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Office of Research
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Office

S.B. 259
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 259's Bill Analysis](#)

Version: As Passed by the Senate

Primary Sponsor: Sen. Sykes

Local Impact Statement Procedure Required: No

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Highlights

- The bill specifies that a tax increment financing (TIF) minimum service payment obligation is a covenant running with the land. This added specification may facilitate TIF financing.
- The bill provides for the conveyance of state-owned land in Summit County.

Detailed Analysis

TIF service payments and subsequent property owners

Under continuing law, minimum service payments by property owners to political subdivisions ensure sufficient funding to finance improvements made under tax increment financing (TIF) arrangements. A TIF is an economic development tool used by a county, municipality, or township to finance public infrastructure improvements and, in certain circumstances, residential rehabilitation. With a TIF, property owners are granted an exemption from property taxes on the increased value of property, but instead make minimum service payments to the subdivision. The minimum service payments fund public improvements related to property development, and the improvements are often financed by issuing debt backed by receipts from future minimum service payments. The minimum service payments are collected like property taxes.

The bill specifies that all TIF minimum service payment obligation agreements are enforceable against subsequent property owners, stating specifically that such an obligation shall be a covenant running with the land. Continuing law provides that such payments are to be considered taxes for all purposes, including for lien priority and collection, but does not specifically provide that such a payment is a covenant running with the land. The absence of such language in current law reportedly has resulted in difficulties obtaining financing, sometimes blocking or delaying development projects, particularly larger ones for which

financing was sought from insurance companies. In practice, many service payment agreements address this issue by including such a clause.

This provision of the bill may result in cost savings to local governments by avoiding costly delays in securing financing for development projects, and may in some cases allow projects sought by local governments to be undertaken that might not be financed in the absence of the provision.

Land conveyance to the city of Akron

The bill authorizes the Governor to convey two parcels of land in Summit County owned by the University of Akron (UA) to the city of Akron or an alternate purchaser. The parcels contain one building and are located adjacent to Derby Downs, home of the All-American Soap Box Derby, and the site of the recently demolished Rubber Bowl. Under the bill, the conveyance will be made to the city of Akron for \$1. If the city of Akron does not complete the purchase within the time established in the real estate purchase agreement, the Director of Administrative Services may use any reasonable method of sale considered acceptable by the UA Board of Trustees. In that case, the property will be conveyed at a price determined acceptable to the Director and UA. The bill requires the net proceeds of the sale to be deposited into university accounts for purposes to be determined by the UA Board of Trustees. The bill requires both the city of Akron, or the alternate purchaser, if any, and UA to pay certain costs associated with the conveyance. UA is to pay transfer costs and fees and recording costs and fees. The purchaser is to pay all other costs associated with the purchase, closing, and conveyance, including surveys, title evidence, title insurance, and any other fees, assessments, or costs that might be imposed.