Testimony to the Cuyahoga County Council Committee of the Whole

President Jones and members of County Council:

Thank you for the opportunity to speak today. My name is Zach Schiller and I am research director of Policy Matters Ohio, a nonprofit research institute with the mission of creating a more vibrant, equitable, sustainable and inclusive Ohio. I would like to talk briefly today about the possibility of Tax Increment Financing (TIF) in connection with a proposed development project in and around downtown Cleveland.

News reports and a presentation to a committee of Cleveland City Council have indicated that the Bedrock development project will include the use of a TIF covering much of downtown Cleveland and the near west side. Under a TIF, owners continue paying the property tax that was due on the property prior to new development, but do not pay increased taxes they normally would on the value above that amount. Instead, they make payments in lieu of taxes that can be used to pay for public infrastructure or certain other purposes.

TIFs can be a tool to help support development. The grantor of this form of tax abatement must evaluate whether or not they’re necessary for the development to take place, and if the cost is worth it. We certainly hope that the City of Cleveland will closely evaluate that. Given the city’s many needs, providing significant financial support for already wealthy interests should be viewed with skepticism.

My major concern today involves the portion of this TIF, called an overlay TIF, that would cover areas of downtown and elsewhere that are not a part of these developments. The county, and other taxing entities, have a clear interest in this. If a TIF is set up covering such areas of downtown or the near west side, the county would not receive all the additional revenue it otherwise would get under its property tax levies. This would mean less money available for all the important services that the county provides. I would urge the council to investigate what the likely losses would be.

There are a number of different kinds of TIFs, governed by different rules. However, under state law (see Ohio Revised Code Section 5709.40(E)), counties have the opportunity to object to incentive district TIFs that last more than 10 years or where the percentage of the exemption is more than 75%. When they do, the city must negotiate over it. If there is no agreement after such negotiations, the county would receive half of the additional tax revenue that it otherwise would have gotten starting in the 11th year, above the 75% amount or both. Franklin County, where such TIFs are more common, has made use of this authority. I don’t know if this alternative will be available for this proposed TIF.
The Cleveland Metropolitan School District apparently will be held harmless under the TIF, so that it would not suffer any reduction in revenue it might otherwise receive (although it could negotiate the terms). That’s commendable. However, it raises the question: Are the services provided to the children, adults and elderly by the county not also worth protecting?

Whether or not the county has a specific opportunity under the law to object and negotiate, you can certainly weigh in and to try and make sure that county resources are not reduced by this or other forms of tax abatement. We urge that you learn more about the potential consequences of the proposed TIF, and take action as needed to protect the county. Thank you for your attention.