



**H.B. 26**

127th General Assembly  
(As Introduced)

**Reps. Wolpert, J. McGregor, Collier, Seitz, Flowers**

---

**BILL SUMMARY**

- Authorizes cities to create "urban homestead zones" for the purpose of encouraging the repopulation of certain areas within the cities.
- Creates a state urban homestead scholarship program that is available to property owners in certain urban homestead zones and that is funded through tax increment financing in those zones.

---

**TABLE OF CONTENTS**

Urban homestead zones .....	2
Characteristics of an urban homestead zone .....	2
Organization of an urban homestead zone .....	3
Each property owner designated as a "member" of the zone .....	4
Governing of zone by board of directors .....	4
Proxies and designees .....	4
Board members' immunities .....	5
General plan for an urban homestead zone .....	5
Board authorized to provide for a security force .....	6
Relationship of urban homestead zone to city .....	7
Annual report .....	7
Competitive bidding procedures required .....	7
Records open to public inspection .....	8
Transfer of ownership interests by property owners .....	8
Dissolution of zone .....	8
Urban homestead scholarship program .....	9
Program overview .....	9
Scholarship application process .....	10
Right to a scholarship runs with the land .....	11
Scholarship funding sources .....	11
Achievement tests .....	12

Rulemaking.....	12
Tax increment financing.....	12
General overview of tax increment financing.....	12
Improvements in certain urban homestead zones exempt from taxation.....	13
Payments in lieu of taxes.....	13
Submission of ordinances to Director of Development and Director's status report.....	14
Titling of statutes enacted as Chapter 730.....	14

---

## CONTENT AND OPERATION

### Urban homestead zones

#### Characteristics of an urban homestead zone

(R.C. 730.02)

The bill authorizes the creation of "urban homestead zones" within the boundaries of a city for the purpose of encouraging repopulation of the area within the city's urban core. An urban homestead zone must meet all the following criteria:

- (1) The zone is contiguous and its shape cannot be characterized as being merely a strip or corridor or as resembling in shape a shoestring or a balloon on a string;
- (2) The zone is at least 10 but not more than 150 acres in size;
- (3) The zone does not divide any voting precincts;
- (4) At least 85% of the area in the zone is zoned for residential use;
- (5) The zone includes at least 16 parcels of real property; and
- (6) At the time the zone is proposed, its population has decreased by at least 10% in the period between the two most recent federal decennial censuses, its rate of poverty exceeds the rate of poverty of the city in which the zone is located by at least 10% as reflected in the most recent federal decennial census, and its homeownership rate has decreased by at least 10% between the two most recent federal decennial censuses. (These subcriteria are determined using data gathered for the censuses.)

More than one urban homestead zone can be created within a city, but only so long as not more than 150 acres of the whole city is within a zone at any one

time. A parcel of real property cannot be included within more than one urban homestead zone at a time.

Urban homestead zones are not political subdivisions of the state or state agencies. However, the zones are subject to the requirement that meetings of public bodies be open to the public and the prohibition against awarding public contracts to those found in contempt for failure to correct an unfair labor practice (R.C. 121.22 and 121.23--not in the bill).

**Organization of an urban homestead zone**

(R.C. 730.03(A) and (B))

An urban homestead zone is to be organized as a nonprofit corporation under the general nonprofit corporation law (R.C. Chapter 1702.), except as otherwise provided in the bill. In addition to meeting the general requirements for articles of incorporation under the nonprofit corporation law, the articles of incorporation of an urban homestead zone must specify all of the following:

- (1) The name of the zone, which must include the phrase "of the city of . . . . . (the name of the city where the zone is located)";
- (2) A description of the boundaries of, and of the area within, the zone that is specific enough to enable real property owners to determine if their real property is located in the zone;
- (3) A description of the procedure by which the articles may be amended;
- (4) The method by which notice of meetings of the members of the zone is to be given and the method by which members of the zone may vote; and
- (5) The purposes for which the zone is created, which, for zones located in a "big eight school district" (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown), must include an opportunity for qualifying homeowners in the zone to participate in the zone's urban homestead scholarship program.

The procedure for amending the articles must require that the city's legislative authority approve the amendment and that the approved amendment be filed with the Secretary of State and the Department of Development. The legislative authority's approval of an amendment must be memorialized in a resolution, which also must be filed with the Secretary of State and the Department of Development.



**Each property owner designated as a "member" of the zone**

(R.C. 730.01 and 730.08(A))

Each property owner within an urban homestead zone is a member of the zone. At least 60 days prior to taking any action, the nonprofit corporation responsible for governing the zone must determine the identity and address of each property owner in the zone from the most current records available at the county auditor's office. Persons showing on those records as having common or joint ownership interests in a parcel of real property collectively constitute the owner of the property.

**Governing of zone by board of directors**

(R.C. 730.04 and 730.08(B))

Urban homestead zones are governed by a board of directors, which is the board of trustees of the nonprofit corporation. A zone's board of directors must consist of at least five directors. The legislative authority of the city creating the zone appoints one director. The other directors are elected at a meeting that includes all members of the zone. The initial election occurs when a zone is created. Subsequent elections must be held at a meeting of members occurring in November.

The bill directs the board to elect its chairperson, vice-chairperson, secretary, and treasurer, all of whom serve in these capacities at the board's pleasure. A director may be elected to more than one office; however, the director elected as treasurer may not be elected to any other office.

Notice of the time, date, place, and agenda for any meeting of the board must be provided in writing to each director by certified mail or personal service or by text message transmitted by electronic device. If possible, notice must be transmitted at least one week prior to the meeting.

The board is to act by majority vote of those present at any meeting of which proper notice has been provided.

**Proxies and designees**

(R.C. 730.08(C))

A director or member of the zone may file a written proxy form with the board's secretary appointing a proxy to carry out the director's or member's rights and responsibilities at a meeting of the entire membership. The proxy form must be filed with the secretary at least three days prior to the meeting. The proxy form

must include the name and address of the director or member, the name and address of the proxy, and the date of the meeting at which the proxy may carry out the rights and responsibilities of the director or member.

In addition, a member of the zone may appoint a designee to carry out the member's rights and responsibilities by filing a written designation form with the secretary. The designation form must include the name and address of the member, the name and address of the designee, and the expiration date, if any, of the designation. The designation form may authorize the designee to vote at any zone meeting.

A proxy or designee is not required to be an elector or resident of the zone or of the city in which the zone is located. Appointment of a proxy or designee may be changed by filing a new form with the secretary. The proxy or designee identified in the most recently filed form is the proxy or designee. Transmittal of any notice to a proxy or designee at the proxy's or designee's address as shown on the form filed with the secretary satisfies any requirement for notification of the director or member of the zone.

**Board members' immunities**

(R.C. 730.04)

Membership on an urban homestead zone's board of directors is not to be considered the holding of a public office. A director or a director's proxy is entitled to all of the immunities provided by law to the trustees of a nonprofit corporation, unless the director or proxy is an employee or official of the city and is acting on the board within the scope of the employee's or official's employment or official responsibilities. Such a director or proxy is entitled to the same immunities from civil actions as are employees of political subdivisions.

**General plan for an urban homestead zone**

(R.C. 730.05)

At its first meeting, the board of directors must prepare a general plan for the urban homestead zone, which may include any or all of the following:

- (1) Adoption of a security guard force;
- (2) Election of an ombudsperson to act as a liaison between the city's zoning inspector and the residents and property owners in the zone on issues related to zoning, building, and other related regulations in the zone;

(3) Organization of festivals, concerts, or other community-related events to promote the zone and to provide activities that benefit the zone's residents;

(4) Promotion and support of any urban homestead scholarship program in the zone, including the provision of assistance to homeowners applying for scholarships.

The board may amend the general plan.

**Board authorized to provide for a security force**

(R.C. 730.09)

An urban homestead zone's board of directors may adopt a written plan for a security guard force for the zone. Each plan must set forth the specific requirements for and functions of the force, must specify the method of assessment to be used to pay for the force and the period of time assessments are to be levied, and must indicate the period of time the force is to provide services.

Upon adoption of a security guard plan, the board must submit the plan to the city's legislative authority for review. The legislative authority may provide the board with its comments and recommendations at any time within 60 days after receiving the plan. The board may amend the plan in response to the comments and recommendations. The board must then submit the plan, whether amended or not, to the members of the zone "in the form of a petition." If signed by a majority of the members, the petition-plan then must be submitted for approval to the city's legislative authority.

Within 60 days after receiving a petition-plan for a security guard force, the legislative authority must either approve or reject the petition-plan. If the petition-plan is approved, it becomes effective at the earliest day on which a nonemergency resolution or ordinance of the legislative authority can become effective.

When a security guard plan is in effect, the legislative authority must levy a special assessment to pay the costs of the plan upon all members of the zone in accordance with the laws governing the levy and collection of municipal special assessments. The assessment may be levied by a percentage of the tax value of the property assessed or in proportion to the benefits that may result from the security force, or both (R.C. 727.01(A) and (B)--not in the bill). Property owners who are assessed under a security guard plan possess all of the same rights and privileges that the law extends to property owners subject to special assessments. The legislative authority must notify the Tax Commissioner of any assessments.

The costs of a security guard plan paid through a special assessment may include any or all of the following:

(1) The cost of creating and operating the urban homestead zone, including creating and operating the nonprofit corporation that governs the zone; hiring employees and professional services; contracting for insurance; and purchasing or leasing office space or office equipment;

(2) The cost of planning and implementing the security guard plan, including payment of legal, insurance, and planning fees and expenses;

(3) Any court costs incurred by the zone in implementing the security guard plan; and

(4) Any damages resulting from implementing the security guard plan.

**Relationship of urban homestead zone to city**

(R.C. 730.12)

Any services provided to an urban homestead zone are in addition to, and not in lieu of, any public services otherwise provided by the city in which the zone is located. Accordingly, a city may not rely upon the services provided to a zone under a general plan, a security guard plan, or any other plan when deciding whether to provide public services or whether to reduce or increase public services otherwise provided by the city to the zone.

**Annual report**

(R.C. 730.07)

The bill requires that an urban homestead zone's treasurer prepare an annual report on the zone's activities and financial condition during the previous year. The report must be submitted to each member of the zone and to the legislative authority of the city in which the zone is located on or before each March 1.

**Competitive bidding procedures required**

(R.C. 730.06(B))

The bill requires that an urban homestead zone's board of directors adopt rules prescribing competitive bidding procedures for the contracts it awards. The rules must require advertising for bids and must specify the bidding procedures to be followed. The rules may specify conditions under which competitive bidding is not required. The rules also may specify other conditions, such as establishing a dollar limit per contract or specifying particular parties to a contract. The procedures adopted by a board may differ from those followed by the city in which the zone is located.

**Records open to public inspection**

(R.C. 730.06(A))

All records of an urban homestead zone are, and must be treated as, public records open to public inspection under the Public Records Act (R.C. 149.43--not in the bill). The bill specifies, however, that contracting with a zone does not, in and of itself, subject a contracting organization's records to public disclosure.

**Transfer of ownership interests by property owners**

(R.C. 730.10)

The bill specifies that any owner of a fee interest in real property located within an urban homestead zone who enters into a contract to transfer the interest must do both of the following with respect to the transferee:

(1) Within five days after entering into the contract, provide to the transferee any notice the owner received for special assessments within 90 days before entering into the contract and, if applicable, notify the transferee that the transferee may be eligible to participate in the urban homestead scholarship program;

(2) Provide to the transferee, within five days after its receipt, each notice of special assessment that the owner receives after entering into the contract. A property owner is required to continue to notify the transferee of special assessments until the contract is completely performed or terminates.

**Dissolution of zone**

(R.C. 730.11)

An urban homestead zone dissolves after 20 years of existence.

A zone may be dissolved prior to that date if the members of the zone owning at least 20% of the real property located in the zone file a petition for dissolution with the legislative authority of the city in which the zone is located. The members of the zone must meet to consider dissolving the zone not later than 45 days after the petition is filed. The zone is dissolved upon the affirmative vote of members who collectively own more than 50% of the taxable value of the real property located in the zone. The results of the vote must be certified to the legislative authority. If the result is to dissolve, the legislative authority must adopt a resolution dissolving the zone and must send a certified copy of the resolution to the Secretary of State, the Department of Development, and the Department of Education. Upon a zone's dissolution, any assets or rights of the



zone remaining after all obligations of the zone have been paid must be deposited in a special account of the city in which the zone is located.

The rights and obligations of any person under a contract with the zone and the rights and obligations of a person subject to a special assessment levied by the zone's board are only affected by a zone's dissolution to the extent the person consents to a change in those rights and obligations or a change is ordered by a court of competent jurisdiction.

### **Urban homestead scholarship program**

#### **Program overview**

(R.C. 3310.70, 3310.71, 3310.74, 3310.75, and 3310.76)

The bill creates an "urban homestead scholarship program" that is available to property owners in every urban homestead zone created in a "big eight school district" (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown). A child of a parent who owns and occupies a residence in a zone located in one of these big eight school districts is eligible for a scholarship if the following conditions are satisfied:

(1) The child is entitled to attend school in the big eight school district and is enrolled in a chartered nonpublic school; and

(2) The parent or a predecessor owner and occupant or a combination of them has spent at least \$120,000 in improvements on the residence since the urban homestead zone was established (R.C. 3310.70 and 3310.71).

The amount of the scholarship for any given child is the lesser of the tuition charged by the chartered nonpublic school in which the child is enrolled or the maximum amount prescribed for an educational choice scholarship for the current school year.<sup>1</sup> The Department of Education must pay a scholarship to a

---

<sup>1</sup> Am. Sub. H.B. 66 of the 126th General Assembly created the Educational Choice Scholarship Pilot Program to provide scholarships for primary and secondary students attending, or assigned to, school district buildings with low academic ratings for the sole purpose of paying tuition at chartered nonpublic schools. The amount of each annual Educational Choice scholarship is the lesser of (1) the tuition charged by the chartered nonpublic school in which the student is enrolled or (2) a "maximum" amount that varies from fiscal year to fiscal year. The maximum amount for fiscal year 2007 is:

(1) \$4,250 for grades K through 8; and

(2) \$5,000 for grades 9 through 12.

homeowner in periodic partial payments during the school year at times prescribed by the department. A scholarship may only be used to pay tuition the homeowner owes to a chartered nonpublic school for the homeowner's child. The Department of Education is required to proportionately reduce or terminate scholarship payments for any child who withdraws from the child's chartered nonpublic school before the end of the school year. (R.C. 3310.74 and 3310.75.)

The bill anticipates that the General Assembly will prescribe the maximum number of children who may be awarded scholarships during any given school year. (R.C. 3310.76.) If the number of students who apply for a scholarship exceeds the maximum number prescribed by the General Assembly, the Department of Education must first award scholarships to children who received scholarships in the prior school year. Remaining scholarships must then be distributed to other children by lot. (R.C. 3310.71.)

**Scholarship application process**

(R.C. 3310.72(A) and (B) and 3310.73)

To be considered a qualifying residence for purposes of the scholarship program, a person owning a residence in an urban homestead zone must file with the Director of Development all of the following items:

- (1) A certified copy of the deed to the residence;
- (2) Documents or forms prescribed by the Director that indicate (a) that the residence is located both in an urban homestead zone and in a big eight school district, and (b) that the person applying, or one or more predecessor owners and occupants, or a combination of them, has spent at least \$120,000 in improvements on the residence since the urban homestead zone was created;
- (3) A certified copy of all building permits related to the improvements;  
and
- (4) A certified copy of the occupancy permit for the residence.

If the Director is satisfied that all of the required documents have been submitted and are authentic, the Director must determine whether the residence is a qualifying residence and provide the homeowner with written notice of the determination.

---

The maximum amount is inflated in future years. (R.C. 3310.01 to 3310.17, and 3317.03 (not in the bill).)

An owner of a qualifying residence may apply to the Director of Development for an actual scholarship. In the manner and on or before a deadline established by rule of the Director, the homeowner must submit to the Director all of the following:

- (1) The name of the homeowner;
- (2) The address and legal description of the qualifying residence;
- (3) The name of each child for whom a scholarship is sought;
- (4) The name and address of the chartered nonpublic school in which each child has been accepted for enrollment and the amount of tuition charged by the school for the school year; and
- (5) Any other information required by the Director.

If, after examining this information, the Director determines that the applicant and the applicant's child or children are qualified for a scholarship, the Director must certify to the Department of Education the information submitted to the Director. Upon receipt of that information, the Department of Education must pay the scholarship to the homeowner, subject to the maximum number of scholarships prescribed by the General Assembly for that school year.

**Right to a scholarship runs with the land**

(R.C. 3310.72(C))

Qualifying residence status is a property right that runs with the land on which the residence is located for the duration of the urban homestead zone, beginning on the first day of the school year that first succeeds the date the urban homestead zone in which the residence is located was established.

**Scholarship funding sources**

(R.C. 3310.77)

Urban homestead scholarships must be funded by appropriations and by payments collected under a tax increment financing scheme that must be in place in each zone located in a big eight school district. These payments must be deposited into the State Urban Homestead Scholarship Fund, which the bill creates in the state treasury. Moneys in the fund may be used only to pay the costs of urban homestead scholarships. The Department of Education must adopt procedures for payment of scholarships from the fund.

### **Achievement tests**

(R.C. 3310.78)

Chartered nonpublic schools may, but are not required to, participate in statewide achievement tests designed to measure various skills students are expected to have acquired by the end of grades three through eight (R.C. 3301.0711(K)--not in the bill). However, these schools are required to administer elementary achievement tests to recipients of Educational Choice scholarships, and the Ohio Graduation Tests to all students (R.C. 3310.14 and 3313.612(A)--not in the bill).

The bill requires that every chartered nonpublic school that enrolls students awarded and paid urban homestead scholarships administer to those students all statewide student achievement tests. Each chartered nonpublic school is required to report to the Department of Education the results of tests administered to scholarship students. The bill specifies that it should not be construed as requiring a chartered nonpublic school to administer any achievement test, other than an Ohio graduation test, to a nonscholarship student.

### **Rulemaking**

(R.C. 3310.79)

The bill requires that the Director of Development and the State Board of Education each adopt rules prescribing procedures for administering the Urban Homestead Scholarship Program.

### **Tax increment financing**

#### **General overview of tax increment financing**

Tax increment financing involves the granting of a real property tax exemption with respect to the incremental increase in assessed valuation of certain designated parcels resulting from improvements to those parcels. Owners of the property make payments in lieu of taxes equal to the amount of taxes that would otherwise have been paid with respect to the exempted improvements. As a result, tax increment financing creates a flow of revenue back to the political subdivision that granted the tax exemption in the amount of taxes that otherwise would have been paid on the improvements. Municipal corporations, counties, and townships are authorized to engage in various forms of tax increment financing.

**Improvements in certain urban homestead zones exempt from taxation**

(R.C. 5709.45(A) and (D))

The bill requires that the legislative authority of a city that has created an urban homestead zone within a big eight school district engage in tax increment financing to fund urban homestead scholarships awarded to students residing in the zone. Specifically, the legislative authority of such a zone is required to adopt an ordinance declaring improvements to parcels in the zone to be for a public purpose and exempt from taxation. The ordinance must specifically identify each parcel within the zone that is covered by the ordinance. The ordinance must state the percentage of the improvements to be exempted, which may not exceed 75%.

The ordinance cannot apply to any parcel that is already exempt from taxation under a preexisting municipal tax increment financing scheme. Likewise, once a parcel is exempted from taxation pursuant to the bill, it cannot become subject to any other municipal tax increment financing scheme.

The exemption commences with the tax year in which an improvement first appears on the tax list and duplicate of real and public utility property. The exemption ends when the urban homestead zone is dissolved, although the ordinance may specify an earlier end date. If an exemption ends during a tax year, the procedure for apportioning the taxes for that year is the same as in the case of other changes in tax exemption status during the year.

**Payments in lieu of taxes**

(R.C. 730.03(B)(3) and 5709.45(B))

The city legislative authority must require that owners of exempt property in the zone make annual service payments in lieu of taxes to the county treasurer on or before the final dates for payment of real property taxes. Each payment must be charged and collected in the same manner, and must be in the same amount as, the real property taxes that would have been charged and payable against the exempt property; however, any reduction in levies by the county budget commission occurring after the city passes its ordinance exempting improvements from taxation will not affect the amount of the payment in lieu of taxes. The payments must be used to fund urban homestead scholarships for students residing in the zone, except that any moneys remaining after a zone dissolves are no longer set aside for that zone and may be used to fund any urban homestead scholarship. Accordingly, all payments in lieu of taxes collected by the county treasurers are forwarded to the Treasurer of State for deposit into the State Urban Homestead Scholarship Fund created in the bill. The county treasurer is

required to maintain a record of the payments in lieu of taxes derived from property located in the zone.

A property owner cannot be required to make payments in lieu of taxes after the date on which the urban homestead zone is dissolved.

**Submission of ordinances to Director of Development and Director's status report**

(R.C. 5709.45(C))

Within 15 days after adopting an ordinance exempting improvements in the zone from taxation, the legislative authority adopting the ordinance must submit a copy of the ordinance to the Director of Development, the Department of Education, and the Tax Commissioner. Each year, on or before March 31, the Director of Development is required to submit a status report to the city legislative authority and to the Superintendent of Public Instruction indicating the funds raised for urban homestead scholarships in the zone, including a summary of the receipts for payments in lieu of taxes and the amount of money expended from the Urban Homestead Scholarship Fund for the zone, including both moneys from the state and moneys from payments in lieu of taxes.

**Titling of statutes enacted as Chapter 730.**

(Section 2)

The bill specifies that statutes enacted in the bill as Chapter 730. of the Revised Code are to be collectively known as "Urban Homestead Zones."

---

**HISTORY**

ACTION	DATE
Introduced	02-20-07

H0026-I-127.doc/jc