



## **ANNUAL COUNCIL AND ADMINISTRATION WORKSHOP MARCH 31, 2014**

Roll Call: Scott Pelot  
Dennis McGlone  
Danny Grether  
Dennis Pierson  
Paul Tousley  
Charlotte Whipkey  
Rick Rodgers

Also Present: Mayor Mike Zita arrived at 6:13  
Valerie Wax Carr  
Laura Starosta  
Justin Markey  
Karla Richards  
Russ Arters  
Ann Campbell

Norton City Council and Administration gathered for the Annual Council and Administration Workshop on Monday, March 31, 2014 at approximately 6:00 PM in the Council Chambers of the Safety Administration Building. Following the Pledge of Allegiance and a moment of silent prayer, Mr. Rodgers turned the beginning discussions over to Mrs. Carr.

### Economic Development-City Properties:

Mrs. Carr discussed the definition of what Economic Development is in Norton to Council. To help set off the discussion, does economic development mean tear down houses and put up shopping malls; keep the bedroom community more; bringing in factories; or bringing in more food establishments? Mr. Grether stated it's important to involve the citizens in the development and what he states is merely his opinion of what he would like to see. Mr. Grether stated he wants to keep the rural feel we have in addition to factories and some of the big box stores not necessarily at the main intersections. He would like to keep the small town feel downtown with the mom & pop shops and current businesses, additional retail, and/or restaurants located there. Mr. Grether suggested the big box places could be located on some of the larger farms that are for sale and outside of the inner downtown. Ms. Whipkey stated she is all for keeping where we have people now and she would prefer not to be invaded by big development. Mr. Pelot stated you would want your big box stores at your highway exits to keep all of the traffic out of the inner neighborhoods. Ms. Whipkey noted that it sounds like the Comprehensive Plan. Mr. Rodgers discussed the prior zoning and the residential mix in the highway areas from not looking far enough ahead in the past, and we need to keep that in mind. Mrs. Carr discussed a map locating the city owned properties. Mrs. Carr stated that Ms. Whipkey has made a good point about keeping big development out of the neighborhoods, but we need to understand the income tax base. Mrs. Carr stated the income tax base needed and that 80% to 95% of working residents go outside of the city to get to work and they are paying income taxes to another community and the only way to increase the tax base is to bring in business. Mrs. Carr noted the only real tax base we get from the County is 13% from property taxes and the real income for Norton is from income taxes. Mrs. Carr noted it appears that what we need is a balance in the community between the bedroom community and retail/industrial growth with some loss of area somewhere. Mrs. Carr explained the difference of the areas in the current zoning map and suggested the Comprehensive Plan needed updated. Mrs. Carr cautioned about the lack of zoning required in addition to utilities needed to bring development. Mrs. Carr noted the widening of Cleveland-Massillon Road is something to be considering. Mr. Arters discussed the vacant land owned by the City of Norton along Barber Road over to Clarkmill. Mr. Rodgers asked if the thought process was to develop that area as an industrial complex and Mr. Arters concurred adding that area is also very low lying.

Mr. Pierson stated we need to think how the neighborhoods will be impacted and about what types of businesses we want to see. Mr. Pierson noted the medical plaza building by Albrecht is still sitting less than full. Mr. Pierson stated there has to be a reason as to why we're not attracting development. Mr. Arters stated the zoning is not correctly mapped out and it needs to be revamped. Mrs. Carr stated that you have to be careful not to get the cart before the horse here. Mr. Pierson stated he does not feel that retail is what's best for Norton. Mr. Arters noted most of Barber Road and Wadsworth Road is industrial and most of the intersections are zoned for business; we just need the proper use. Mr. Pierson felt we don't have the proper disposable income to support a lot of retail with all the retail surrounding Norton. By doing stand alone or strip malls is not the answer, it can degrade the community. Do we want light industry, retail, etc? Mr. Pierson noted that Barber Road is a problem and perhaps we need to be looking farther to the south, and south west areas to develop near SR 21 and utilities are moving that way. Mr. Pierson discussed tax incentives to get businesses into Norton. Mrs. Carr discussed the recent statistics from the Summit County Health District and the median household income at \$57,635.00 which came from the last census. Mr. Pierson challenged the figures noting that it's done by zip code and we are lumped into Barberton. Mr. Rodgers pointed out that the figure could be skewed also due to more than one income being generated per household. Mrs. Carr stated these figures are not as bad as what she expected, people think or are talking about. Mr. Rodgers stated we as a community need to decide if we want what we have as far as services and the lifestyle we have to bump up revenue somehow. We have to either think about this and remain more of a bedroom community more like Green with all of the services provide their residents largely subbed out. Most larger communities are already cutting services and handing that over to others to manage. Mrs. Carr discussed how the state level funding has been cut, and it will not be coming back and some communities have shut down supporting their capital improvements due to the total loss of inheritance tax. Mrs. Carr stressed the cuts in municipal funding was due to no error on the Cities part and on top of the economical issues of job loss and decreased wages the local funds are hurt requiring adjustments be made by the municipalities. Mr. Rodgers commented about the Ohio Municipal League seminar he and three other Council members attended and it was stated the State of Ohio is not done with the cuts to local government. Ms. Whipkey stated that perhaps the best type of businesses we need to concentrate on are the ones that will produce jobs for Norton citizens and maintain the full tax benefits within the City. Mr. Tousley commented about the large lot of land on Medina Line that already has retail and utilities directly across the street. Mrs. Carr noted Wadsworth can service utilities outside of their borders and generally the amount permitted is about 30%. Mr. Rodgers noted that Doylestown also has similar resources we could also buy into. Mrs. Carr asked about the city owned properties and asked if we have interest in marketing them. Mr. Grether stated the fire station is a prime piece of real estate and has utilities and questioned why there is not a real estate sign there already. Mr. Markey stated there are certain requirements to sell city owned property like by an auction or transfer to the CIC. Mr. Pierson noted the CIC is no longer active. Mr. Markey noted the CIC is only inactive because the annual report was never filed; all that's needed is to file the documents. Mr. Grether questioned a reserve being put on any auctioned property. Mrs. Carr discussed abatement, and the reality is if you want to have economic development you have to offer some abatements. All other communities are using abatements and its working for them. Mr. Pelot stated noted you can word the abatements to have certain requirements such as they have to hire so many employees by a certain time and the must remain in place for a time frame. Mrs. Carr stated if the tax abatement is 75% or more you must have the School Board on board and involved, if it is less than that the City can decide. Mrs. Carr stated an abatement is to defer taxes only. Mrs. Carr gave an example of the Sheraton Hotel in Cuyahoga Falls and they had a 25 year abatement agreement. Mr. Markey discussed the use of a TIF and the potential uses for such like a road and all of its utilities.

Those taxes would be abated and used to pay back to the city. CRA's are Community Reinvestment Areas are another tool that can be used for abatements in certain areas with stipulations of 10 years residential and 15 Income Tax Bonds and General Obligation Bonds and all you are doing is saying you are in good faith and in good standing, and if the City would default the investor will come back and tax the city. Mrs. Carr pointed out that since we do not have utilities, it is more difficult to get Revenue Bonds and cannot offer that to future business. Mr. Rodgers discussed finding out what our draw is here in this community and suggested hiring a professional planner to look at not only Norton but the entire area and see what types of businesses want to come here. Mr. Rodgers indicated the going cost for such a service is about \$5,000.00. Mr. Pierson asked what's the reason any company wants to locate here in Norton and Mr. Rodgers stated that's what the planner would be able to tell us. Mrs. Carr pointed out we do have the DB Hart 2006 plan and it should not be thrown out as it could be used in some manners or re-worked although a planner is a good idea. Mr. Grether stated the City of Green is not growing on their own and they use a group of consultants, not just one; L&H is one and they do look for grants also.

#### Park Maintenance-Capital Improvements:

Mrs. Carr noted the desire was to discuss this due to what appears to be some loose ends. Mrs. Carr noted she had met with Ruth Stimac-Parks Chairperson to discuss some issues. Mrs. Carr noted there may be some discussion tonight about the Parks which could involve the School Board at some point. We need a task force to determine what we have for parks and what is working and what is not and determine the priorities we want to offer. The first thing to do is an evaluation and a physical walk about for each park. Mayor Zita stated the Parks Board did a walk about over a year ago and they determined the playground equipment in Frashure was unsafe and it was removed. Mrs. Carr stated that's fine, however they had not developed a plan to replace it. Ms. Whipkey also noted that the grounds at Frashure Park are not the best for park areas. Mayor Zita noted that this park was essentially used as a dump for anything and everything there and whenever we level the field, new stuff just keeps popping back up. Mrs. Carr stated we all need to work with the Parks Board and come to a common solution to the needs. Mr. Pierson stated one of the Boards issue was there has never been a line of communication from the Administration and Council. Mr. Rodgers stated Frashure Park was mostly developed for the children living in that immediate area. Mrs. Carr suggested doing a survey from the community and ask the residents what they want to see. Mr. Pierson commented that surveys could be targeted to specific communities. Mr. Grether stated that while you are asking the residents what they want to see in the parks, you should also ask them what would they like to see the City of Norton look like. Mrs. Carr discussed having collaboration with the Schools, and we need to tout that we have brand new schools because that's a great catalyst. There are a lot of communities sharing services on properties, like maintaining parks by the schools and the city. Mrs. Carr stated she briefly discussed this idea with the current School Superintendent and he is all on board with such an idea. Mrs. Carr briefly discussed the Parks Board's concerns because of the shift of the funds from the Parks Fund into the Road Program. Mrs. Starosta discussed the memo from Mr. Pierson's request for accounting on the Parks Fund. Mrs. Starosta explained the details of her spreadsheet (see attached). Mr. Pierson asked why is this all in the General Fund and not in a separate Parks Fund? Mrs. Starosta explained the difference and how the use of the Fund is intended to be used. Mrs. Starosta stated that past legislation dictated that rentals from the Community Center must be accounted for separately. Mrs. Starosta stated its all about the restrictions and Mr. Pierson asked can't Council change those restrictions and Mrs. Starosta replied, yes unless there is some other contractual restriction.

Mrs. Carr explained that what Mrs. Starosta is saying is the revenue source for the Parks is the user fees from Time Warner, cable franchise fees and that Mr. Pierson is wanting all of that to come into a separate Parks account and not to use any income tax funds. Mrs. Carr projected that Mrs. Starosta would then set up two (2) Special Revenue Fund accounts just for operations. Mrs. Carr stated that would be \$140,000.00 coming into the Parks, which is not a lot of money for improvements. Mrs. Starosta stated when the Service Department mows the grass it is not directly charged to a specific Park account. Mr. Pierson stated that Mr. Reynolds indicated that employees are mowing at forty (40) plus hours per week and that's not coming from his Service Garage Fund, and Mrs. Starosta replied that was correct. Mrs. Carr explained the difference between a line item and the General Fund and the Service Dept, receives money from the General Fund so expenses are also paid out of the General Fund. Mrs. Carr stated most communities take the General Fund and pulling off a set percentage each year directly towards capital purchases like mowers, trucks, etc. Mr. Pierson disagreed with this concept and felt that you need to have debits and credits and they need to be separated. Mr. Pierson stated he just wants to have a handle on what is really going on with the funds. Mr. Rodgers stated he understood the need to fund the roads, but is not in favor of doing this again. Mrs. Carr stated we need to look at the revenue source, the spending Mrs. Carr noted you don't have an A+ rating if you are not properly managing your funds. Mrs. Carr noted that the status of the Tree City is still being worked on. Mr. Pelot stated we barely have enough services that we offer and he is not looking to take away more from the Parks. Mayor Zita noted that we have already cut what we offer like the summer concerts in the parks series, the seasonal laborers, etc.

#### Future Road Programs:

Mrs. Carr noted this is a very important program and our plan for this year is to go through the County's program at a total of \$450,000.00 and that \$100,000.00 came from the Cable Franchise Fund. The reality is this amount is not going to make much of a dent and she feels we need at some point to have a professional evaluation on all of our roads and their various conditions. You need to be able to properly evaluate each roads base, type of pavement treatments, etc. Mr. Grether agreed with this idea, and noted we have a lot of low lying areas and a lot of water moving underneath the roads that we may not be aware of. Mr. McGlone noted that in his allotment he feels the base was never done correctly. Mr. Rodgers questioned if you live in an allotment or an improved area, who do you think should have to pay to fix that road? Mr. Pierson stated all of us pay taxes and we have expectations. Mr. Rodgers stated in most communities the homeowner is involved with the costs for a major improvement to a road. Mrs. Carr noted in most cases a development with improved roads have maintenance costs come out of the tax base and when a total reconstruction is needed on an unimproved road, those residents share the costs because it's an improvement and their home values do increase. Mr. Pierson stated although he does agree with Mrs. Carr about the use of professional evaluation and he is not about to do an assessment right of the bat. Mr. Pelot stated in addition you want to make sure we do the maintenance and upkeep on our recently paved roads. There was discussion that we use a dura patch machine in addition to formal crack sealing. Mr. Grether stated he and his residents in his allotment have expectations that the City will maintain their roads properly with their tax dollars. Mr. Pierson questioned Sr. Rt. 21 and if this is a state route shouldn't the State be the one taking care of their roads and not the City? Mrs. Carr commented about the agreements with the State that were formulated several years ago and this is how things are done. Mrs. Carr noted that in Norton the capital improvements are not properly addressed and we may need to look at setting a percentage aside from income taxes as we are basically only tending to operating expenses. Mrs. Carr explained what capital pertained to and basically that it is items/cost \$5,000.00 or more. Mrs. Starosta stated the same theory was used with the tax credit roll back coming into the utilities.

Mrs. Carr stated that there are ways to do this and with the right restrictions you can set things aside only for specific funds. Mrs. Carr stated if you want to start repairing the roads you are going to have to start to think about assessments along the line somewhere to get revenue into that pot for the repairs. Mr. Pierson asked how much we have received from the County from the permissive money and Mrs. Starosta projected we would receive about \$55,000.00 for 2014 although more shows on the books as some is designated already to projects. Mr. Pierson asked about the use of our Rainy Day fund to use for payments on borrowing for the road program and Mrs. Starosta stated that yes you can however there are restrictions and rating agencies look at your Rainy Day Fund during the ratings review. Mr. Grether stated we are sitting on several revenue sources with City owned property and if it sold that money would make a huge dent in the roads rather than assessments. Mrs. Carr cautioned going out for a public bid with City property. There was discussion on the utilization of the CIC as a proper mechanism. Mr. Grether suggested having more details on the CIC, its members, how they are appointed, removed, their duties, removed interests from any properties, etc. Mr. Markey noted the CIC's are not audited because they hold no funds are held, and in the event they do have funds later on there will be audits. Mr. Grether noted we need to do what is in the best interest of the City and Mrs. Carr stated in her experience a CIC has real estate agents, bankers and other experts as members. Mr. Pelot noted that about 8 years ago there was a road levy that the residents defeated it in flames. Mrs. Carr questioned how the facts were presented to the City and the specifics. Ms. Whipkey noted the public was told the main roads such as Cleveland-Massillon, Greenwich would get addressed first and the rest of us would wait and some of us have been waiting a long, long, long time. Mr. Pierson stated when a business is looking to move here the first things they would look at are the condition of our roads, and how other businesses look, the quality of the employees vehicles in the parking lots.

#### Future Budget Planning:

Mrs. Starosta discussed the fund accounting structure. The difference between the General Fund and Special Revenue Funds was discussed. You don't create a Special Revenue Fund to track expenses, you create it to track revenue sources that are restricted or committed to be spent on specific purposes. Mrs. Starosta distributed examples of prior budgets relating to Councils budget as an example (see attached). Mrs. Starosta explained in detail how the annual budget gets started and the end results. Mrs. Starosta stated she understands some of Council would like to see procedural changes and asked for suggestions. Mr. Pierson asked how the numbers are arrived at in the first place, and Mrs. Starosta commented that when Council received their proposed budget it was presented to the Department Head and they can come back and suggest changes. Mrs. Starosta explained that in fact last year Mrs. Richards came back requesting an increase in advertising because 2014 was a renewal year for agricultural districts. Mr. Pierson stated he does not want to set up a scenario that each department is going to get at least what they spent last year and not to just spend money because they fear its use it or lose it. Mr. Pierson stated he felt every Department Head should go thru their budget line item by line item and he would like to see Council more involved with this process. Mrs. Carr did not agree with that however, she cautioned Council as not to micro manage the steps along away. Mrs. Starosta reminded everyone that each purchase order requisition is not only approved by the Department Head, but also by the Administrative Officer. Mr. Pierson stated he wants to see clear accountability on issues and that it's easily explained. Mr. Pierson stated he would like to see our departments working together with other communities to pull our resources for purchases. Mrs. Carr did not agree, however we may not need to recreate the wheel, and discussed other buying groups such as CUE, State bids, etc. Mr. Pierson discussed the State bid process and the ease of using this process which is quicker than other methods.

Mrs. Carr indicated that in general we are looking internally at our bidding process. Mr. Pierson discussed the need to be better stewards of the peoples money and we need to be considering the residents all of the time. Mrs. Carr repeated Mrs. Starosta's explanation for the purpose of a fund "A fund is not used to track expenses but to make sure the fund is being used properly for that category" as it should help to understand the different funds and not line items. Mrs. Carr stated you cannot plan for the future if you don't know what you really need in the next few years. That is something that changes and needs can fluctuate from time to time. Mr. Rodgers stated that's where this planning is important and that we don't have surprises. There was discussion on the philosophy of Council and the Administration working hand in hand together.

#### General Question & Answer Session:

Mr. Grether commented about this being his first session in a Work Shop setting and this is something that brings transparency with the public. Mr. Grether stated he would not be opposed to having these once a quarter. Mr. Rodgers stated that he would like to hold another one yet this year to see where we are on the issues discussed this evening to measure where we are. Mr. Pierson discussed the planning on our actions and suggested Administration set out their goals by each person in addition to Council. Mr. Rodgers stated that our Committees address all of these items and our work is to set a bench mark and get them done. Mr. Rodgers suggested the date of June 30, 2014 to set our goals and move forward. Mrs. Karen Harley, 3432 Harper Avenue, questioned why Mr. Pierson was so against retail being in Norton. She would much rather have a Walmart located at St. Rt. 21 and St. Rt. 261 rather than go to Montrose or Wadsworth, the traffic is so congested. Mrs. Harley suggested that we spread the wealth and not have all of the retail located in one particular area. Mrs. Harley stated minimum wage is still a wage and it's still a tax. Mr. Pierson noted that because of Lowes coming into Wadsworth Crossings, and that closed our Carter Lumber down. Mr. Pierson discussed all of the empty retail space in various plazas and that must be for a reason and we need to know why. Mrs. Harley argued that these are small vacant locations, and felt that retail would be better in larger areas. Mr. Pierson stated you need to look at the type of stores in these plaza's and the amount of disposable income. Mr. Grether stated we need to find the right for everyone is the best way to go. Mr. Pelot stated there will always be a trade off one way or another, you have to decide if you want businesses or not. Mr. Rodgers stated this is exactly why we need advise from a professional and then take that to the residents and see if this is what they really want. Mr. Grether commented about downtown Peninsula and Medina, its small mom and shops that are full and thriving. We need to also discuss what we want to see in our downtown areas. Mrs. Harley stated she grew up in Oberlin and they still have all of the small shops in the heart of town and then in the outskirts there is a Dollar Store, a Walmart, etc. Mr. Tousley stated we don't get to pick where a Walmart is going in, they won't come into downtown Norton, there is not enough traffic here, and they will go to the highway. Mr. Pierson discussed how Hudson gets to dictate what comes in and how they look because of their zoning. Mr. Jack Gainer, 3920 Wadsworth Road Norton, Ohio stated that he noticed the map of the City owned property and asked if anyone knows the values, adding the fact we pay no taxes. Mr. Gainer stated he believes the Council should mandate that the City hold properties for a time like 5 years and then it must be sold unless there is a planned use. This would get more tax dollars coming in to City coffers. Mr. Gainer mentioned abatements, and there already taxes being paid on that property and the school and the county are also getting in on those taxes. You need to get together with the school board now and then and have the public involved at each point. Mr. Grether stated we have to have insurance for the properties we own, and questioned if the vacancy increases these fees. Mr. Gainer asked to have a copy of the map displayed earlier be made available to the public, Mrs. Carr indicated she would work on that.

**Adjourn:**

There being no further business to come before it, the Council and Administration Workshop ended at 8:50 PM.

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Rick Rodgers, President of Council

I, Karla Richards, CMC-Clerk of Council for the City of Norton, do hereby certify the foregoing minutes were approved at a Regular Council Meeting on Monday, April 14, 2013.

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Karla Richards-CMC, Clerk of Council

**\*NOTE: THESE MINUTES ARE NOT VERBATIM\***

**\*\*ORIGINAL SIGNED AND APPROVED MINUTES ARE ON FILE WITH THE CLERK OF COUNCIL\*\***

All Council & Committee Meetings will be held at the Norton Safety Administration Building, unless otherwise noted.

**CITY OF NORTON**  
**Parks - Maintenance and Capital Improvements**

Type of Purchases - Sample

Acct#	Title	Actual 2012	Actual 2013	Budget 2014
001-0810-51852	Payroll and Benefits	30,410.95	6,429.92	29,186.00
001-0810-54400	Utilities	8,946.18	8,667.28	11,110.00
001-0810-54415	Rents & Leases	5,438.81	6,565.57	6,700.00
001-0810-54450	Insurance	500.00	470.03	500.00
001-0810-54487	Park Programs	567.50	151.44	100.00
001-0810-54488	Pond Management	-	126.96	600.00
001-0810-55559	Repair & Maint Facilities	6,777.27	14,943.81	5,400.00
001-0810-55560	Replir & Maint Equip	3,129.95	5,925.00	5,800.00
001-0810-55563	Supplies & Materials	5,000.00	1,407.98	6,000.00
001-0810-55564	Fish Stocking	1,984.02	-	-
		62,734.68	44,687.99	65,396.00

**Park & Rec Board**

001-0910-54461	Spec Events Easter	586.91	500.00	500.00
001-0910-54486	Board contract	1,170.00	810.00	1,800.00
		1,756.91	1,310.00	2,300.00

**Community Center**

117-6200-51852	Payroll and Benefits	3,220.03	3,282.24	4,819.50
117-6200-54400	Utilities	8,562.32	8,639.95	12,000.00
117-6200-54450	Insurance	1,350.00	1,410.10	1,600.00
117-6200-54462	Cleaning Contract	5,988.08	7,160.28	7,500.00
117-6200-55559	Repair & Maint Facility	11,327.87	2,160.00	3,000.00
117-6200-55560	Repair & Maint Equip	1,894.38	95.00	1,000.00
		32,322.68	22,747.57	29,919.50

**Historical House**

118-6300-54400	Utilities	1,236.90	1,278.38	2,000.00
118-6300-54450	Insurance	500.00	548.37	600.00
		1,736.90	1,826.75	2,600.00

**Land Improvement**

410-7023-54417	Property Tax Parks	-	-	200.00
410-7023-54420	Professional Services	164,878.53	-	-
410-7023-58601	Annual Park Projects	61,843.15	-	110,000.00
410-7023-58810	Principal Ballfield Bond	10,000.00	15,000.00	16,000.00
410-7023-58811	Interest Ballfield Bond	3,760.41	5,545.50	4,240.00
		240,472.09	20,545.50	130,440.00

Total	339,023.26	91,117.81	230,655.50
Less: Extraordinary Item	(164,878.53)	-	-
<b>REVISED TOTAL</b>	<b>174,144.73</b>	<b>91,117.81</b>	<b>230,655.50</b>

NOTE: In addition to the above items, the City also has a \$160,000 note outstanding for the acquisition of the Biery House.

**ORDINANCE \_\_\_-2013**  
**EXHIBIT A**

<b>Fund Number</b>	<b>Fund Name</b>	<b>2014 Budget</b>
<b>001</b>	<b>General Fund Council</b>	<b>167,193.39</b>
	Payroll	100,260.00
	Non Payroll	66,933.39
	<b>TOTAL</b>	<b>167,193.39</b>

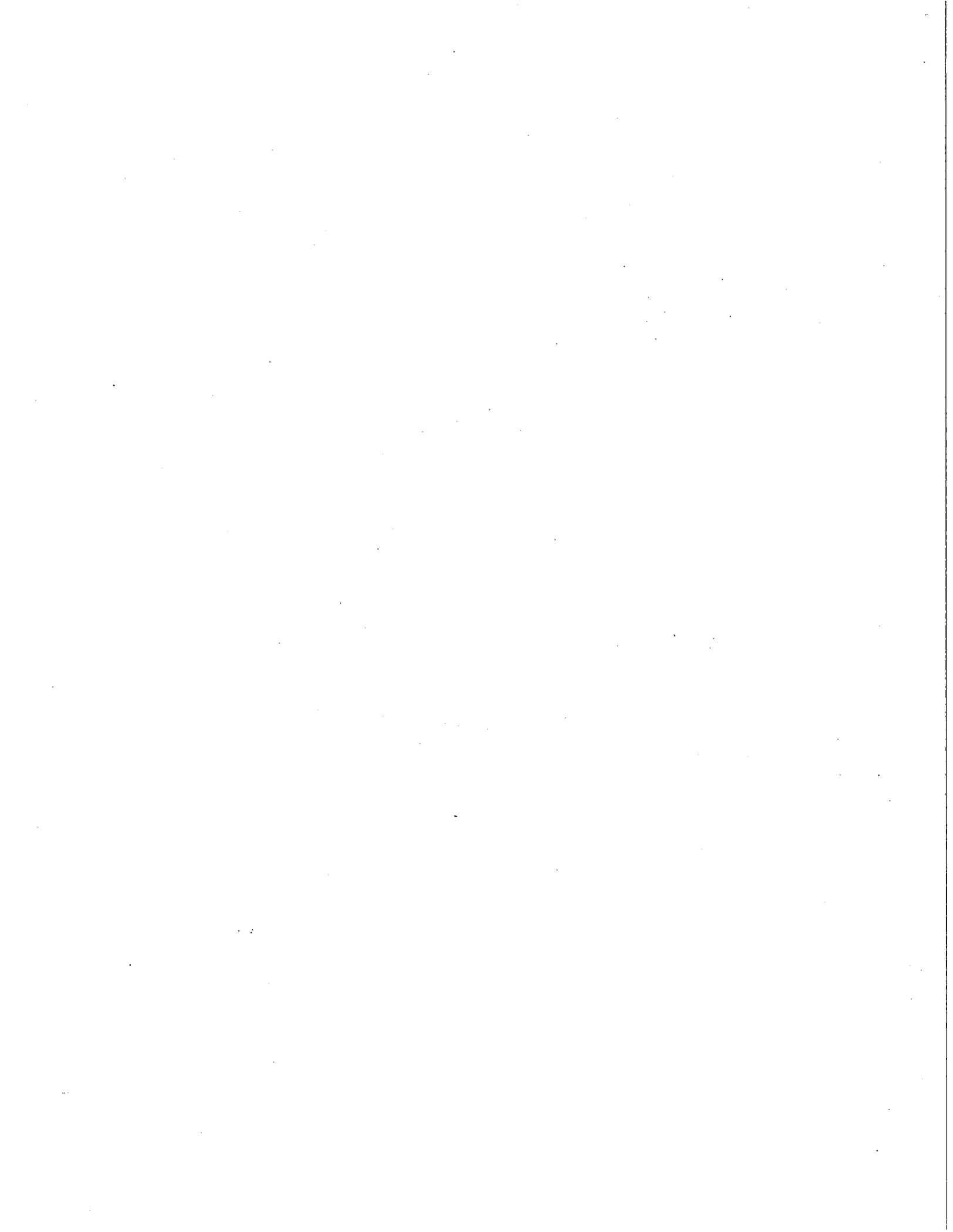
**City of Norton**

**DEPT:**

**Council**

**Council Pres./Karla**

<b>Acct#</b>	<b>Title</b>	<b>Projected 2014</b>	
001-0100-51110	Council	53,500.00	→ Payroll
001-0100-51125	Council Clerk	46,160.00	
001-0100-51189	Longevity	600.00	
001-0100-52220	PERS	16,206.62	
001-0100-52240	Workmens Comp	3,967.50	
001-0100-52245	Meditax	1,466.77	
001-0100-52260	Health Insurance	16,165.50	
001-0100-52262	AFSCME Premium	770.00	
001-0100-52264	Life Insurance	107.00	
001-0100-53301	Incidentals	400.00	
001-0100-53307	Postage	330.00	
001-0100-53308	Workshop Council/Admin	160.00	
001-0100-53312	Mileage	60.00	
001-0100-54420	Professional Service	1,300.00	
001-0100-54434	Software	500.00	
001-0100-54460	Advertising	2,200.00	
001-0100-54470	Printing & Reprod	700.00	
001-0100-54475	Assoc, Conf & Trng	1,000.00	
001-0100-54477	Codification	6,000.00	
001-0100-54478	Hourly Legal	15,000.00	
001-0100-55550	Office Supplies	300.00	
001-0100-56600	Equipment	300.00	
<b>Totals:</b>		<b>167,193.39</b>	





CDFS-1568-

# Community Reinvestment Areas: Economic Development Tools

Nancy Bowen-Ellzey

Assistant Professor and Extension Educator, Community Development  
Ohio State University Extension

**A** Community Reinvestment Area (CRA) is an area of land designated by a local government on which property owners can receive tax incentives for constructing new or renovating existing buildings. The CRA Program permits municipalities, townships, or counties to designate areas where investment has been lagging to encourage revitalization of the existing housing stock and the development of new structures. Residential, commercial, and industrial projects are all eligible. The program is similar to the Enterprise Zone program in that it incentivizes investment by allowing for property tax abatements, but that is where the similarities end. The program also should not be confused with the Community Reinvestment Act (CRA) for banking and financial institutions.

## What is the purpose of the program?

Ohio's Community Reinvestment Area Program was created in 1977 and revised in 1994 in sections 3735.65-70 of the Ohio Revised Code, to promote revitalization in depressed areas by offering property tax exemptions for any increased property valuation that would result from renovation of existing structures or new construction activities within the area. The program can be used to encourage historic preser-

vation, residential rehabilitation, or new residential construction and/or as an economic development tool to encourage commercial and industrial renovation or expansion and new construction.

## How is a CRA established?

To get started, a municipality, township, or county must determine that they have an area in need of revitalization; they can then decide what the boundaries of the CRA will be. The local government determines the need for a CRA based on the number and extent of properties in disrepair. Once they make the decision to establish a CRA, they will then decide the size, number of areas, and the term and extent of the real property exemptions. Below are four steps that must be followed per the Ohio Department of Development (ODOD) for approval of a CRA area:

1. Conduct a Housing Survey of the structures within the proposed area. The results must support the finding that the area is in need of renovation. The survey is conducted by driving around the targeted CRA area, taking pictures of the affected properties, and documenting the addresses of the affected properties in disrepair. The results of the survey should show

that a significant number, or at least 20%, of the properties in the targeted area are in need of rehabilitation.

2. Adopted local legislation must contain the statement that the area is one in which “housing facilities or structures of historical significance are located, and new housing construction and repair of existing facilities or structures are discouraged.” The legislation also defines the proposed area and includes the incentive rate and term for both residential and business projects.
3. The entire legislation must then be published in a local publication once a week for two consecutive weeks for public comment.
4. Prepare the Ohio CRA Petition for Area Certification found by clicking on “Forms and Sample Documents” on the ODOD web site at [www.development.ohio.gov/edd/cra](http://www.development.ohio.gov/edd/cra). Then submit the petition to the ODOD (77 S. High St., P.O. Box 1001, 28<sup>th</sup> Floor, Columbus, OH. 43216-1001) with a copy of the legislation, the survey, and a map of the proposed area.

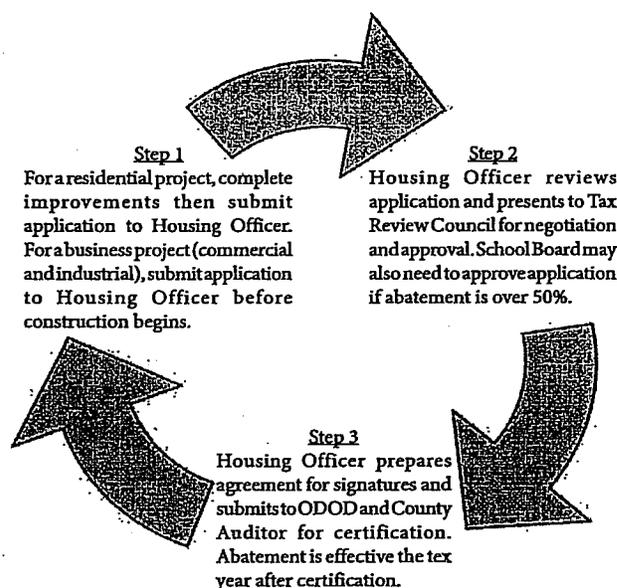
### How is the program administered?

The local government appoints a Housing Officer to oversee the program. The Housing Officer is often a current employee who is accustomed to working with the public. The Officer could be the City or County Engineer, the Regional Planning Commission Director, or the Community or Economic Development Director. The Housing Officer’s role is to serve as the program contact, meet with property owners, and review and submit their applications for certification to the County Auditor.

The local government must also create the Tax Incentive Review Council to review applications submitted by the Housing Officer, to negotiate abatements with business projects, and to review performance on all agreements. Council members are appointed by the local government to include persons from a construction, real estate, or community development background who appreciate the need for revitalization.

### What is the CRA application process?

Although local jurisdictions have liberal control over how and where the program operates (including the type of development to be supported by the CRA), whether to include both residential and commercial or industrial projects, and what the tax abatement rate and terms will be, the process remains rather constant. The diagram below describes the basic steps that are followed by an applicant.



### What other criteria should be considered?

The program works differently for commercial and residential projects. If a project involves the renovation or construction of residential buildings, the work is completed prior to submitting an application for tax incentives. Once the work is completed and the application is filled out, the designated Housing Officer inspects the improvements to assure that they meet the abating criteria. If approved, the local school district is notified and the application is submitted to the County Auditor for certification. The abatement then becomes effective for the tax year following the year it was certified by the County Auditor.

### ***Criteria for Residential Projects***

- Dwellings containing not more than two housing units
- Up to a ten-year tax abatement and up to 100% abatement (as specified in local legislation)
- Minimum investment of \$2,500
- Application submitted when work is completed
- No cost for application

### ***Criteria for Residential New Construction or Multi-Family Projects***

- Dwellings with more than two housing units or new construction
- Up to a fifteen-year tax abatement and up to 100% abatement (as specified in local legislation)
- Minimum investment of \$5,000
- Application submitted when work is completed
- No cost for application

### ***Criteria for Commercial or Industrial Projects***

- Negotiated by tax review committee on case-by-case basis
- Maximum of a fifteen-year abatement and up to 100% abatement
- Minimum investment of \$5,000
- Agreement must be completed prior to construction
- State of Ohio charges \$750 for application

Commercial and industrial projects involve a negotiated agreement that must be in place prior to starting a project. The incentive levels and terms of the agreement will be negotiated, and there is notification to the affected school district. A Tax Incentive Review Council is created by the legislative authority to review performance on all agreements and projects. The review is typically done annually. Annual reports on the status of the CRA are sent to the ODOD.

### **Summary**

While the CRA Program is primarily geared to housing, it has considerable value as an economic development tool because it can be used to incentivize targeted retail or commercial projects. The Enterprise Zone program, which operates similarly in that it provides for tangible property tax abatements, is strictly for manufacturing or service-related projects. Certain retail or commercial projects targeted by a community to improve the quality of life or fill a market need, including downtown restaurants or specialty shops, would be good candidates for the CRA program.

### **References**

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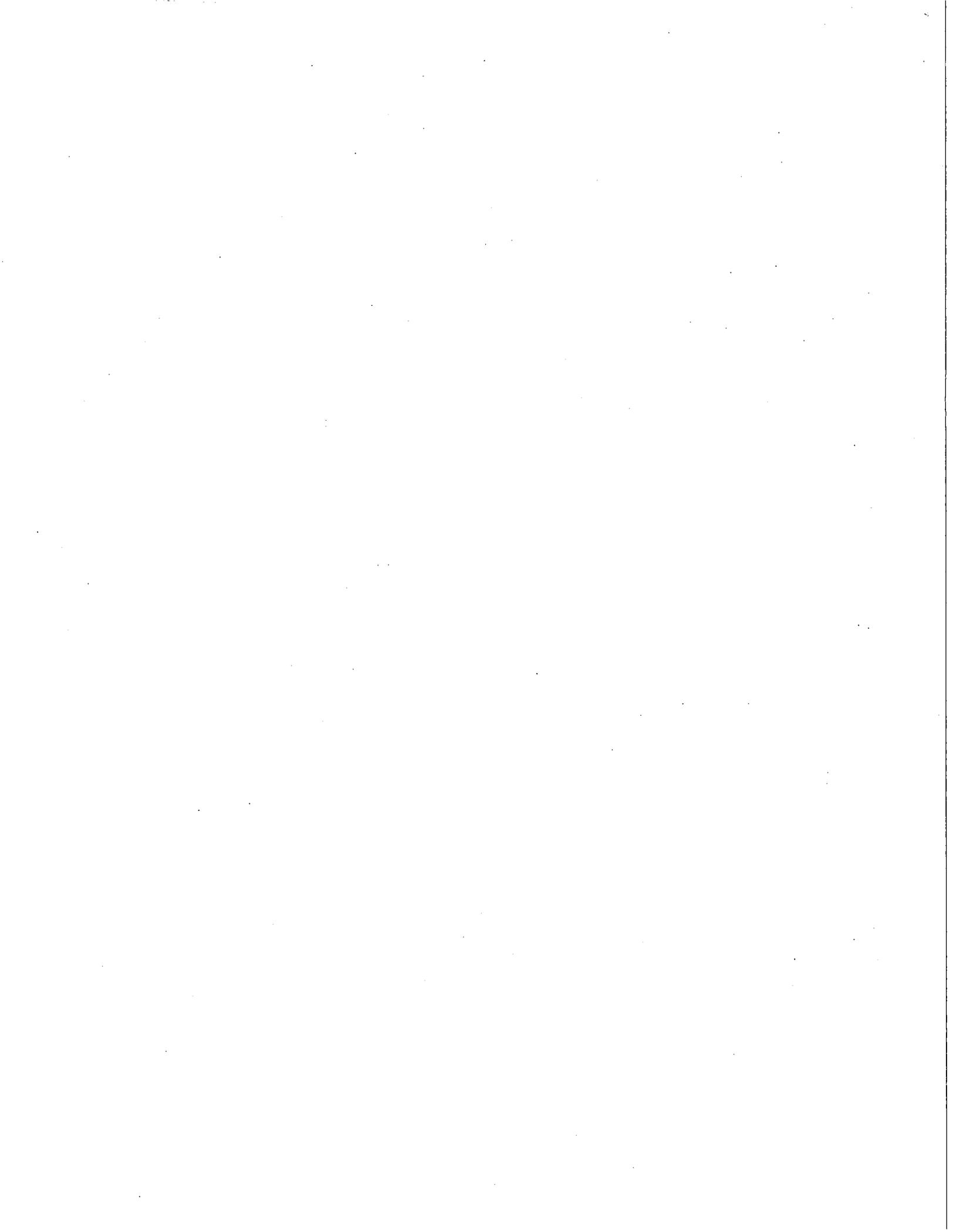
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Keith L. Smith, Ph.D., Associate Vice President for Agricultural Administration and Director, Ohio State University Extension

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# Extension FactSheet

Community Development, 1050 Carmack Road, Columbus, Ohio 43202-1002

## Ohio's Tax Increment Financing Program

Gregory A. Davis

Extension Specialist, Community Development

Tax Increment Financing (TIF) provides local governments with a way to fund public infrastructure improvements (such as roadways, bridges, ditches, water, and sewer lines) that are associated with new development. TIF programs have been widely popular since states began authorizing their use in the 1950s. According to the Tax Increment Finance Coalition, 49 states have enabled local governments to designate TIF districts to finance public infrastructure in some manner or another. Local governments in Ohio are provided authority to redirect funds for such improvements through Ohio Revised Code (ORC) 5709.40-5709.43 for municipalities; 5709.73-5709.74 for townships; and 5709.77-5709.79 for counties.

### What Is Tax Increment Financing?

Because Ohio's Tax Increment Financing program (TIF) is designed to encourage new investment, it is considered by many as an economic development tool. Similar to the Ohio Enterprise Zone (EZ) program, the TIF program enables counties, municipalities, and townships to exempt from real property taxation the new value added to a parcel or group of parcels as a result of new property investment. This, however, is the extent of the similarities between the EZ program and TIF. Unlike the EZ program, TIF can be used with residential development. Another difference involves the exemption associated with a TIF. The EZ program abates taxes, whereas TIF does not change the taxpayer's tax liability or the valuation of the taxpayer's property. Instead, TIF enables the taxpayer to make payments to a special fund in an amount equal to the property tax liability. These payments in lieu of taxes (also referred to as PILOTs) are used by the local government to retire

debt incurred for the infrastructure improvements needed to support the new real property investment.

For more information on Ohio's Enterprise Zone Program, refer to CDFS-1552-96 (<http://ohioline.osu.edu/cd-fact/1552.html>).

### How Does Tax Increment Financing work?

Local legislative authorities exercise use of this program at their discretion. State enabling legislation provides the general framework under which TIF can be used, but local governments are afforded the freedom to decide where and when to implement TIF.

To use TIF, improvements to public infrastructure necessary for proposed new investment must first be declared to have a "public purpose" by local authorities. According to the Ohio Revised Code, "public infrastructure" is considered:

- Public roads and highways.
- Water and sewer lines.
- Environmental remediation.
- Land acquisition.
- Demolition (including demolition on private property deemed necessary for economic development).
- Storm water and flood remediation (including storm water and flood remediation on private property deemed necessary for public health, safety, and welfare).
- Gas, electric, and telecommunication services.
- Public waterway development.

TIF can be used to finance such public infrastructure serving new investment on one parcel or a number of parcels totaling up to 300 contiguous acres. A possible application of TIF is shown in the following example:

Assume a developer has 20 acres on which new homes would be built, but the proposed new investment would not be feasible without the improvement to existing roadway, water, sewer, or other utilities. Ordinarily, such infrastructure improvements are tied to a capital improvements plan, which is usually long-range in nature. If the community was in need of additional new housing but did not have financial reserves in place to finance the needed infrastructure improvements, local officials would be faced with quite a dilemma.

TIF provides for the exemption of taxes associated with the increased value of the proposed development. It also provides for the creation of a special fund (a debt retirement fund) that is designed to accept a portion of the new taxes generated from the proposed new development. Up to 75% of the new taxes associated with the increased valuation resulting from the new investment can be exempted for up to 10 years. With formal concurrence from the boards of the affected school districts, up to 100% of the new taxes can be exempted for up to 30 years.

If, in this example, 75% of the new real property taxes associated with the new investment are TIFed for 10 years, then the value of the property tax exempted (in this case 75% of the tax liability associated with the increase in real property valuation) is redirected, or Paid-in-Lieu of Taxes by the taxpayer (PILOT) to a special fund set up by the county auditor (see the example below). Payments to this special fund are drawn down to retire the infrastructure debt incurred by local government. PILOTs are made at the same time property taxes are due and cannot exceed the annual debt service of the notes or bonds used to finance the public infrastructure improvements.

Since TIF debt is not typically considered part of a local government's debt load, local officials may find TIF an appealing way to finance needed public infrastructure. Such infrastructure can be financed without asking residents for a tax increase. Likewise, a portion of the new taxes associated with new investment may still be paid. In short, improvements can be made to accommodate new investment

without the political expense associated with short-term tax increases to fund needed infrastructure.

## What Are TIF Roles and Responsibilities?

### Local Legislative Authorities

(Includes Township Boards of Trustees, County Boards of Commissioners, and Municipal Councils)

- Determine the costs of the public infrastructure under consideration and the value of the proposed exemptions (proposed exemption must generate revenue necessary to retire associated debt).
- Propose resolution or ordinance declaring public infrastructure improvements to be a public purpose necessary for the development of certain parcels of land within their jurisdiction.
- Give notice of public hearing at least 30 days prior to the public hearing.
- Provide a detailed description of the anticipated improvements including estimates of true investment for such improvements to affected school boards when exempted amounts exceed 75% and/or district life exceeds 10 years — this must be done within 45 days of adopting such a resolution or ordinance.
- Conduct a public hearing within 30 days before adopting the proposed resolution or ordinance.
- Adopt the proposed resolution or ordinance (townships: by unanimous vote).
- Execute a revenue-sharing agreement within six months of adopting the ordinance (applies only to municipalities collecting an income tax) with affected school districts in cases where the new investment results in annual payroll for new employees of \$1,000,000 or more.
- If a compensation agreement is not reached within six months, ORC provides for a mandatory 50/50 sharing between the municipality and its affected city, village, or exempted school district
- Submit TIF-related and PILOT agreement to ODOD within 15 days of enactment of the TIF.

Real Property	Valuation
20 acres containing 20 new homes	\$ 2,010,000
20 acres (without homes)	\$10,000
Difference in value as a result of investment	\$ 2,000,000
Percentage of taxable value exempted (75%)	x 0.75
Value of new investment on which taxes are redirected to retire debt for infrastructure	\$ 1,500,000
Value of new investment on which taxes are paid to county auditor in normal manner	\$ 500,000

- Submit a status report by March 31 each year in which a TIF district is in effect to the Director of Development. Report describes such things as the public infrastructure improvements and housing renovations financed with redirected property taxes; changes in private investment resulting from the TIF; and a summary of payments made in lieu of taxes

#### **County Auditor**

- Works with local legislative authorities to obtain the market value and taxable value of the proposed new real property investment.
- Works with local legislative authorities to determine projected tax revenues resulting from the proposed new real property investment.

#### **Property Owner**

- Enters into a contract with the local legislative authority describing the obligation to make PILOTs.

#### **County Treasurer**

- Creates tax equivalent account to accept the PILOTs.

#### **School Board**

- Approves resolutions that provide for exempted percentages of more than 75% and/or a district life of more than 10 years.
- May disapprove percentages, term, or both.
- Proposes compensation percentage in resolution to legislative authority within 14 days of formal approval of proposed resolution or ordinance.
- Failure to certify such a resolution to legislative authority permits the adoption of the proposed resolution or ordinance with no provision for a compensation percentage for the affected school districts.

## **Conclusion**

Tax Increment Financing provides local governments with a mechanism for funding a variety of public infrastructure improvements needed to stimulate private investment or meet growing community needs without raising taxes. The infrastructure financing program requires significant communication and coordination among a variety of players and levels of government, as well as analysis and planning. As such, the economic development tool probably ranks among the more administratively complex programs available to local legislative authorities. Many of the references on this topic cite the importance of working with legal counsel when working with TIF.

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Keith L. Smith, Associate Vice President for Agricultural Administration and Director, OSU Extension  
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