Zoning and its Relationship to Economic Development
(or Planning for Economic Development)

OTA/OSU Extension Training Series
Columbus, Ohio

April 25, 2008

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About Today

• Who we are
• What we hope to accomplish today
• Understanding your role
• What is a CEDS
• Tools
• Scenarios
Zoning and Economic Development (aka What Message are You Sending?!)  

- In order to have a consistent economic development policy, resources must be available to current and potential business owners.  
- The township, through appropriate zoning classifications, informs business owners of the type of business the township is looking for.  
- If you have limited or no commercial zoning, you are telling the business community that you do not want commercial business in the township.  
- If you have land zoned industrial that abuts residential property, you are telling the business owner that you want industry next to homes. What are you telling the residents?
Why Zone?

• To designate selected land uses and building requirements to appropriate areas in the community.
• To prevent incompatible uses.
• To insure coordination of infrastructure services.
• To protect quality of life.
• Direct, manage and control growth.
The Purpose of Zoning

• The ultimate objective is to create compatibility between adjacent land uses.
Township Zoning Procedures

- Receive power from Ohio statutes.
- All zoning regulations must follow procedures created by the Ohio Legislature.
- Ohio Revised Code
  - Title 5, Chapter 519
  - [http://codes.ohio.gov/orc](http://codes.ohio.gov/orc)
Types of Zoning Districts

- Residential
- Business/ Commercial
- Industrial
- All can have multiple subcategories
Zoning and Economic Development: The Zoning Inspector’s Role

• Main priority is to enforce the zoning regulations as they EXIST
• Can not make exceptions (BZA) or amendments (Zoning Commission)
• Propose potential amendments
• Inspect/Investigate potential violations
The Zoning Commission’s Role

- Main responsibility is to prepare a zoning plan that includes text and map
  - ORC specifies subject matter that a zoning resolution may cover
  - Must be visionaries/futurists
  - Therefore, encourage rather than fear public participation
The Zoning Commission’s Role

• What is the role of the zoning commission?
  – The zoning commission needs to carefully review the current zoning text and map to ensure it represents the economic development districts that you want it to state.
The Board of Zoning Appeals

• Major Functions
  • Act on appeals
  • Act on variance
  • Act on a conditional use

• An applicant has the right to appeal decision of the zoning inspector. The BZA must interpret the Zoning Code
Zoning and Economic Development

• Zoning is a mechanism that prompts business to understand the township views on Economic Development before it needs to meet with anyone in the township.

• Through an updated code, zoning can be the first impetus to a healthy, well-balanced township.
Economic Development

• Question:
  – What do you think is the appropriate percentage breakdown of residential, commercial, and industrial development in your township?
Economic Development

• Answer:
  – IT DEPENDS! By gathering input, understanding resources (internal and external), and identifying needs and wants, only then can the township answer the question.
  – By understanding Economic Development tools, and evaluating your township strengths and weaknesses, you can then create a comprehensive ED Program.
Rate of Change- 1970 Economic Development
Rate of Change- 2008 Economic Development
Rate of Change

• Did You Know?
  – [https://umconnect.umn.edu/didyouknow/](https://umconnect.umn.edu/didyouknow/)
  – ‘thought-provoking ideas ....about the world our students are entering’
    – Karl Fisch, Littleton Colorado Public Schools
Rate of Change

- The Post-American World
  - Fareed Zakaria
  - ‘predicts a future in which the U.S. is no longer the world’s sole superpower’
Rate of Change

- Sears Tower
  - Taipei 101, Taiwan
- Bill Gates
  - Carlos Slim, Mexico
- Anheuser-Busch
  - InBev, Belgium
- USA Today
  - The Times of India, India
- Motorola
  - Nokia, Finland
- Las Vegas Strip
  - Macau, China
- ExxonMobil
  - PetroChina, China
- Citigroup
  - Industrial and Commercial Bank of China, China
Rate of Change – Gross State Product

gross state product per capita national average: $38,014
Illinois, Michigan, Pennsylvania, & Wisconsin higher
30 of 51 at $36,484

US Census Bureau, 2004
Rate of Change – Median Household Income

median household income national average: $44,247
Illinois, Michigan, Pennsylvania, & Wisconsin higher
26 of 51 at $42,240

US Census Bureau, 2004
Rate of Change – Personal Income

per capita personal income national average: $33,874
Illinois, Michigan, Pennsylvania, & Wisconsin higher
27 of 51 at $32,596

Bureau of Economic Analysis regional data - Total personal income for third quarter 2005. Per capita figures expressed per 1 population
Rate of Change – Total Tax Burden

tax burden national average: $0.54 per $10 of GDP
Kentucky, Michigan, Pennsylvania, West Virginia, & Wisconsin are ranked better
21 of 51 at $0.54 per $10 of GDP

US Census Bureau, 2004
Rate of Change – Bankruptcy Rates

1  Tennessee  1.099 per 1000
2  Georgia   .953
3  Alabama   .809
4  Michigan  .661
5  Arkansas  .643
6  Indiana   .609
7  Kentucky  .542
8  Mississippi .538
9  Missouri  .534
10  Ohio     .512

American Bankruptcy Institute, 1st quarter 2006
Projected Ohio Job Growth

Source: Ohio Job and Family Services
Fastest Growing Occupations 2000-2010*

<table>
<thead>
<tr>
<th>OCCUPATION</th>
<th>GROWTH RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Support Specialists</td>
<td>5.5</td>
</tr>
<tr>
<td>Personal and Home Care Aides</td>
<td>4.3</td>
</tr>
<tr>
<td>Network Systems Administrators</td>
<td>4.2</td>
</tr>
<tr>
<td>Medical Assistants</td>
<td>4.1</td>
</tr>
<tr>
<td>Social/Human Service Assistants</td>
<td>4.0</td>
</tr>
</tbody>
</table>

*Ohio
Rate of Change

- Ohio’s economic output: 7th largest in the U.S.
- Ohio is the 2nd largest producer of motor vehicles in the U.S., 3rd largest manufacturer in the U.S.
- Ohio 5th in U.S. for Fortune 500 companies
- 75% of the world’s 30 largest corporations call Ohio home
- More than 500 companies with a focus on bioscience are headquartered or have a presence in Ohio

Ohio Department of Development webpage -
http://www.odod.state.oh.us/
What is Economic Development?

• Define economic development in your own words

• Academic Speak- Economic Development can be defined as sustainable increase in living standards. It implies increased per capita income, better education and health as well as environmental protection.
Definition

• A term generally applied to the expansion of a community’s property and sales tax base or the expansion of the number of jobs through office, retail, and industrial development.

• Economic development is a sustainable wealth creation process that works within the framework of community parameters to maximize the efficient and effective utilization of community resources for economic gain for the local population.
Playing a Part

• What is the township’s role in Economic Development?
• Who is responsible for Economic Development in your township?
• Who is the first contact in the township?
• How do you know what your role is?
• Who defines the roles that are played?
Defining Your Role

• Every township (all 1300) does Economic Development differently. The successful ones actively plan for Economic Development.
• Whether you are aware or not, there all organizations available to you to assist in Economic Development
• Lets name some right now...
Sharing your Successes & Struggles

- Please share your success stories with us.
- What made them successful?
- What about your struggles?
- What specifically caused the struggle?
Lunch

• We plan to resume at 12:45
A Look Back, A Look Forward

- What have we learned so far?
- Where are we going?
Planning for Economic Development

• For orderly, sound economic growth to occur, a township should develop a plan that answers the following:
  – What kind of economic development do we want?
  – What are our available resources?
  – What agencies/organizations can assist us?
  – Is our ED plan consistent with our zoning code?
Planning for Economic Development

• Comprehensive Economic Development Strategy...US Department of Commerce lingo for an economic development plan
  – Formerly known as an Overall Economic Development Plan or OEDP

• Planning documents whose preparation and contents are consistent with EDA guidelines can be considered CEDS by the EDA
Planning for Economic Development

A CEDS must be the result of a continuing economic development planning process

Developed with broad-based and diverse community participation

Includes an analysis of economic development and community development problems and opportunities

   Background and history of the economic development situation of the area covered, with a discussion of the economy, including geography, population, labor force, resources, and the environment
Planning for Economic Development

Why is a CEDS important?

Makes communities eligible to receive U.S. EDA funding such as:
- EDD designation, planning and infrastructure grants

Can aid in the creation of jobs, foster a stable and diverse economy, and plan for future development
Planning for Economic Development

Who Should Prepare a CEDS?

Any geographic area seeking to formulate and implement an economic development program

Units of government desirous of EDA grant eligibility
  Township trustees
  Planning and zoning commissions
  County commissioners
  Economic development offices
  Business and industry
  Community residents
Planning for Economic Development

• Involve key community groups
  – business, professional, education, agriculture, public and social services, students & seniors

• Identify and describe community attributes
  – Mine existing data
    • US Census Bureau, Jobs and Family Services, Department of Education, Department of Development, County Engineer, County Auditor, etc.
  – Community roundtables
Community Analysis Questionnaire

- What resources do we have that make this a great place to live, work, and do business?
- What should be done to preserve or build upon this positive quality?
- What organizations currently exist that could address these issues?
- What forces are hurting us or could be in the future?
- What should be done to address these issues?
- What organizations currently exist that could address these issues?
Community Attributes Questionnaire
Where We Are, Ohio

Where We Are is a great place to live, work, and do business for a number of reasons (see lists below). Some of these things you may find more important to the future of Where We Are than others. Please share your opinion of these items by ranking the following in order of importance to the future of Where We Are (1 = most important, 9 = least important.)

**Rank List #1** (1=most important)
- Clean air
- Open space
- Friendliness
- Safe community
- Good work ethic
- Low cost of living
- Strong community networks
- Hospital and quality of health care
- Support services for needy/elderly
- Other: (please specify)

**Rank List #2** (1=most important)
- Available workforce
- Talented surplus labor force
- Distance to urban amenities
- Good school systems/ JVS
- Access to higher education/facilities
- Recreational opportunities within schools
- Transportation access
- Available utilities
- Land suitable for development
- Other: (please specify)
Community Attributes Questionnaire

Where We Are, Ohio

Likewise, a number of hurdles can be identified that are potentially standing in the way of Where We Are’s desired future. You may find that some of these hurdles need more attention paid to them than others. Please share your opinion of these items by ranking the following in order of importance to the future of Where We Are (1 = most important, 9 = least important.)

**Rank List #1** (1=most important)

1. Shopping opportunities
2. New roads and bridges
3. Sewer handling capacity
4. Zoning throughout the county
5. Community center-type facility
6. Capacity of existing roads and bridges
7. Eating and entertainment opportunities
8. Condition of existing roads and bridges
9. New housing developments/subdivisions
10. Other: (please specify)

**Rank List #2** (1=most important)

1. Self-image
2. Ability to plan
3. “No change” mindset
4. Local political courage
5. Mindset of local media
6. State legislative support
7. Other: (please specify)
Planning for Economic Development

Comprehensive Economic Development Strategy (CEDS):

1. Process provides a manageable way to help townships deal with community and economic development issues
2. Formal process provides opportunities for community involvement and education
3. Nature of process enables tracking of key community characteristics
Local Economic Analysis

• Business Retention & Expansion
  – Existing business focus
  – Barriers to expansion
  – Community report card

• Retail Market Analysis
  – Retail health
  – Retail sales surplus/leakage focus

• Economic & Fiscal Impact Analysis
  • Effects of an economic change
Tools for Implementing Economic Development Strategies

• Financing Tools
  – (click video)
  – [http://www.localgov.ohio-state.edu/econdevtools.html](http://www.localgov.ohio-state.edu/econdevtools.html)

• Tax Increment Financing
• Enterprise Zone program
• Community Reinvestment Area program

• Joint Economic Development Districts
• Cooperative Economic Development Agreements
Tax Increment Financing Program

• Ohio Revised Code (ORC) 5709.40-5709.43 for municipalities; 5709.73-5709.74 for townships; and 5709.77-5709.79 for counties
  – authority to redirect funds for public infrastructure improvements (such as roadways, bridges, ditches, water, and sewer lines) that are associated with new development

video  http://www.localgov.ohio-state.edu/econdevtools.html
Factsheet  http://ohioline.osu.edu/cd-fact/1559.html
Tax Increment Financing Program

• TIF does not change the taxpayer’s tax liability or the valuation of the taxpayer’s property.
• Taxpayer makes payments to a special fund in an amount equal to the property tax liability.
• PILOTs used by the local government to retire debt incurred for the infrastructure improvements needed to support the new real property investment.
• Can be used with residential development.
Tax Increment Financing Program

• Local Legislative Authorities
  – Resolution/ordinance
  – Hearings, agreements, and reporting

• County Treasurer
  – PILOT account

• County Auditor
  – Values and projected revenues

• School Board
  – Agreement

• Property Owner
  – Agreement
# TIF Example

## Real Property

<table>
<thead>
<tr>
<th>Description</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 acres containing 20 new homes</td>
<td>$2,010,000</td>
</tr>
<tr>
<td>20 acres (without homes)</td>
<td>$10,000</td>
</tr>
<tr>
<td>Difference in value as a result of investment</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Percentage of taxable value exempted (75%)</td>
<td>x 0.75</td>
</tr>
<tr>
<td>Value of new investment on which taxes are redirected to retire debt for</td>
<td></td>
</tr>
<tr>
<td>infrastructure</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Value of new investment on which taxes are paid to county auditor in normal</td>
<td></td>
</tr>
<tr>
<td>manner</td>
<td>$500,000</td>
</tr>
</tbody>
</table>
Pros and Cons of TIF

• Enables public infrastructure improvements without raising taxes
  – User of infrastructure pays for it

• Administratively complex
  – Communication/coordination among many
Enterprise Zone Program

• ORC Section 5709.61-.69
  – offers local communities the opportunity to work directly with companies to provide real estate tax incentives to encourage the retention and expansion of business

• Legislation originated in 1982; 6-7 revisions to date
  • Current sunset date is Oct 2009

• Four general types of projects are eligible: business establishments, expansions, renovations, and occupations

• [http://www.localgov.ohio-state.edu/econdevtools.html](http://www.localgov.ohio-state.edu/econdevtools.html)
Enterprise Zone Program

- EZ changes the taxpayer’s tax liability depending on the abatement amount.
- Taxpayer realizes benefit of reduced taxes. Affected school districts forego new tax revenues.
- PILOTs often used to compensate affected jurisdictions for foregone revenues.
- EZ program works exclusively within established Enterprise Zones.
Enterprise Zone Program

• Local Legislative Authorities
  – Resolution/ordinance
  – Hearings, agreements, and reporting
• County Auditor
  – Values and projected revenues
• School Board
  – Agreement
• Business
  – Agreement
Pros and Cons of Enterprise Zone Program

• Provides incentive for new investment
  – Jobs and visible new development
• Political ‘costs’...
  – new vs. existing
  – Schools are the ‘biggest loser’
  – ‘should be used as a tool of the last resort’
  – [link](http://www.odod.state.oh.us/cms/uploadedfiles/EDD/OTI/EZsum.pdf)
Community Reinvestment Area Program

• ORC Sections 3735.65-70
  – Enables legislative authorities to offer tax incentives for real property renovation and construction
    – residential
    – commercial
    – industrial

• local legislative authority determines the term and extent of the real property exemptions

• Two types: 1977 CRA and post-July 1, 1994 CRA

• [http://www.localgov.ohio-state.edu/econdevtools.html](http://www.localgov.ohio-state.edu/econdevtools.html)
Community Reinvestment Area Program

- Comprehensive housing survey is required
  - Finding: construction and renovation is ‘discouraged’
- Property owner applies for tax exemption PRIOR to investment
- Taxpayer realizes benefit of reduced taxes. Affected school districts forego new tax revenues.
- CRA program works exclusively within designated Community Reinvestment Areas.
Pros and Cons of Community Reinvestment Area Program

• Provides incentive for new investment
  – Jobs, residents and visible new development and/or reinvestment in ‘discouraged’ areas

• Political ‘costs’...
  – new vs. existing
  – Again....schools are the ‘biggest loser’
JEDDs

• In 1993, the Ohio General Assembly passed legislation enabling local communities to create Joint Economic Development Districts (JEDD).

• A JEDD agreement enables townships, cities, and villages to cooperatively address concerns associated with diminishing local revenues, economic development, growth, and annexation pressures.
JEDDs

- A JEDD becomes a local community approach to solving economic development issues by providing local governments the ability to enter into legal agreements that will increase revenues and create jobs.
- The contractual agreements, which vary from jurisdiction to jurisdiction, have become a significant economic development tool for local communities since JEDD authorization in 1993.
How is a JEDD formed

• A JEDD is formed when a township and a city or a village create and pass legislation that allows them to enter into negotiations to create a JEDD.

• They must first hold a public hearing detailing the specifics of the agreement before each of the affected local authorities can adopt legislation creating the JEDD.

• In addition, each municipality located within one-quarter mile of the proposed JEDD must be afforded the opportunity to make comments or suggestions regarding elements of the proposed contract.
Specific Language in the JEDD

- the length of the agreement
- the specific activities to be undertaken
- the appointment and duties of the JEDD Board of Directors
- the geographic boundary of the JEDD (which is not to exceed two thousand acres)
- specific responsibility of all services each entity will provide such as utilities and emergency services
How does a JEDD work?

- Let’s say a city has no more industrial land to develop but has an industrial prospect interested in locating in their community.
- The city has surplus infrastructure capacity to meet the needs of the prospect but no available land.
- An adjacent township has available land but no available infrastructure capacity.
How does a JEDD Work?

• The two entities could enter into negotiations to create a JEDD, which would allow the prospect to locate in the township, require the city to extend its infrastructure, and enable both entities to collect new income tax revenue from the jobs created by the industrial prospect.
Advantages of a JEDD

• Because townships are not permitted to collect income tax, the JEDD provides the ability to increase revenues in the form of income taxes and increased property taxes on previously vacant land.

• The JEDD agreement prohibits annexation by the city or village for a minimum of three years and creates a cooperative arrangement with the city or village.

• The increased revenue provides township officials a new funding source that will provide additional services to its residents at no further cost.
Cooperative Economic Development Agreement

• Created as a result of fine tuning the JEDD
• In 1999, the Ohio General Assembly passed legislation enabling local communities to create Cooperative Economic Development Agreements (CEDA).
• A CEDA enables townships, cities, and villages to cooperatively address concerns associated with diminishing local revenues, economic development, growth, and annexation pressures.
CEDAs

- A CEDA is determined by a contract approved by the legislative authorities of one or more contiguous city or village and one or more contiguous townships.
- A CEDA is formed when the legislative authority of a city or village, by ordinance or resolution, and township trustees, by resolution, negotiate to create a CEDA.
CEDAs

• Before entering into a CEDA, both parties to the agreement shall jointly hold a public hearing concerning the agreement specifics.

• The city or village and the township shall provide to residents of the affected territory at least thirty days public notice of the time and place of the public hearing in one or more newspapers of general circulation in that territory.
Language in a CEDA

- the provision of joint services and permanent improvements within the city or village and township
- the provision of services and improvements by a city or village in a township
- the provisions of services and improvements by a township in a city or village
- the payment of service fees to a city or village by a township
- the payment of service fees to a township by a city or village
- the issuance of notes and bonds, and other debt obligations
- the territory to be annexed to a city or village
- any periods of time which no annexations can occur and any areas that will not be annexed
Language in a CEDA

• agreements with landowners within the CEDA territory concerning the provision of public services

• the earmarking by a city or village for its general revenue fund of a portion of the utility charges it collects from territory located within the CEDA

• payments in lieu of taxes, to be paid to the township from the city or village.
How Does a CEDA Work?

• Let’s say a city and a township have an area of vacant land, located in both jurisdictions, that they want to develop for commercial and industrial use.

• A CEDA could be created that would detail provisions of services provided by each jurisdiction, consensus on annexations and development standards, and payment of service fees.
How does it work?

• For example, the city or village could provide utilities to the designated area while the township could provide road maintenance. The two entities could enter into negotiations to create a CEDA, which would then allow a potential business to locate in the territory, require the city to extend its infrastructure, and enable both entities to collect new income tax revenue from the jobs created by the industrial prospect.
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JEDD vs. CEDA

• JEDDs create a Board of Directors; CEDAs do not
• JEDD Commercial and Industrial only, CEDA includes Residential
• Before a JEDD can be passed, city within a quarter mile must inspect agreement; CEDA does not
Scenarios

Resources
Questions?

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Greg Davis – davis.1081@osu.edu
Local Gov’t Toolbox - http://www.localgov.ohio-state.edu/
Help Us Help You