

Facilitating Economic Development: How can Your Township be more Proactive?

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In this era of reduced funding for townships as mandated by state government, and limited township budgets, how can you promote economic development with limited funds in a way that will, eventually, enhance revenues to the township while at the same time maintaining border stability? Obviously, no township wants to accomplish economic development just to lose it through annexation to a neighboring municipality.

Within the confines of this article, it will not be possible to explore all of the tools available to townships to help facilitate and achieve economic development. Additionally, facts and circumstances differ from township to township regarding which such “tool” may be the most effective. As such, I will focus on some of the most successful methods and strategies which I have seen employed by townships around the state of Ohio.

Some of the primary keys to economic development within townships include the ready availability of central water and sewer services, needed road and other transportation improvements and facilities, the availability of suitable zoning, and the availability of tax abatement or tax benefit opportunities. Frequently townships are unable to provide some or all of these necessary key amenities. Following are some tools and strategies which townships can proactively pursue so that they can be in a position to encourage and achieve economic development:

Joint Economic Development Districts (JEDDs)

One of the most effective economic development tools available to townships are JEDDs. JEDDs can be utilized to accomplish all of the above listed necessary keys to economic development and can be utilized in a proactive manner to create the necessary conditions for economic development. Additionally, though there are costs associated with accomplishing a JEDD, those costs can be minor compared with the potential monetary and other benefits which can be derived from a JEDD.

JEDDs are agreements between a township (or multiple townships), and a municipality (or multiple municipalities), whereby commercial properties, with the consent of a majority of property owners in the

JEDD, are placed within a district, and thereupon become subject to the municipality’s income tax (or a lower negotiated rate), which is thereafter shared by the township and municipality. Why, you may ask, would property owners consent to place their property in a JEDD? Frequently, they will do so to make their property development ready, including: (1) obtain water and sewer services (or retain such services. Municipalities can condition retention of such services on annexation and on the condition that property owners place their property within a JEDD); (2) in return for tax abatement (such as an enterprise zone) or other tax benefit (such as tax increment financing); (3) to avoid annexation to achieve such amenities; and (4) to achieve necessary road repairs and improvements. As such, townships can proactively promote JEDDs to property owners, often as a way to forestall annexation to a municipality, even a municipality which may become a partner with the township to a JEDD Agreement. For example, I have seen townships promote JEDDs to property owners as an alternative to annexation to achieve: (a) the funding, planning and construction of water, sewer, road repair and road improvement projects in the JEDD; (b) a lower income tax rate within the JEDD than would be levied by the municipality through annexation; (c) less stringent zoning and development standards and requirements within the JEDD than would be required by the municipality after annexation, as well as limited applicability of municipal ordinances to properties within the JEDD.

Regional Water and Sewer Districts

Another important tool available to townships is the opportunity under Chapter 6119 of the Ohio Revised Code to establish a water, sewer and storm water district within the township. Such districts have full power and authority to construct water, sewer, and storm water systems of their own, including treatment systems, or to contract with other neighboring entities to provide such services. Many townships have established such districts throughout the state of Ohio. It is a stark reality that, in Ohio, municipalities often require annexation in order to obtain such services. Townships able to provide such services without the

consent of other political subdivisions are in a much better position to encourage and attract economic development.

The feasibility and costs to establish such a district will depend on the facts and circumstances existing in your township.

Local Government Innovation Fund (LGIF): Section 9.482 Agreements

Townships can apply for LGIF funding and grants for economic development related activities which meet the requirements of the LGIF Program, which was established to provide financial assistance to political subdivisions to promote efficient and effective service delivery by undertaking an efficiency, collaboration or shared service project. Townships can apply for such funding for utility extensions and road improvement projects for economic development if they meet such criteria. As such, townships, which are increasing efficiency or are engaging in any kind of shared service project with another political subdivision may be eligible for the grant or loan program. It should also be noted that ORC Section 9.482 was enacted in 2012 to enable any political subdivision to contract with any other political subdivision to exercise any power, perform any function or render any service for that political subdivision which it is permitted to provide.

Tax Increment Financing (TIFs), Tax Abatement, Annexation Agreements, Limited Home Rule Government

TIFs are being utilized more and more by townships in Ohio to encourage the construction of needed infrastructure improvements necessary for economic development projects. TIFs “capture” the increase in property values resulting from economic development and utilize them to pay for necessary utility, road and other needed improvements.

Tax abatement, though often controversial, is an increasingly important and necessary component of economic development. Townships which refuse or fail to consider abatements risk losing such development to other entities willing to provide such.

Annexation Agreements with adjacent municipalities are also a useful tool to achieve development under certain circumstances. Such agreements can be very broad in nature addressing a great many development related issues. In my experience, such agreements, when used in concert with JEDDs, can be an extremely effective tool to promote development and limit annexation throughout the entire township.

Finally, Limited Home Rule Government can be a useful tool to promote economic development. Townships which enact Home Rule have greater authority to enact whatever resolutions may be useful or effective at promoting economic development. Additionally, such townships have limited authority

to construct water and sewer facilities to promote development.

As with all township expenditures, there must be specific statutory authority authorizing any expenditure related to economic development. However, townships have fairly broad authority to expend general revenue funds for economic development purposes, including R.C. §5705.05 (authorizing expenditures to carry into effect any of the general or specific powers granted by law to the subdivision); R.C. §503.01 (authorizing townships to enter into JEDD Agreements under R.C. §715.72); R.C. §505.703 (authorizing payments to promote economic development to a county office of economic development); and R.C. §505.80 (authorizing expenditures to encourage economic development and tourism); as well as other code sections.

Obviously, there is a cost, sometimes a significant cost, associated with pursuing some of the above referenced tools and strategies. Frequently, townships

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need to employ lawyers, land planners, or other consultants with specialized knowledge, skill and experience to help you select the best tool or strategy to achieve success. The costs will depend on the facts and circumstances which exist in your township. As noted above, an LGIF grant or loan may be available to help defray costs associated with some of the options indicated above, such as a JEDD or water and sewer district.

I encourage all townships who wish to be proactive to at least understand their options fully by seeking the assistance of professionals. Additionally, such professionals should be required to provide a detailed proposal, including a scope of services, expected results, and a cost estimate for accomplishing the task at hand. ☐

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