveland.html>.

⁸⁶⁸ R.C. 5709.40(B).

⁸⁶⁹ R.C. 1.08(B)(1).

⁸⁷⁰ R.C. 5709.40(A)(5).

- (3) More than a quarter of the population living in the district has an income below the federal poverty line;
- (4) The district is blighted;
- (5) The district is located in a substantially distressed area;
- (6) A certified engineer certifies that the public infrastructure in the district is inadequate to meet the potential development needs of the district; or
- (7) The district consists of entirely unimproved land.⁸⁷¹

PILOTs may be used to pay the costs of housing renovations and public infrastructure provided the parcels of real property are used by the public for industrial or commercial purposes.⁸⁷² District funds do not have to be used on every parcel; rather, the funds can be used for improvements to a single parcel if the parcel is located in the district.

Tax Benefit of TIFs

Local legislative authorities may exempt up to 75% of the value of improvements to real property from taxation for up to ten years.⁸⁷³ This real property tax exemption includes the portion of real estate taxes that would otherwise be paid to levy-funded entities (for example, senior services, school districts, children’s services, and alcohol, drug and mental health services). Consequently, these entities will not experience the property value increase in funding unless special agreements are reached. In general, any government desiring to exempt more than 75% of the value of the improvements from real property taxation must receive prior approval from the local board of education or the county commissioners.⁸⁷⁴ If the local school board agrees, a political jurisdiction may exempt up to 100% of the improvements for up to 30 years.⁸⁷⁵ Finally, the jurisdiction that authorizes the tax incentive must specify the rate and the length of the property tax exemption.⁸⁷⁶

If the owner of the real property is required to pay PILOTs, these PILOTs are paid to the county treasurer and are distributed by the county treasurer to the political subdivision enacting the TIF. This political subdivision deposits the PILOTs into the applicable tax-equivalent

⁸⁷¹ *Id.*

⁸⁷² R.C. 5709.40(C).

⁸⁷³ R.C. 5709.40(B), (C)(4); 5709.73(B), (C)(4); 5709.78(B), (C)(4).

⁸⁷⁴ *Id.*

⁸⁷⁵ *Id.*

⁸⁷⁶ *Id.*

fund.⁸⁷⁷ These PILOTs represent a cash flow for the term of the TIF. There does not always have to be a bond issue related to PILOTs. PILOTs are a cash flow.

PILOTs may be used to pay project and other TIF costs directly on an annual basis, or the annual cash flow of these PILOTs may be “leveraged” into a bond issue to borrow funds “up front” to pay project costs. If bonds are issued, bonds secured by these PILOTs may be issued by the political subdivision enacting the TIF or paid to another political subdivision such as a port authority under a cooperative agreement to secure port authority revenue bonds. The cooperative agreement entered into by the port authority, the political subdivision enacting the TIF, and the developer of the TIF project paying the PILOTs may require that the developer petitions for a special assessment. The special assessment will be certified for collection only if PILOTs are not collected in an amount sufficient to pay bond service charges on bonds (e.g., the assessed value of the project does “increase” to the level anticipated or the developer does not pay PILOTs because of financial difficulties, etc.).⁸⁷⁸ The cash flow of the PILOTs are a means to pay principal of and interest on those bonds.⁸⁷⁹ The cooperative agreement may also require that the developer provide guarantees or other credit enhancement to secure the payment of bond service charges until sufficient “seasoning” of the PILOTs assures their continued availability to pay holders of bonds secured by the PILOTs over the term of the bonds. The political subdivision may also arrange with the developer to have the developer fund the project costs upfront (i.e., there is no bond issue, and the developer will be reimbursed over time as TIF funds are collected).⁸⁸⁰

Active TIFs Around Ohio

As of June 2016, Ohio’s three most populous counties—Cuyahoga, Franklin, and Hamilton—have a total of 526 active TIFs.⁸⁸¹ Examples of TIFs in urban areas used for infrastructure development tied to economic development projects are widespread.

⁸⁷⁷ R.C. 5709.80(A).

⁸⁷⁸ R.C. 5709.81(A).

⁸⁷⁹ R.C. 5709.40(H).

⁸⁸⁰ *Id.*

⁸⁸¹ Ohio Development Services Agency, Business/Tax Incentives, <http://development.ohio.gov/OTESearch/tif/default.aspx>.

Columbus is a case study in the successful use of TIFs. More than 20 district TIFs are located over the downtown Columbus area, with nearly 40 more in outlying areas. These district TIFs have been used to construct roads, parking garages, shopping centers, residential units, and sports arenas.⁸⁸²

Downtown Columbus

In 2008, the Columbus City Council approved overlaying a district TIF on 735-acres of the central city. The Council's initial goal was to generate funds to create additional parking downtown, as several lots had been lost to development.⁸⁸³ So far, the TIF has generated millions for construction and improvements to the central business district. In 2014 alone, this TIF generated \$1,818,933 for the city.⁸⁸⁴ Two large Downtown Columbus parking garages have thus far been built with these TIF proceeds.

The Arena District

Columbus has also used TIFs to develop the areas surrounding the central business district. In 1997, Columbus City Council approved a TIF for 75 acres covering the former Ohio Penitentiary. With \$600 million in public and private funds, Nationwide Realty Investors converted this land into the Arena District.⁸⁸⁵ The Arena District houses Nationwide Arena, home of the Columbus Bluejackets, a professional hockey team in the National Hockey League. The Arena District also houses thousands of feet of retail, restaurants, office space, and nearly half a dozen residential structures.⁸⁸⁶ This area, funded through a TIF, has attracted major corporations and young professionals back to downtown Columbus, helping to revitalize a once empty part of town.

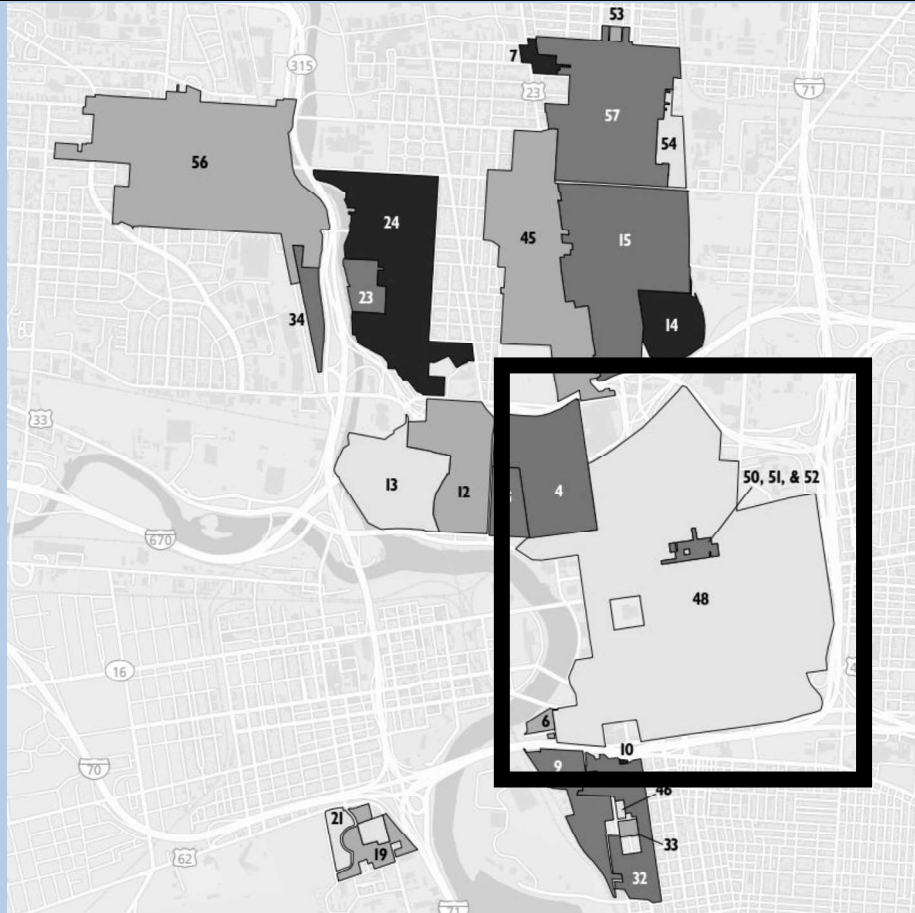
⁸⁸² City of Columbus Economic Development, *City of Columbus Tax Increment Finance Areas*, available at [https://www.columbusgachamber.com/ICLC%202013/TIF%20Areas%20\(2012\).pdf](https://www.columbusgachamber.com/ICLC%202013/TIF%20Areas%20(2012).pdf) (see map below).

⁸⁸³ "Downtown given tax break through TIF," *The Columbus Dispatch* (Jul. 8, 2008), available at http://www.dispatch.com/content/stories/local/2008/07/08/Downtown_given_tax_break_through_TIF.html?start=2.

⁸⁸⁴ Dorrian, *Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2014*, City of Columbus, 254, available at https://columbus.gov/uploadedFiles/Columbus/Elected_Officials/City_Auditor/Reports/CAFR/2014_CAFR.pdf.

⁸⁸⁵ Pramik, *Urban Hot Spot Alters Columbus*, *National Real Estate Investor* (Jan. 1, 2007), available at http://nreionline.com/industrynews/real_estate_urban_hot_spot.

⁸⁸⁶ *Id.*



Columbus’ Downtown TIF Districts: The above image identifies Columbus’ downtown incentive district TIF’s, with the Downtown TIF (identified with the black rectangle) being the largest. All the income derived from this district TIF will be earmarked to improve public services and facilities downtown, without raising taxes.

Easton Town Center

A TIF was used to develop Easton in Columbus, Ohio. Easton is a comprehensive mixed-used development in Franklin County. Easton includes a major fashion and shopping center, multiple office buildings, and residential units spread across this development. Easton includes several parking garages and required substantial infrastructure development to create this jobs and entertainment district.

A TIF was a major tool used to fund the infrastructure for this development. The original Easton TIF provided a 100% of “non-school” TIF with revenues committed to project over 30 years.⁸⁸⁷ The city of Columbus agreed to use “best efforts” to finance \$26 million in infrastructure improvements.⁸⁸⁸ In June 1999, the city of Columbus issued over \$30 million in TIF Revenue Bonds to finance the needed infrastructure.⁸⁸⁹ Not all went as planned with the Easton TIF. The original Easton TIF provided \$26 million for multiple parking garages and a tax abatement for “non-retail” properties.⁸⁹⁰ The tax abatements hampered revenue flow. Revenues in 1999 were less than \$300,000 and the debt service in 2000 would exceed \$1.5 million.⁸⁹¹ Columbus used a “back loaded” debt structure to enable debt service to grow as revenues grow. This permitted Columbus to maximize benefit of TIF payments on “non-retail” components when the tax abatement expired but required Columbus to borrow \$2.2 million to pay interest through 2000 to provide time for revenues to “ramp up.”⁸⁹² But Columbus did not take on any of the development risk as the developer obtained a letter of credit to secure the debt. The letter of credit was required for principal plus 225 days of interest and has to remain in place until the TIF revenues equal or exceed 1.5X maximum annual debt service for two consecutive years, no single taxpayer accounts for more than 20% of annual TIF payments, and the top five taxpayers do not account for more than 45% of annual TIF payments.⁸⁹³ Based on this structure, the bond issue received a triple-A rating.⁸⁹⁴ In 2004, Columbus and the developer wanted to issue additional bonds and were forced to refinance \$36.4 million in refunding bonds.⁸⁹⁵ This amount included \$15 million of additional Easton improvements and \$5 million of “remote” improvements (other locations in Columbus) on subordinated basis.⁸⁹⁶

In large part because the TIF was able to provide the needed infrastructure, in particular the parking decks, Easton is a major economic success for Central Ohio. Currently, Easton has 1.7 million square feet of developed space including 1.5 million square feet in retail, 215,000 square feet in office, and over 180 retail stores and 500 residential units.⁸⁹⁷

⁸⁸⁷ Headen, *TIF Financing: A Neighborly Perspective*, available at Council of Development Finance Agencies, <http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=PEDAHeaden.html>.

⁸⁸⁸ *Id.*

⁸⁸⁹ *Id.*

⁸⁹⁰ *Id.*

⁸⁹¹ *Id.*

⁸⁹² *Id.*

⁸⁹³ *Id.*

⁸⁹⁴ *Id.*

⁸⁹⁵ *Id.*

⁸⁹⁶ *Id.*

⁸⁹⁷ See Steiner & Associates, Easton Town Center Fact Sheet, <http://www.steiner.com/Projects/EastonTownCenter/FactSheet.aspx>.