

**PUBLIC HEARING
DOWNTOWN REDEVELOPMENT DISTRICT**

October 20, 2017

**HILLSBORO CITY COUNCIL MEETING - *SPECIAL*
Hillsboro Municipal Court – 130 Homestead Drive**

PUBLIC HEARING

At 5:30 pm President Lee Koogler opened the Public Hearing to hear comments on the legislation to create the Uptown Downtown Redevelopment District (DRD) and the Stockyard DRD which had a first reading on October 10, 2017. President Koogler assured everyone that even though the hearing was only one hour long he would schedule another meeting for comments. He introduced Nate Green from the Montrose Group who offered an overview of the Downtown Redevelopment Districts.

Mr. Green distributed a fact sheet that he reviewed with Council. Two DRDs are proposed: Uptown DRD and Stockyard DRD. He explained that by state law a district cannot be larger than ten acres and each proposed district is approximately 10 acres. The state law allowing the creation of DRDs was passed in July 2016 and became effective in September 2016. The goal of a DRD is historic preservation, capital investment, and revitalization of downtowns. Cities that have passed DRD legislation or are in the creation stage since the law was enacted are Circleville, Portsmouth (passed four districts), Village of Utica, Zanesville, Canton, Greenville, and Versailles.

There has not been much investment in either proposed district in Hillsboro in the past couple of decades. The DRD is a tool to encourage investment. Much of the investment is expected to be on the first floor of Uptown buildings, which is very active in Hillsboro. However, there is not much activity on floors above the ground level and the DRD will encourage activity in those areas. The DRD is like a Tax Increment Finance (TIF) district which takes the increase in property taxes and directs 70% of the taxes to improvements in the district. Funds can be used for loans and grants to help renovate buildings, public infrastructure, and can go to an economic development organization in the DRD.

The idea behind the DRD is to encourage investment in the downtown. It encourages DRD property owners to invest in their properties. The city is having discussions with the school district which is the largest levy agency of these funds. Seventy percent of the tax increase is directed to the DRD and the remaining thirty percent go to the levy agencies that would normally receive the tax. It is not a new tax and it does not take away existing taxes. The hope is that the DRD brings more investment to the area resulting in higher property taxes which are used within the DRD and the school board receives an increase as well. The challenge is that without a plan such as a DRD in place, the city will not see investment.

Mr. Green outlined the process for generating revenue. He gave an example of a property owner making residential units in the upper floors of a building or renovating an

entire building to make an office or restaurant. That increase in the building value creates an increase in property taxes and 70% goes back to the DRD for the uses he described earlier. There is a potential for \$3 million in revenue in both districts. This is a tool to bring people to the downtown to work and even live. There is a movement across the nation for urban living. The mechanics of the DRD requires three readings of the legislation and the approval of the school board. A DRD Economic Development plan is required to be included in the ordinance.

Ms. Aranyos asked what the guidelines are for choosing a board to manage the DRD. Mr. Green pointed out that the legislation includes the creation of a steering committee or advisory board that serves as the economic development board for the DRD to determine how the funds will be spent. City council has the ultimate authority over the advisory board. The Board will recommend to Council how to spend the funds. Council can determine who is on the steering committee. The DRD expense will be approved like any other budget item because the DRD must have a separate account with the Auditor. President Koogler read from the legislation the makeup of the advisory committee: Safety and Service Director, Auditor, Representative from local bank, HAEDC board president, Executive Director of the Highland County Visitors Bureau, and a minimum of two DRD property owners. Ms. Aranyos would like to see more property owners on the committee rather than having it controlled by politics.

Mr. Alexander asked how it is decided which property owners <inaudible>. Is it entirely up to the board and is there established criteria? Mr. Green said there is nothing in the ordinance or in the plan and it will need to be established by the advisory committee when it is formed. There will be agreements between property owners and the city for how the money is spent. There is nothing set in stone for how the agreements look and the committee will need to determine the recommendations for spending the money. Mr. Alexander asked Mr. Green if he had any knowledge from other cities as to how the agreements work. Mr. Green said the legislation is so new, there have been no agreements yet to his knowledge. Typically, it would mimic a TIF agreement stating that the funds will go to specific items such as renovation of second stories, infrastructure improvements to the roads, etc. Mayor Hastings said that there will be tight criteria for the funds. An example is the current façade improvement program implemented by the city which is very tightly controlled. There is an application process that defines the criteria for eligibility. The application is reviewed by the Design Review Board, the Administration and then the Revolving Loan Fund Committee approves the fifty-percent reimbursement if all the requirements are met. This is an example of the type of program that could operate under the steering committee of the DRD. President Koogler asked what will structure and guide the steering committee. Mr. Green said it would be similar to a Planning Commission, which has regulations to follow. Ms. Wilkin asked about start-up funds. Mr. Green said there are no start-up funds. The funds come from the private property owners through the increase in property tax. There is no up-front money and costs the city nothing and the school board nothing. The funds are only there if there is an increase in the property taxes.

Mr. Green cited the Village of Utica as an example. In the first year they will have approximately \$25,000 in their DRD fund. Mayor Hastings said that a ‘zero tax base’

property, such as the old city park, would immediately generate revenue if it was sold to build a sports complex, as discussed in the past. Mr. Green said that CAPA (owner of downtown theaters) in Columbus is in the process of creating three DRDs that will generate eight million dollars in a twenty-year period and the money will stay in that theater district. Portsmouth also has a DRD with two projects planned. Mr. Green said that any of these cities would be happy to share their ideas with Hillsboro.

Mr. Alexander asked if there are any tax benefits to new businesses in the DRDs. A new business that buys a building would receive a benefit from being in the DRD. Mr. Alexander asked if Council would decide if there would be a tax benefit and Mr. Green answered “yes.” Mr. Green said that the value of the property is determined through the normal appraisal process by the county auditor. Taxes are paid one year in arrears. Any increase in taxes in 2018 would not be paid into the DRD until 2019. Mayor Hastings explained that the six-year appraisal is scheduled for 2018, which makes it critical to pass the DRD legislation before the possible tax increase from the appraisal. Otherwise, the only increase before the next appraisal would come from substantial property improvements that the auditor will value.

Ms. Morris owns property in the Uptown DRD and has been asked if that is a conflict of interest. Her property has already been improved. Mr. Harsha said that a few property owners he talked to in the Uptown area did not receive notice of the legislation and the hearing. Mr. Green said that letters were sent to all property owners. Mr. Koogler said he received notice for his Uptown property.

President Koogler said that while Mr. Green, the expert in DRD creation, was present, all questions should be directed to him about the DRD. Mayor Hastings said he had some notes but he would not take up the time if the public had questions for the Administration or for Mr. Green.

Steve Wilkin, property owner in the proposed Uptown DRD, asked how the program is kick-started. The increase in property tax is the funding mechanism. A question was asked why there are two districts. The legislation is geared to historic districts and the anchor must be property that is on the National Register of Historic Places or buildings within the Historic District. Within the ten-acre district there must be a building on the National Register. The DRD cannot be created in a residential-only area but can be used in a mixed-use area that includes residential. Council can create more districts in the future.

Rosemary Ryan, former city auditor, said that the Bell’s Opera House, owned by Mayor Hastings, is the anchor for the Uptown district and he plans to pursue \$500,000 in grant money to restore the Opera House. The Ohio Revised Code protects citizens from government officials benefiting from public contracts. If Council does not want people to believe that the creation of the DRD is nothing more than a money grab for the Mayor than the Opera House and any property owned by any city official should be eliminated from the district. The letters that were sent to property owners said that free Internet and free trash collection would be offered to property owners. How will the service providers be paid? President Koogler said his attention at the present was to ask Mr. Green

questions about the creation of DRD in order to educate Council and the public and he will take public comment later. Mr. Green did answer that free services could be paid from redevelopment charges within the DRD and the redevelopment fees, paid by the property owners, are voluntary. The letter referenced the ability for property owners to bid for those services if they agree to the redevelopment fees.

The question was asked why the Highland County Historical Society was not included in the DRD. Mayor Hastings explained that the properties in a DRD should have the potential for redevelopment and increased property tax. The Historical Society will probably not have significant improvements to raise property taxes and it is not close to the Uptown buildings in the DRD. It would exceed the 10-acre limit. The Highland County Courthouse is not included in the DRD because it does not generate property tax.

President Koogler asked if the properties must be contiguous in the districts. Mr. Green said the law says “continuous” and a right-of-way can be used to connect properties, meaning the properties do not need to be contiguous. Mr. Maddox, county resident, asked if the districts could be revised to eliminate the Opera House and use the Parker House as an anchor. Mr. Green explained that the funds are not required to be used for the Opera House or the Parker House. The Opera House is included because it is the centerpiece of Hillsboro. The hotel is an opportunity and anything can be changed in the district. Jason Burns, candidate for city council, asked if a TIF could be used for the Stockyard area instead of a DRD. Mr. Green explained that a TIF can only be used for public infrastructure. The DRD funds can be used for infrastructure or can be put back into the properties if Council chooses. The DRD gives an extra option over a TIF. It will be up to the City to determine how the funds are used. Mr. Burns also asked about money generated by improvements to Bell’s Opera House and said that money could be used to stripe the streets. Mr. Green said the money can benefit property owners which will benefit the city because there will be more activity and business in the districts. That is the hope of the DRD. Once the DRD is in place, it must be monitored. The Administration and Council must talk to property owners and be sure it is a valuable tool. The legislation is just the starting point.

Mayor Hastings clarified that if the Opera House was renovated, the Mayor would no longer own it and it would be a community asset at that point. The Opera House was the most likely historic structure to be renovated and to provide an economic benefit to the city. The Mayor had conversations with the Law Director as to how the Opera House could go back to the community. The legislation is an incentive to business. There has been no development in the Uptown for a very long time. He cited the old BP gas station being vacant for the past ten years. The last development Uptown was Domino’s Pizza in the 1990’s.

The question was asked if the money would go back to the district in the form of grants or loans. Mr. Green said grants can be made to buildings on the National Register of Historic Places, loans can be made to any building in the district that is not historic. The question was asked who decided what properties are in the districts and can the district be amended if a property owner wanted to be removed from the district. Mr. Green said it could be amended. A steering committee determined the properties to include and

maximized the district with properties that had potential for new investment. The steering committee consisted of Joe Mahan, Tom Eichinger, Ann Morris, Rob Holt, and Mayor Hastings. There were also two meetings with numerous city-wide business and property owners who provided input about the districts.

Mr. Green explained his role with the Montrose Group and that he will be involved with the City through the passage of the legislation. Any involvement of the Montrose Group after the DRD is created (for economic development planning, etc.) will be determined later.

Becki Wilkin said that she understands that the Stockyard DRD hopes to encourage hotel development but asked if there has been anyone actually interested in building a hotel in that district. Mayor Hastings said there has been discussion in the past about a hotel in that area and hopefully the DRD will be an incentive to encourage a developer. The DRD is a plan to try to encourage development. The question was asked if the Administration can force a property owner to participate in the DRD and Mr. Green answered “no.” Mr. Green answered another question saying that a hotel could benefit from the DRD by borrowing money from the district. Ms. Ryan asked why a major hotel would be in the plan because if a hotel chain could make money in Hillsboro they would already be here.

President Koogler scheduled additional time for public comment at 6:00 pm on November 6, 2017 prior to a special council meeting.

COUNCIL

CALL TO ORDER

At 6:35 pm, President Koogler called the Special Council meeting to order.

ROLL CALL

Bill Alexander, Tracy Aranyos, Dick Donley, Justin Harsha, Claudia Klein, Ann Morris, and Becki Wilkin were present

FIRST READING OF ORDINANCES & RESOLUTIONS

- **Resolution No. 17-39** ODOT Final Resolution for PID 92000 Resurface SR 124 (City contribution \$40,524).

MOTION Ms. Aranyos moved, seconded by Ms. Klein, to read the legislation by Title Only. Vote: all yeas.

President Koogler explained the necessity for passing the legislation quickly. There was no further discussion.

MOTION Ms. Klein moved, seconded by Ms. Aranyos, to suspend the Three Reading Rule. Vote: all yeas.

MOTION Mr. Harsha moved, seconded by Ms. Klein, to approve and adopt Resolution No. 17-39. Vote: all yeas.

DISCUSSION Join Paint Creek Fire District

President Koogler explained that the state law changed regarding membership to a fire district. The City of Hillsboro can now join the district if they choose. Currently the City contracts fire services with the Fire District and it is paid from the General Fund Revenues, approximately \$560,000 per year. The current contract expires 12-31-17. Paint Creek Fire District sent a letter to Administration that they have no preference as to whether the city contracts with the District or joins the District.

If the city joins the district it will enact a 5.5 mil equivalent placed on all property in the City of Hillsboro. On residential property the tax would be \$152 per year on \$100,000 valuation and commercial property will be \$192 per year on \$100,000 valuation. Valuation is the taxable value and not the actual value of the property. If the city joins the district, the city has a member on the board. Currently the city has a “seat at the table” but cannot vote on any issues. If the City joins, it would not be required to negotiate a contract with Paint Creek in the future.

President Koogler asked for comments from Council. His intention is to allow three full meetings to hear comments from Council, Administration, and the public. Ms. Klein asked if the contract can increase in the future and President Koogler explained that the amount the city pays is required to be the millage equivalent. The contract would only change if the millage amount changed. Ms. Klein felt it would be beneficial to have a vote on the board. Mr. Alexander asked if the city could redirect \$560,000 from the General Fund if there was no contract with the Fire District. President Koogler said the money could be used for whatever the city proposes.

Mr. Donley said he would like to hear what the public thinks about joining the district. He feels it will be hard to pay the contract expense out of the General Fund budget for the next several years and it will probably hurt other services. Even though people think the tax is a benefit to the fire district only, the money saved by the city is for the whole city and all services. That money will be put back into streets, sewer, and infrastructure. Sewer and storm sewer lines have been neglected for years due to lack of funds and now they are in very bad shape. For years the city paid even more for its own fire department and did not have the option to pay for it through taxes. The money saved will be invested in the community. As a resident, he feels it is a double benefit that the city can save money and have money to invest in the city. Mr. Donley is not looking at the issue as just a fire issue but an opportunity to see the city he lives in grow and flourish as Council has been trying to do. The city has not looked as good as it does now for a long time and if everyone does not start looking outside the box the city will dry up. Mr. Donley said he would vote to join the district and add the millage because he feels he, as a tax payer, will get more out of it than just the fire district. He said it is like the DRD, that if the residents of the city do not reinvest some of the money into the city, what will the city become ten years down the road?

Ms. Aranyos said it is important to have a maintenance schedule for water and sewer lines and to have money for issues that arise at the water plant or sewer plant. She said the city should plan for the future and that services and infrastructure are not free. Mr.

Donley said that cities who cannot manage their money and control their own finances end up having the state take over control of their funds. Ms. Morris agreed with Mr. Donley's statement regarding joining the fire district. She said the townships pay the millage and it is no different for the city to pay the millage.

President Koogler asked how the money would be spent if the city joins the District. Mayor Hastings said part of it would be a cushion. Revenues are the lowest they have been since 1999. His fear is that the city will continue to lose revenue sources. The state is trying to control the local income tax collection and it is hard to know what will happen. If a larger employer leaves it will reduce revenue. Specifically, if the firehouse is sold it will not sell for enough to completely pay-off the bond that financed the firehouse. He recommends an escrow of funds to help pay-off the bond. Other than that, he concurs with Mr. Donley that infrastructure needs attention. Mr. McKenzie said his biggest concern is the condition of the sewer and storm sewer lines and the infiltration of water into the sewer line. The EPA will eventually crackdown on the city because of the extra flow through the wastewater treatment plant. Grants are available but they generally require studies and engineering, which take money to obtain. He said it is a constant battle and he searches for money daily. If the city can save half-a-million dollars that can go into the General Fund that can be allocated for the immediate needs of the city, then Council should look at the bigger picture. The tax liability may be higher but in the grand scheme of things the benefit will benefit everyone down the road.

Mr. Alexander said that water and sewer infrastructure are not typically paid out of the General Fund. Ms. Ryan said that the enterprise funds should support the infrastructure and there should never be money paid from the General Fund. The street department is supported by transfers from the General Fund but not infrastructure. Mr. McKenzie said that storm sewer repair could be included in a street project. Ms. Wilkin's comments were inaudible. Mayor Hastings' response was that the city has done well with very little. The city is in a state of declining revenue and this year is one of the lowest since 1999. By saving money, such as the fire department, it compensated for falling revenue and allowed the city to do more paving, etc. Mayor Hastings said that over 50% of the residences in Hillsboro are rental properties, which are investment properties. The city is, in a way, subsidizing private business, and in many other cities the rental property owner would help pay for services through a tax levy or tax millage. President Koogler added that hopefully those properties have renters living in the home and are hopefully working and paying taxes as well.

President Koogler opened the floor to the public for comments. Ms. Ryan said that the General Fund was just over one million dollars when she left the auditor's office twelve years ago. The General Fund paid for police, fire, and EMS. At the time there was also revenue from ambulance runs and fire contracts with the townships. Today there is roughly the same amount of money as twelve years ago and joining the fire district saved roughly \$500,000 per year for several years. She felt the city should have more money in the General Fund now than there was twelve years ago. Mayor Hastings said that Ms. Ryan was making false assumptions. Ms. Ryan suggested the outside legal fees are the reasons there is not more money now. Mayor Hastings referred to his earlier statement

about declining revenues. Ms. Ryan said she would like to see the report on declining revenues.

Chris Matthews, city resident, spoke against placing a tax on the property owners for the fire district (most of what he said was inaudible). Mayor Hastings said he was more than willing to crunch numbers with Mr. Matthews and Ms. Ryan and if they thought it would be beneficial to bring the fire department back he would stop negotiations immediately with Paint Creek for the sale of the firehouse and look at the numbers with them both. Mr. Matthews' argument against joining the fire district is that property owners would be double-taxed. Mayor Hastings said that he would prefer to join the district but ultimately, he does not care which decision Council makes. However, he does not believe that citizens would be double-taxed. Matthews told Council that a vote by Council to join the district would be a back-pocket vote for the Mayor.

Kay Barrera, city resident, also spoke out against joining the fire district and agreed with the double-tax. She commented on the sidewalk project at her property and the tax assessment she now has to pay for it. Mary Stanforth, city council candidate, asked what the benefit would be to join the district besides having a seat on the board. Mayor Hastings said that he did not believe that one vote on the fire district board would make a difference. His reason to join would be to save the one-half million dollars each year for other uses. He cited his own expense for property tax increase on the properties he owns in Hillsboro, and does not like paying more tax, but he feels it is the right thing to do for the city. President Koogler said that, having sat on the fire district board, he did not feel that one vote made much difference but he believes his views as a non-voting member were respected and that the city did have a voice on the board. However, joining the district gives the city a certain amount of control of the city's role within the district. If the city joins, the district can never refuse to contract with the city because the city is a member at that point. Ms. Ryan said that if the city is not forced by law to join the district the city should continue to pay for the contract. She suggested reducing the earnings tax if the city joins the fire district. President Koogler said Council will need to decide. Rachel ---- said there were a lot of numbers being thrown around and President Koogler said that is why there are three meetings to discuss joining the district, to hear feedback from everyone. Ms. --- said the information being shared should be more "legit." Mr. Matthews wanted to know how much it would cost the taxpayers to join as opposed to the city contracting with the fire district. President Koogler explained that the amounts are the same. Mayor Hastings said the contract is based on a millage equivalent (5.5 mil). Kevin Barreras, city resident, asked if the district is paying for the use of the firehouse. President Koogler said that they are leasing the fire house separately from the fire contract with the City. Mr. Barreras asked the city to be sure that out-sourcing the fire department is still cheaper than having its own fire department.

Gary Heaton, city resident, asked that the Auditor be present at the next meeting to clear-up financial questions.

ADJOURN

MOTION Ms. Klein moved, seconded by Ms. Aranyos, to adjourn Vote: all yeas. Council adjourned at 7:27 p.m.

The next scheduled meeting of the Hillsboro City Council is Monday, November 13, 2107 at 7:00 p.m. in the Hillsboro Municipal Court. A special meeting is scheduled at 7:30 pm on November 6, 2017.

Lee Koogler, President

Debbie Sansone, Clerk
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