Ohio Legislative Service Commission

Terry Steele

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 313 of the 128th G.A.

Date: January 6, 2010

Status: As Passed by the House

Sponsor: Reps. Ujvagi and Winburn

Local Impact Statement Procedure Required: No — Permissive

Contents: Authorizes a county with a population greater than 100,000, or a population between 78,000 and 81,000, to organize a county land reutilization corporation

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- **Eligible counties.** By expanding population limits, the bill would allow 29 counties to create county land reutilization corporations (CLRCs) for the purpose of acquiring property from tax foreclosures, bank foreclosures, and donations of land from private and public entities.
- **Initial and future ongoing funding sources.** Eligible counties would be able to fund their CLRCs from various specified sources, including the proceeds from voted property taxes, unvoted inside millage, grants, bond sales, interest on delinquent taxes, and lines of credit. In the future, proceeds from the sale of rehabilitated properties could also provide a source of CLRC operating funds.
- **Nuisance abatement and property maintenance costs.** Because the bill allows a CLRC to acquire certain specified abandoned properties, the bill could result in decreased county and municipal expenditures for nuisance abatement and property maintenance.

Detailed Fiscal Analysis

Eligible counties and purpose of county land reutilization corporations

The bill authorizes the creation of a county land reutilization corporation (CLRC), a nonprofit entity geared toward promoting development, managing, and facilitating the reclamation, holding, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed, or other real property, for all counties with a population greater than 100,000, or a population between 78,000 and 81,000. As of the 2000 decennial census, there were 27 counties with a population greater than 100,000, and two counties (Erie and Scioto) with populations between 78,000 and 81,000.

In addition to expanding the number of counties eligible to form CLRCs, the bill authorizes the treasurer of a county with a land reutilization corporation to use the alternative redemption period when foreclosing on abandoned lands. The bill also adds to existing legal protections for CLRCs by immunizing them against liability for environmental damages committed by another person in connection with a parcel of land the CLRC acquires. Finally, the bill specifies the number of members that may be appointed to a CLRC board. The potential fiscal effects of the bill are discussed below.

Funding options

The bill generally gives the same authority to the eligible counties to create a CLRC that was granted to Cuyahoga County in S.B. 353 of the 127th General Assembly. Potential funding sources include county or municipal bonds, lines of credit, tax increment financing, countywide voter-approved property taxes, and funds that are raised from a county's share of unvoted inside millage. If requested by the county treasurer, the board of county commissioners would also be permitted to designate an additional 5% of all delinquent property and manufactured and mobile home taxes deposited in the county's Delinquent Tax and Assessment Collection (DTAC) fund for use by a CLRC. In the future, proceeds from the sales of improved or rehabilitated properties might also generate operating income for CLRCs.

Use of DTAC funds

The bill also authorizes county treasurers in eligible counties to borrow internally from DTAC fund balances to pay various taxing districts for late and delinquent real estate taxes. By doing so, all penalties and interest from the delinquencies could then be transferred to the CLRCs. According to information provided for S.B. 353, after each collection in Cuyahoga County an estimated $60 million to $70 million is late or delinquent. Under this funding mechanism, a county treasurer could recapture the statutory penalty and interest (10% and 12%, respectively, in Cuyahoga County), and direct these amounts to the CLRC. Cuyahoga County estimates that this funding mechanism could result in approximately $8 million to $9 million annually given the estimates above.

CLRC bonds and other obligations

Additionally, the bill permits counties to deposit or invest the county's inactive moneys in bonds and other obligations of a CLRC. This authority would allow for a return on investment or an accrual of interest through a deposit on money that the CLRC was not using at the time. The bill also permits a county treasurer to enter into an agreement with the CLRC to allow for the advance of unpaid tax revenues as collateral for payment of any debt obligations of the CLRC.

Nuisance abatement and property maintenance

The bill could result in decreased county expenditures for nuisance abatement and property maintenance. Depending upon the types of properties a CLRC acquires and what improvements are made, some of those costs could be recouped once a property is improved and sold. In the long term a county and the applicable political subdivision could see some increase in property tax revenues. A possible indirect fiscal effect could occur if a county opts to support a CLRC through the use of inside millage revenues or voted property taxes. In such a case, any diversion of these revenue streams to a CLRC would result in a loss of revenue for the taxing authority.

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