



# Advanced Economic Development Tools

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## Roadmap

What is economic development?  
What are some more advanced economic development tools and how do they work?  
Examples along the way.

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## Economic Development

Simple definition: activities which promote investment, create jobs, and enhance communities.

Generally includes collaboration between government entities and private entities

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## Economic Development



Ohio Constitution Definition: Certain activities which:

- "create or preserve jobs and employment opportunities,"
- "improve the economic welfare of the people of the state,"
- "control air, water, and thermal pollution," or
- "dispose of solid waste"

Article VIII, Section 13

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## Economic Development



From a local government point of view, economic development consists of deploying various tools which advance those goals.

Three types of tools:

- Add additional tax item
- Abate existing tax items
- Redirect existing tax items

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## Economic Development



Economic development can also include creating or partnering with special entities created for the purpose of advancing economic development, such as:

- New Community Authorities
- Port Authorities
- Special Improvement Districts
- Community Improvement Corporations

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## Advanced Economic Development Tools



- New Community Authorities
- Port Authorities
- Community Improvement Corporations
- Downtown Redevelopment Districts / Innovation Districts

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## New Community Authorities



### General Characteristics

- A separate governmental body organized to encourage the orderly development of an economically sound new community
- Developer driven
  - All acreage must be owned or controlled, through leases of at least 75 years' duration, options, or contracts to purchase
  - Developer is represented on board
  - Until March 22, 2019—large developments only—minimum 1,000 acres unless wholly within a municipality or at least half of territory is within JEDD
  - After March 22, 2019—no minimum acreage required regardless of location

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## New Community Authorities



### Formation

- Procedure for creation
  - Developer files petition with "organizational board" (board of county commissioners / legislative authority of municipal corporation)
    - Petition must include, among other things, plan that sets forth development program for district
  - Organizational board must hold hearing and must approve creation if district is conducive to the public health, safety, convenience, and welfare

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## New Community Authorities



### Powers

- Board
  - Appointed by developer, county, and local government until certain population levels met
- Revenue
  - Community development charge
    - Runs with land through declaration
    - An assessment providing a special benefit, not a tax
    - Flexible--can be based on millage, residents' income, gross receipts, business revenues (including lease rentals), other bases
- Issue taxable or tax-exempt bonds or other obligations

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## New Community Authorities



- No general power to offer traditional governmental services
- "Community Facilities"
  - Public buildings, centers and plazas, auditoriums, day care centers, recreation halls, educational facilities, recreational facilities
  - Parks and other open space land, lakes and streams, cultural facilities
  - Streets, pathway and bikeway systems, pedestrian underpasses and overpasses, lighting facilities, design amenities
  - Buildings needed in connection with water supply or sewage disposal installations or steam, gas, or electric lines or installation, telecommunications facilities

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## Pinnacle Community Authority



Debt service charge allocated on acreage  
Multiple housing types (condos, single family, estates)



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## Concord/Scioto Community Authority



10.25 mills  
Sewer tap fees  
Sewer improvements  
Infrastructure  
Approx. 15,000 acres  
Formed with 1,000 acres  
Subsequently expanded



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## New Albany Community Authority



9.75 mill charge  
Currently 4.75 mills  
Example of NCA  
policy  
Example of NCA  
school district policy



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## Bridge Park New Community Authority



Four charges:  
• Assessed  
• Debt service  
• Retail charge  
• Hotel charge



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## Port Authorities



### • Overview:

- Established by a political subdivision (county, municipal corporation, or township) or more than one together, and managed by a board appointed by the subdivision or subdivisions
- Broad powers under Chapter 4582 to promote economic development through financing as well as acquisition of property
- Can request voter approval of voted property tax levy
- Can issue debt (voted or unvoted)
- Can make loans
- Can issue tax-exempt debt (under certain circumstances)
- Port projects are generally exempt from prevailing wage; can be exempt from competitive bidding under certain circumstances

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## Port Authority Jurisdiction



A county, a municipal corporation, a township, or any combination may create a port authority by legislative action. R.C. 4582.22

The area of jurisdiction of a port authority includes all the territory of the political subdivision(s) that created the port authority. R.C. 4582.30

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## Ohio Port Authorities (a partial list)



- Port Authority of Allen County
- Ashland City Port Authority
- Ashland County Port Authority
- Athens County Port Authority
- Belmont County Port Authority
- Blanchard Valley Port Authority
- Butler County Port Authority
- Port of Greater Cincinnati Development Authority
- Clermont County Port Authority
- Cleveland-Cuyahoga County Port Authority
- Clinton County Port Authority
- Columbiana County Port Authority
- Columbus-Franklin County Finance Authority
- Coshocton Port Authority
- Coshocton Port Authority
- Dayton-Montgomery County Port Authority
- Delaware County Port Authority
- Port Authority of Eastlake Ohio
- Erie County Port Authority
- Fairfield County Port Authority
- Fairport Harbor Port Authority
- Greater Mentor Port Authority
- Greene County Port Authority
- Guernsey County Port Authority
- Heath-Nease Licking County
- Ironton City Port Authority
- Jefferson County Port Authority
- Lake County Port and Economic Development Authority
- Lancaster Port Authority
- Lawrence County Port Authority
- Lorain Port Authority
- Lorain County Port Authority
- Marion Port Authority
- Marysville-Union County Port Authority
- Mason Port Authority
- Medina County Port Authority
- Northwest Ohio Port Authority
- Port Authority of Springfield, Ohio
- Portage County Port Authority
- Put-In-Bay Township Port Authority
- Regional Port Auth. of Northwest Ohio
- Southeastern Ohio Port Authority
- Southern Ohio Port Authority
- STE Port Authority
- Stark County Port Authority
- Development Finance Authority of Summit County
- Toledo-Lucas County Port Authority
- Economic Development and Finance Alliance of Tuscawassee County
- Van Wert County Port Authority
- Vermilion City Port Authority
- Violet Township Port Authority
- Warren County Port Authority
- West Central Ohio Port Authority
- Western Reserve Port Authority
- Williams County Port Authority
- Wood County Port Authority
- Zanesville-Muskingum County Port Authority

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## Port Authorities



Port Authorities stimulate private sector growth by:

- Financing job-creating projects
- Financing infrastructure projects
- Administering abatement, loan, and grant programs
- Directly undertaking redevelopment projects

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## “Authorized Purposes”



The power of any port authority is derived through the broad, flexible, nimble powers authorized by R.C. 4582.21(B), including the following authorized purposes:

- Activities that enhance, foster, aid, provide, or promote:
  - Culture;
  - Economic development;
  - Education;
  - Governmental operations;
  - Housing;
  - Recreation;
  - Research within the jurisdiction of the port authority; and
  - Transportation.
- Activities authorized by Sections 13 and 16 of Article VIII, Ohio Constitution.

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## Power to Facilitate Transactions



A port authority may convey real or personal property in furtherance of any authorized purpose. R.C. 4582.31(A)(15) and (16).

A port authority may lease any real or personal property in furtherance of any authorized purpose. R.C. 4582.31(A)(4).

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## Power to Facilitate Transactions



Port authorities are generally exempt from competitive bidding requirements for economic development projects. R.C. 4582.31(A)(18)(e). (Budget bill increases threshold to \$250,000.)

Port authorities are generally exempt from prevailing wage requirements for economic development projects. R.C. 4115.04(B)(6).

Port authority facilities are generally exempt from sales and use tax.

Caveat: port authorities may not use moneys raised by taxation for economic development projects.

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## Project Examples



Manufacturing  
(i.e., tax-exempt  
manufacturing bonds)



Non-Profit (i.e., 501c3 bonds)

Governmental/infrastructure projects  
(i.e., infrastructure revenue bonds)

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## Financing Alternatives: Revenue Bonds



A port authority may issue revenue bonds for the purpose of providing funds to pay the cost of any port authority facility constructed for an authorized purpose.



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## Financing Alternatives: Sales Tax Abatements



- Many Port Authority financings qualify.
- Typical structure involves
  - A: Lease Revenue Bonds issued by Port Authority and purchased by company's lender
  - OR
  - B: Deed or ground lease conveying project site to Port Authority and lease of project from Port Authority to company
- Significant coordination with company's lender required.

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## Power to Facilitate Transactions



- Port Authority financing routinely incorporates other Ohio economic development tools, including:
  - TIF programs
  - CRA abatements
  - EZ abatements
  - Special improvement districts (SIDs)
  - New community authorities (NCAs)
  - Joint economic development districts and zones (JEDD/JEDZ)
  - Property Assessed Clean Energy (PACE) financing

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## Formation



- Community Improvement Corporation ("CIC") is an Ohio non-profit corporation created under Chapters 1702 and 1724 of the Ohio Revised Code.
- CIC is created by filing of articles of incorporation with Secretary of State of Ohio

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## Composition of Board Trustees



- In order for CIC to be able to be designated as the agency for one or more political subdivisions for the industrial, commercial, distribution, and research development in such political subdivisions, not less than 40% of the board of trustees must be composed of mayors, council members, county commissioners or other appointed or elected officials of political subdivision(s) creating the CIC

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## Powers - General



- Acquire property
- Acquire property from political subdivisions without public sale requirements
- Sell or lease property

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## Powers - General



- Sell or lease property owned by a political subdivision as agent and on behalf of such political subdivision without complying with public sale requirements
- Such sale or lease may be below fair market value

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## General – Borrowing Power



- May borrow money as any corporation would;
- May issue un-voted revenue bonds secured by a mortgage or lease of the property and by a pledge of the revenues of the CIC; and
- May enter into agreement with political subdivision to lease or purchase project in connection with political subdivision's issuance of industrial or economic development bonds

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## General – Limitations on Powers



- Cannot levy taxes
- Cannot issue tax-exempt bonds, but may have access to proceeds of tax-exempt industrial development bonds (\$10,000,000 or less) issued by political subdivision if for a manufacturing facility
- Cannot appropriate or condemn property
- Cannot grant tax abatements

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## Compliance Requirements



- Not required to comply with competitive bidding laws
- Not required to comply with prevailing wage laws unless acting on behalf of political subdivision
- Required to follow open meeting (sunshine) laws

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## Program Eligibility



- Not entitled to receive funds directly from the local government improvement fund
- Property owned by a CIC may benefit from tax abatements and may be beneficiary of tax increment financing
- CIC cannot be direct recipient of county community development block grant moneys but can be beneficiary of projects created using CDBG

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## Downtown Redevelopment Districts



- New tools for municipalities to promote redevelopment of historic downtowns
- Offer (i) opportunities for new property tax exemptions and (2) redevelopment charges that can be applied flexibly for redevelopment purposes
- Additional feature is innovation districts - mechanism to fund high-speed internet and related infrastructure

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## DRDs: Background



- Nationally, increasing demand for opportunities to work and live in historic downtown communities, especially in innovation economy and among millennials and baby boomers
- Ohio has many beautiful, historic downtowns, thanks to its explosive growth years during the first half of the 20th century
- Redevelopment of historic properties and neighborhoods is often more expensive than "greenfield development"

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## DRDs: Background



- Many communities do not have the resources necessary to kick-start redevelopment efforts
- Downtown needs include:
  - Façade improvements
  - Historic preservation
  - High-speed internet connectivity for business incubators and innovators
  - Streetscaping
  - Amenities to accommodate downtown living
  - Incentives to accelerate business incubation and growth

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## Downtown Redevelopment Districts (DRDs) – Territory



- Not more than 10 acres
- Must have continuous boundary (i.e., contiguous properties only)
  - Must include at least one historic building that is being or will be rehabilitated
  - “Historic building” has specific definition in state historic tax credit statute
  - Cannot be residential-only or include areas already exempted from taxation under existing TIF

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## Downtown Redevelopment Districts (DRDs) – Establishment



- Notice by first class mail to owners of property within proposed district
- Public hearing no sooner than 30 days after notice
  - Created by ordinance of municipal corporation no sooner than 30 days after public hearing
  - Ordinance must:
    - Specify term and amount of exemption and area
    - Include economic development plan for DRD, which outlines goals, explains collaboration among municipality, businesses and property owners, and plan for using revenue including infrastructure

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**Downtown Redevelopment Districts (DRDs) – Establishment (cont.)**



- No school district approval is needed if term is 10 years or less
  - Must provide notice to school district and JVS 14 days before adopting ordinance (unless school district has waived right to notice)
- Term can last up to 30 years, if obtaining school district approval (identical to TIF process)
  - Notify school district and JVS 45 business days before adopting ordinance
  - Receive any approval 14 days before adopting ordinance

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**Downtown Redevelopment Districts (DRDs) – Establishment (cont.)**



- Development Services Agency (DSA) requirements:
  - Must notify DSA Director within 15 days of adopting ordinance
  - Annually by March 31, municipality must provide written report to DSA regarding DRD

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**Downtown Redevelopment Districts (DRDs) – Service Payments**



- Real Property Tax Exemption:
  - Exempt up to 70% of improvements within DRD from taxation
  - Entire amount from exempted improvements must be distributed to municipal DRD fund for use per plan
  - Can begin in year specified, when improvement value exceeds specified amount, or when specified improvements are complete
  - As with existing TIFs, revenue from certain levies (e.g., MRDD, children's services) not affected by DRD

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### Downtown Redevelopment Districts (DRDs) – Additional Funding



- Redevelopment charge may also be collected
  - Requires consent of property owner
  - Also deposited into Municipal DRD Fund
  - Can be fixed dollar amount or amount determined based on formula (e.g. based on valuation or receipts of business)
  - Can be passed through to lessees
  - Agreement with property owner is covenant running with the land (i.e., transfers to subsequent property owners); must be disclosed in sales contracts
  - Unpaid amounts can be certified to county auditor for collection

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### Downtown Redevelopment Districts (DRDs) – Use of Revenue



- Broader use of funds allowed (versus TIFs)
- Can offer loans or grants to owners of historic buildings within DRD for rehabilitation or repair; must include plan for tracking award and progress of project
- Up to 20% can be dedicated to contributions to community improvement corporations, special improvement districts, or non-profit that promotes historic redevelopment. CICs or SIDs must use funds to promote the DRD.
- Can also use for public infrastructure authorized in ordinance (continued)

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### Downtown Redevelopment Districts (DRDs) – Use of Revenue (cont.)



- To finance public infrastructure improvements within DRDs, must provide description of how development will place new demands on infrastructure (must be specified in economic development plan)
- Funds cannot be used for police or fire equipment
- Notes or bonds are not subject to R.C. Chapter 133 (not considered to be general obligation bonds or bond anticipation notes; don't count toward statutory debt limits)

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## Innovation Districts



- May be designated by ordinance of the municipality
  - Must be within existing or proposed DRD
  - Must have continuous boundary
  - Must have high-speed broadband network with ability to download at least 100 gigabits per second
- Purpose
  - To attract and grow tech businesses and support economic development by incubators and accelerators
  - Ordinance must include separate economic development plan for the Innovation District

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## Innovation Districts



- Funding Authority
  - DRD revenue can be used to offer loans or grants to incubators or accelerators within ID with condition that it must be used for businesses within ID; must include monitoring and tracking provisions

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## Summary



- Am. Sub. H.B. 233 provides several useful tools that communities can use to boost redevelopment of historic neighborhoods
- Through DRDs and IDs, municipalities can provide loans and grants and can pay for infrastructure improvements necessary to revitalize Ohio's many historic urban areas
- DRDs and IDs also can be used to provide support for business attraction efforts and incubator/accelerator projects

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# Questions?



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