Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill:	S.B. 70 of the 128th G.A.	**Date**:	June 10, 2009
Status:	As Introduced	**Sponsor**:	Sen. Schiavoni

Local Impact Statement Procedure Required: No — Permissive

Contents: Expands the purposes for which municipalities may use urban renewal bonds sale proceeds

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010 – FUTURE YEARS
Municipalities	
Revenues	Potential gain in bond repayment assessments Potential gain in property tax receipts
Expenditures	Potential increase in bonds issued and accrued interest
School Districts	
Revenues	Potential gain in property tax revenues
Expenditures	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill permits the use of money derived from the sale of urban renewal bonds for the demolition of buildings located on tax delinquent property that constitutes a public nuisance. Currently, these urban renewal bond proceeds may only be used in areas that municipalities have designated as urban renewal areas.
- Current law allows for a tax exemption of between 75% and 100% for any properties that are rehabilitated with urban renewal bond money. That portion of taxes is instead paid toward the retirement of these urban renewal bonds.
- The bill's effects on property tax revenues would depend upon the circumstances. In all probability, municipalities and school districts would be receiving little or no property taxes on distressed properties. Once the property was rehabilitated using urban renewal bond proceeds, it is likely that the improvements would generate new property tax revenue.

Detailed Fiscal Analysis

Urban renewal bonds

Municipal corporations are authorized to issue bonds, the proceeds of which may be used for "urban renewal projects" pursuant to the municipal corporation's urban renewal plan. An urban renewal project is the undertaking or activity by a municipal corporation to eliminate or prevent the spread of slums or blight in an area designated by the municipal corporation as an urban renewal area, including the construction, rehabilitation, demolition, and removal of real property. The bill would permit municipal corporations to use urban renewal bond proceeds to demolish buildings located on tax delinquent property deemed a public nuisance because of blight in areas outside designated urban renewal areas. Overall, the bill could potentially increase the urban renewal bonds issued, and although the potential effects are uncertain, could affect the property tax revenues distributed to both school districts and municipalities.

Urban renewal bond repayments

Under the urban renewal law, up to 75%, or with school district approval up to 100%, of the assessed valuation of newly constructed or rehabilitated property may be exempted from taxation. The owner or lessee of the property is required to make payments in lieu of taxes that are equal to the amount of real property taxes that would have been paid on the exempted portion of the property value. The payments are used to retire the urban renewal bonds. Presumably, the properties that would be demolished under the bill would also be exempt from property taxes in the same manner as those in urban renewal areas.

Property tax diversions from school districts

Under current law, school districts receive 70% of all property tax revenues collected, with municipalities receiving the remaining 30%. However, under the bill, those properties that receive the exemption would remit at least 75% of the assessed valuation to the municipality. Therefore, this provision of the bill could divert up to 45% of those taxes collected from the properties affected by the bill to municipalities for bond retirement instead of to school districts without the consent of the school district.

In this respect, the potential fiscal effect of the bill would depend on the circumstances, but would not likely be to the detriment of the school district. In all likelihood, a municipality or a school district was receiving no property tax from distressed property that is being improved using proceeds from the urban renewal bonds. Any improvement made to the property using the urban renewal bonds is likely to generate some new property tax.

Municipal revenues for bond retirement

The bill would also increase revenue a municipality uses to retire urban renewal bond debt. It is not known whether or not municipalities would issue additional urban renewal bonds for the purpose permitted under the bill, or if they would simply use their current bond proceeds to remove buildings from the additional blighted properties. However, it can be assumed that any additional costs arising from the issuance of additional bonds and related additional accrued interest would be offset by the increased revenue from the valuation assessments.

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