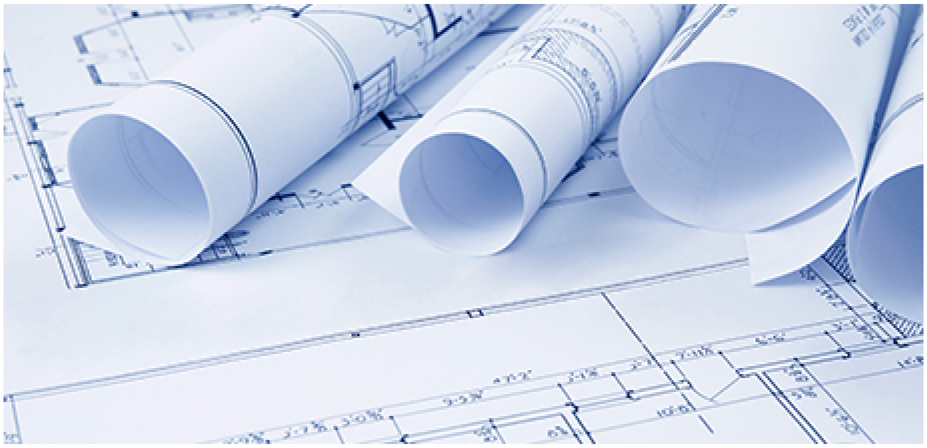

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Sub. Sen. Bill 235 creates new local property tax exemption for development sites, removes obstacle to establishing Downtown Redevelopment Districts

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Ohio Governor John Kasich recently signed Sub. Senate Bill 235, giving communities a valuable new tool for supporting unused development sites. The legislation also significantly expands the locations where Downtown Redevelopment Districts (DRDs) can be used.

Sub. Senate Bill 235 authorizes local jurisdictions to grant a six-year local property tax exemption for certain unused development sites. The exemption will be available for owners of unused development sites qualifying as "newly developable property" or "redevelopment property," as defined in the legislation.

Property owners seeking the new exemption may apply to the county, municipality or township (depending on the property location). The application process set forth in the statute requires a demonstration of the property's prospects for future development, including plans to construct or reconstruct commercial or industrial buildings on the property. In addition, any zoning for the property must permit commercial or industrial use. The applicable political subdivision will have discretion to award the exemption. Notice to affected school districts is required.

Although this new exemption generally will be effective for six years, it is subject to earlier termination. The exemption will expire once the parcel in question (i) receives a certificate of occupancy for commercial or industrial use, (ii) is transferred, (iii) is zoned to prohibit commercial or industrial use, (iv) is subdivided, or (v) is used for commercial, agricultural or industrial operations. In the event that a portion of the property is subdivided, the legislation provides flexibility to preserve the exemption for the remainder of the property. In addition, the statute provides for a "recoupment charge" in the event that the owner of the property transfers ownership before making improvements or if the commercial, agricultural or industrial activities are performed on the property prior to the issuance of a certificate of occupancy.

It will be critical for political subdivisions considering use of the new exemption to consider how it relates to existing or contemplated incentive programs with respect to the property in question.

Sub. Senate Bill 235 also makes it easier for communities to utilize one of Ohio's newest economic development tools, Downtown Redevelopment Districts. DRDs are designed to assist with the revitalization of historic buildings and nearby buildings. They are able to draw upon multiple financing sources to fund loans, grants and infrastructure improvements. Under prior law, a DRD could not be formed on any territory where tax-increment financing (TIF) had been utilized. Sub. Senate Bill 235 limits this restriction so that a DRD can be formed on parcels where a TIF was used but is no longer in effect.

Governor Kasich signed Sub. Senate Bill 235 on December 27, 2016, after exercising a line-item veto with respect to several portions of the bill unrelated to these tools. Sub. Senate Bill 235 will take effect on March 28, 2017.