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S.B. 212 133rd General Assembly	Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Schuring

Mackenzie Damon, Attorney

SUMMARY

- Allows a municipality or township to designate all or a portion of its territory as a Neighborhood Development Area (NDA).

- Authorizes developers and owners of newly constructed single-family homes within an NDA to apply for a full or partial exemption from property taxation that continues throughout the construction and market period and for ten years after the home becomes occupied.

- Authorizes owners who renovate single-family homes within an NDA to apply for an incremental value exemption that continues for five years.

- Specifies that property that is already exempt under a tax increment financing (TIF) agreement or as part of a Community Reinvestment Area (CRA) cannot also be part of an NDA.

DETAILED ANALYSIS

Neighborhood Development Areas

The bill allows municipalities and townships to establish Neighborhood Development Areas (NDAs), within which newly constructed or renovated single-family homes may receive a full or partial exemption from property taxation.

Under the bill, a municipality or township may designate an NDA with the goal of encouraging the development of adequate housing within the area. The bill specifies several criteria for making such a designation. Then, property developers or owners of homes located in the NDA may apply to the municipality or township for a property tax exemption. The exemption will equal either 70% or 100% (if the school district approves the NDA) of the value of a new home or of the improvements to an existing home.

NDA designation

A municipality or township may designate all or a portion of its territory as an NDA. The resolution or ordinance designating the NDA must include the following information:

1. A finding that the NDA designation will encourage the construction or renovation of single-family homes in the area, and that such construction or renovation would be unlikely to occur without the designation;

2. A description of how the designation will (a) improve the overall quality of the life in the municipality or township and (b) cause additional property tax revenue to be generated once the tax exemptions expire;

3. A description of the NDA's boundaries;

4. The percentage of value of property that will be exempt from taxation (either 70% or 100%, as described below);

5. The number of years the area will be designated as an NDA or that the designation will continue indefinitely;

6. Identification of the employee or officer who will accept property tax exemption applications from developers and property owners.[1]

Within ten days after adopting the NDA measure, the municipality or township must certify a copy of it to the Tax Commissioner.[2]

School district approval

Before adopting a resolution or ordinance that would exempt 100% of the value of eligible newly constructed homes or renovations in the NDA, the municipality or township must first notify each school district where the NDA would be located. Each such school district must approve the 100% exemption for the exemption to be 100%. If a school district does not respond within 14 days of receiving the proposed resolution or ordinance, the district is considered to have given its approval.

If one or more school districts do not approve the 100% exemption, the municipality or township may still designate an NDA, but the percentage value of eligible property that will be exempted from taxation would equal only 70%.[3]

Application for property tax exemption

Once an NDA is designated, developers and owners of property located within the NDA may apply for a tax exemption. Three types of exemptions are available:

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[1] R.C. 5709.58(B)(1).

[2] R.C. 5709.58(B)(3).

[3] R.C. 5709.58(B)(2).

1. Single-family homes under construction. This exemption applies to parcels that have been subdivided by a developer and that are part of an area consisting of at least ten such adjacent parcels.[4] The developer applies for the exemption, which would begin the year after construction on the home begins, and end with the first year the home is occupied.

2. Newly occupied single-family homes. This exemption applies to property that did qualify, or could have qualified, for an exemption under (1). However, the new homeowner seeks this exemption, which would apply for ten years, beginning the year after the first year the home is occupied.

3. Renovation of existing single-family homes. This exemption applies to any existing home in the NDA where the homeowner spends at least $10,000 to renovate their home. The exemption applies to the increase in the value of the home, and extends for five years, beginning the year after the year in which the renovation began.[5] Such a home does not need to be located in any relationship to homes eligible for the other two exemptions; it only needs to be in the territory of an NDA, which itself may encompass areas where there are not ten or more adjacent newly built homes.

Application process

To receive the exemption, a developer or homeowner must file an annual application with the designated officer of the municipality or township. That officer will grant the application if all of the requirements are met.

If the designation of an area as an NDA expires, any exemption that was first approved before the NDA's expiration will continue to be allowed in future years for the applicable period described above.[6]

CRA and TIF property

Under the bill, property that is already exempt under a tax increment financing (TIF) agreement or as part of a Community Reinvestment Area (CRA) cannot also become part of an NDA.[7]

Comparison with CRAs

A CRA is similar to an NDA, as proposed in the bill, in that a CRA also allows political subdivisions to (1) designate an area in which newly constructed or renovated properties are eligible for property tax exemption and (2) accept applications for property owners to exempt the value of a new home or of improvements to an existing home.

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[4] R.C. 5709.58(A)(1) and (3).

[5] R.C. 5709.58(C).

[6] R.C. 5709.58(D).

[7] R.C. 5709.58(B)(1).

However, there are some key differences. For one, only municipalities and counties – not townships – may create a CRA. Second, a CRA exemption is not available for property on which a home is in the process of being constructed – the exemption only applies to completed homes. Third, CRA exemptions are available for commercial and industrial property, whereas NDAs are limited to residential property.

In addition, the determinations a subdivision must make before designating a CRA are different: the municipality or county must find that the area is one where housing of "historical significance" is located or where new construction and the repair of existing homes is "discouraged." The subdivision must also make a housing survey, and submit the proposed CRA to the Development Services Agency for approval.[8]

Comparison with TIFs

Under a TIF, municipalities, townships, and counties may grant a real property tax exemption with respect to the amount by which the assessed valuation of designated parcels increase after the TIF is established. A TIF may be comprised of specific parcels or may be what is called an "incentive district" (an area of not more than 300 acres that satisfies certain distress or infrastructure criteria). Owners of the exempted property make payments in lieu of taxes ("PILOTs") to the political subdivision that created the TIF equal to the amount of taxes that would otherwise have been paid with respect to the exempted improvements. The PILOTs are used to finance nearby or related infrastructure or, in some cases, to fund housing renovation.

TIFs differ from NDAs, as proposed in the bill, in several ways. Most significantly, property owners are not required to pay PILOTs to a municipality or township that creates an NDA. In addition, the ability of subdivisions to establish a TIF with respect to specific parcels that include single-family homes is very limited. (However, incentive districts may include such homes.)[9]

HISTORY

Action	Date
Introduced	10-07-19

S0212-I-133/ts

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[8] *See* R.C. 3735.65 to 3735.70, not in the bill.

[9] *See* R.C. 5709.40 and 5709.73, not in the bill.