



www.lsc.ohio.gov

# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

S.B. 120  
135<sup>th</sup> General Assembly

## Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Sen. Schuring

Andrew Little, Attorney

### SUMMARY

- Allows local governments to direct up to 10% of payments made in lieu of property taxes under tax increment financing (TIF) arrangements to land banks for economic development purposes.

### DETAILED ANALYSIS

The bill allows local governments to direct a portion of payments made in lieu of property taxes (PILOTs), pursuant to TIF arrangements, to land banks. The maximum portion is 10%, and the reservation made for land banks must be made when a TIF arrangement is approved. If such a reservation is made, the land bank must use the funds exclusively for economic development.<sup>1</sup> Under current law, PILOTs, with certain exceptions, are required to be used to fund public improvements that benefit the development projects subject to the TIF and, in some cases, to reimburse local governments for forgone property taxes.

The key to understanding the bill's operation lies primarily in understanding elements of land banks and TIFs that are not directly amended by the bill. So, while not affected by the bill, the remainder of this analysis discusses that relevant background information.

#### Background

##### Land banks

"Land bank" is a name given to different arrangements authorized under Ohio law for programs or corporations intended to return land that has fallen into disuse, disrepair, or tax delinquency to some productive use. Under continuing law, "land bank" typically refers to a land reutilization program organized by a township or municipal corporation, or a county land

<sup>1</sup> R.C. 5709.40, 5709.41, 5709.43, 5709.73, 5709.75, 5709.77, 5709.78, and 5709.80.

reutilization corporation (CLRC) formed by a board of county commissioners. The former is a series of procedures available to townships and municipal corporations to acquire and dispose of tax delinquent property. A CLRC is an independent community improvement corporation that may implement a land reutilization program. Because a CLRC is a type of community improvement corporation, though, it possesses all the powers of a community improvement corporation. Those are broader than those of a land reutilization program on its own and include the ability to acquire property outside of the tax foreclosure proceedings that the land reutilization programs formed by a township or municipal corporation are focused on. The bill also includes 501(c)(3) organizations whose sole purpose is to acquire and dispose of property to facilitate economic development as land banks eligible to receive TIF PILOTs, referred to in the bill as “qualifying nonprofit organizations.”

### **Tax increment financing**

A TIF, is a mechanism available to local governments, i.e., municipalities, townships, and counties, to finance public infrastructure improvements and, in certain circumstances, residential rehabilitation. TIFs operate by authorizing a political subdivision to grant a property tax exemption with respect to the incremental increase in assessed valuation of designated parcels after the TIF arrangement is approved. So, any value increase resulting from improvements to the property will be exempt from property taxes for a period of time. The amount of property tax that would have been collected on that increased value is instead directed to other uses.

That occurs through a process in which owners make PILOTs to the local government that created the TIF. PILOTs may be up to the amount of property taxes forgone as a result of the TIF exemption. TIFs thereby create a flow of revenue back to local governments that create them up to the amount of taxes that would have been paid without a TIF arrangement.<sup>2</sup> Typically, the financing is achieved by the issuance of bonds to which the local government pledges the service payments, and the bonds are usually used to fund improvements that benefit the parcels covered by the TIF.

---



---

## **HISTORY**

Action	Date
Introduced	05-11-23

ANSB0120IN-135/ts

---

<sup>2</sup> R.C. 5709.40, 5709.73, and 5709.78.