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## MEMORANDUM

**TO:** City Council  
**FROM:** Rob Schommer, City Manager  
**DATE:** October 6, 2017  
**Subject:** Tax Increment Financing Incentive District Information

This memorandum is intended to provide a brief overview of an Incentive District relevant to the discussion of residential development off Chambersburg Road.

### **Background**

As discussed, City Council has approved an additional phase of Lexington Place that consists of 37.5 acres proposing 133 additional residential lots. In addition, City Council is currently deliberating the approval of Quail Ridge consisting of 21.5 acres proposing up to 90+ additional residential lots. In all, these developments provide 59 acres or roughly 225 new residential lots. Discussion of these approvals has yielded the concern of pedestrian and vehicular traffic on Chambersburg Rd., the designated thoroughfare to the entrance of these subdivisions. The primary concern is pedestrian traffic, specifically students walking to Weisenborn Middle School and Wayne High School. The discussion has led to seeking funding opportunities to address needed improvements to Chambersburg Rd (and in the future Fishburg Rd.) to accommodate the traffic demands. One possibility is the establishment of an Incentive District which includes acreage of Lexington Place and Quail Ridge.

### **Incentive District Defined**

A Tax Increment Financing Incentive District is an economic development mechanism to finance public infrastructure improvements which is typically, and almost exclusively used in residential areas. Some jurisdictions refer to this as a Residential Incentive District (RID); however, that term is not technically correct.

An Incentive District (TIF) is enacted by legislation to help pay for public improvements by diverting a portion of property tax already being paid by the property owner(s) for a designated period of time, thus generating Payments In Lieu of Taxes (PILOTs) into a fund to pay for the public improvements. The respective taxing authorities (Montgomery County, Huber Heights, Schools, etc) agree to the diversion of those funds for the time period of the Incentive District for the purpose of making the identified public improvements.

The diverted portion is based on the *increment* from the original value compared to the increased taxes after development occurs. For example, a parcel of land is valued at \$50,000 prior to development or the implementation of an incentive district; the taxes collected are distributed as they always have. After development and establishment of the Incentive District, the parcel of land is valued at \$100,000; the taxes on the new \$50,000 are diverted for the Incentive District, while the original value is locked and taxes distributed in the normal way.

### **Legislative Statute References**

[Section 5709.40\(C\) of the Ohio Revised Code](#) is the launching point to defining the process to establish an Incentive District. Section (C) is not all inclusive, as there are more provisions and requirements related to the entire process.

Section (C) is as follows:

*(1) The legislative authority of a municipal corporation may adopt an ordinance creating an incentive district and declaring improvements to parcels within the district to be a public purpose and, except as provided in division (C)(2) of this section, exempt from taxation as provided in this section, but no legislative authority of a municipal corporation that has a population that exceeds twenty-five thousand, as shown by the most recent federal decennial census, shall adopt an ordinance that creates an incentive district if the sum of the taxable value of real property in the proposed district for the preceding tax year and the taxable value of all real property in the municipal corporation that would have been taxable in the preceding year were it not for the fact that the property was in an existing incentive district and therefore exempt from taxation exceeds twenty-five per cent of the taxable value of real property in the municipal corporation for the preceding tax year. The ordinance shall delineate the boundary of the proposed district and specifically identify each parcel within the district. A proposed district may not include any parcel that is or has been exempted from taxation under division (B) of this section or that is or has been within another district created under this division. An ordinance may create more than one such district, and more than one ordinance may be adopted under division (C)(1) of this section.*

*(2)*

*(a) Not later than thirty days prior to adopting an ordinance under division (C)(1) of this section, if the municipal corporation intends to apply for exemptions from taxation under section [5709.911](#) of the Revised Code on behalf of owners of real property located within the proposed incentive district, the legislative authority of the municipal corporation shall conduct a public hearing on the proposed ordinance. Not later than thirty days prior to the public hearing, the legislative authority shall give notice of the public hearing and the proposed ordinance by first class mail to every real property owner whose property is located within the boundaries of the proposed incentive district that is the subject of the proposed ordinance. The notice shall include a map of the proposed incentive district on which the legislative authority of the municipal corporation shall have delineated an overlay. The notice shall inform the property owner of the owner's right to exclude the owner's property from the incentive district if the owner's entire parcel of property will not be located within the overlay, by submitting a written response in accordance with division (C)(2)(b) of this section. The notice also shall include information detailing the required contents of the response, the address to which the response may be mailed, and the deadline for submitting the response.*

*(b) Any owner of real property located within the boundaries of an incentive district proposed under division (C)(1) of this section whose entire parcel of property is not located within the overlay may exclude the property from the proposed incentive district by submitting a written response to the legislative authority of the municipal corporation not later than forty-five days after the postmark*

date on the notice required under division (C)(2)(a) of this section. The response shall be sent by first class mail or delivered in person at a public hearing held by the legislative authority under division (C)(2)(a) of this section. The response shall conform to any content requirements that may be established by the municipal corporation and included in the notice provided under division (C)(2)(a) of this section. In the response, property owners may identify a parcel by street address, by the manner in which it is identified in the ordinance, or by other means allowing the identity of the parcel to be ascertained.

(c) Before adopting an ordinance under division (C)(1) of this section, the legislative authority of a municipal corporation shall amend the ordinance to exclude any parcel located wholly or partly outside the overlay for which a written response has been submitted under division (C)(2) (b) of this section. A municipal corporation shall not apply for exemptions from taxation under section [5709.911](#) of the Revised Code for any such parcel, and service payments may not be required from the owner of the parcel. Improvements to a parcel excluded from an incentive district under this division may be exempted from taxation under division (B) of this section pursuant to an ordinance adopted under that division or under any other section of the Revised Code under which the parcel qualifies.

(3)

(a) An ordinance adopted under division (C)(1) of this section shall specify the life of the incentive district and the percentage of the improvements to be exempted, shall designate the public infrastructure improvements made, to be made, or in the process of being made, that benefit or serve, or, once made, will benefit or serve parcels in the district. The ordinance also shall identify one or more specific projects being, or to be, undertaken in the district that place additional demand on the public infrastructure improvements designated in the ordinance. The project identified may, but need not be, the project under division (C)(3)(b) of this section that places real property in use for commercial or industrial purposes. Except as otherwise permitted under that division, the service payments provided for in section [5709.42](#) of the Revised Code shall be used to finance the designated public infrastructure improvements, for the purpose described in division (D)(1) , (E), or (F) of this section, or as provided in section [5709.43](#) of the Revised Code.

An ordinance adopted under division (C)(1) of this section on or after March 30, 2006, shall not designate police or fire equipment as public infrastructure improvements, and no service payment provided for in section [5709.42](#) of the Revised Code and received by the municipal corporation under the ordinance shall be used for police or fire equipment.

(b) An ordinance adopted under division (C)(1) of this section may authorize the use of service payments provided for in section [5709.42](#) of the Revised Code for the purpose of housing renovations within the incentive district, provided that the ordinance also designates public infrastructure improvements that benefit or serve the district, and that a project within the district places real property in use for commercial or industrial purposes. Service payments may be used to finance or support loans, deferred loans, and grants to persons for the purpose of housing renovations within the district. The ordinance shall designate the parcels within the district that are eligible for housing renovation. The ordinance shall state separately the amounts or the percentages of the expected aggregate service payments that are designated for each public infrastructure improvement and for the general purpose of housing renovations.

(4) Except with the approval of the board of education of each city, local, or exempted village school district within the territory of which the incentive district is or will be located, and subject to division (E) of this section, the life of an incentive district shall not exceed ten years, and the percentage of improvements to be exempted shall not exceed seventy-five per cent. With approval of the board of education, the life of a district may be not more than thirty years, and the percentage of improvements to be exempted may be not more than one hundred per cent. The approval of a board of education shall be obtained in the manner provided in division (D) of this section.

The following Sections of the Ohio Revised Code define and provide legislative authority for all provisions of Tax Increment Financing (TIF):

- [5709.40 Declaration that improvements constitute public purpose - blighted areas.](#)
- [5709.41 Declaration that improvements constitute public purpose.](#)
- [5709.411 Declaration that improvements constitute public purpose - detached areas.](#)
- [5709.42 Annual service payments in lieu of taxes.](#)
- [5709.43 Municipal public improvement tax increment equivalent fund - urban redevelopment tax increment equivalent fund.](#)

The State of Ohio Development Services Agency provides a summary of Tax Increment Financing Incentive Districts as defined after HB 530 amended existing legislation enacted in 2006. That document can be found at the following link:

[https://development.ohio.gov/files/bs/TIF\\_IncentiveDistrictsSummary.pdf](https://development.ohio.gov/files/bs/TIF_IncentiveDistrictsSummary.pdf)

### **Points to Consider**

Establishing a TIF Incentive District is more difficult than implementing a standard TIF that the City sees in the I-70 corridor. There are additional elements of notice and agreement that are required, and the amendments made to the law in 2006 made it substantially different than the Incentive District established for Carriage Trails (implemented prior to the enactment of HB 530).

There are several types of TIF's, all of which are established through Resolution or Ordinance. The specific type of TIF allowed for the uses discussed is a TIF Incentive District which can create an alternative revenue stream that can be used for improvements to Chambersburg and Fishburg for widening, sidewalks, bike paths, etc.

ORC 5709.40(C) is the launching point for a TIF Incentive District; however, there are additional provisions and restrictions to create the TIF to include:

- Identifying specific projects
- Cannot be used for police or fire equipment
- Cannot be created if the TIF would result in more than 25% of the taxable value in the preceding tax year
- Public hearings and additional notice requirements

The State Auditor provides a presentation on TIFs prepared by our Bond Counsel. The presentation is available at the following link:

<https://ohioauditor.gov/trainings/lgoc/2010/Tax%20Increment%20Financing%20and%20Residential%20Incentive%20District.pdf>

## **Process Moving Forward**

If Council desires, staff can begin working on building the process to establish a TIF Incentive District in the areas of newly proposed development off Chambersburg Rd. Considering the discussions, desires and need to make improvements to the surrounding infrastructure, I recommend examining what opportunities exist.

Establishing the TIF Incentive District would create an alternative revenue stream, and in the creation of the Incentive District, we would identify a project or series of projects to benefit the area and to determine the use of the funds.

We will need to continue working with Montgomery County to identify the compatibles in other existing TIF Incentive Districts. We will need to develop high-end and low-end revenue estimates, which we believe would be substantial enough to support some construction projects to make public improvements.

The process will take time, but does not need to be approved prior to approval of the plats, just prior to improvements to the land. We would strategically implement the district to determine how the initial build out goes, and possibly use those funds on a pay-as-you-go basis until the revenue stream matures to a point to support debt payments. Additional considerations for the overall design of the Incentive District include:

- Identify the time frame and area of the district
- Identify the percentage of school inclusion
- Identify when to start and end the TIF

This document is very brief in the overview of a TIF Incentive District (RID); however, I hope it provides the basis of understanding in order to discuss and create a direction. In addition, the references and links contained within provides much greater detail when considering the steps moving forward.

Should any additional information be needed, please let me know.