

**Issue 2**  
**The Upper Arlington**  
**Community Center**  
**At Kingsdale**  
***The True Costs***

**March 31, 2021**

**ARLINGTON CITIZENS FOR TRUTH IN TAXATION**

*ACTT*

# Know Before You Vote

UA Community Center

Issue #2 On May 4, 2021

- If approved, your UA property taxes will increase to the schools
- The City's estimated community center cost of \$54,000,000 doesn't include bond interest which adds another \$21,250,000
- The ballot language focuses on costs to "build" a community center, while omitting significant costs to operate the facility
- The City estimates only 16% of UA households will join a community center. Property taxes will increase on 84% of UA residents who aren't members
- The City is including 50,000 sq. ft. of office space hoping that business rents will cover costs. If this risky bet fails, taxpayers will have to make up the difference

## **It Isn't NO New Taxes, It's No New UA City Taxes To "Build"**

**TIF (Tax Increment Financing)** In order to finance this project, the UA School Board has agreed, through a TIF<sup>1</sup> to forego almost all tax collections on the estimated property valuation of the massive multistory Kingsdale development project proposed by Continental Real Estate. Although the City has estimated this project upon completion to have a taxable value of about \$60 million, UA Rotary reported after a presentation by Continental chairman Frank Kass that Continental's part of the project would be \$100 million. Based on the UA Rotary report, the UA schools will be foregoing nearly \$1,800,000 annually in property taxes for 30 years at today's tax rates. As the Continental project increases in tax valuation over the years, the UA schools will forego even more tax dollars.

Why would the School Board vote to give up their tax revenue? You'd have to ask them. Are UA residents more likely to vote for taxes for a community center or to support schools?

The UA schools recently stated that the property tax levy they intended to pursue in the Fall of 2021 will now be pursued in 2022. Since the School District is the principle funding source for this project, UA property owners can expect multiple, periodic property tax increases from the schools to make up for the lost revenue.

The City is proposing diverting \$8,800,000 from existing revenues for the community center build. These revenues exist because of Issue 23 passed in 2014 that raised UA's income tax by 25% (from 2% to 2.5%). The City stressed when promoting that tax increase that its 100 year-old infrastructure, sewers, gutters, streets and curbs, were desperately in need of replacement. They still are. Many residents continue to experience sewage and stormwater backups because of infrastructure that desperately needs to be replaced.

### **The Cost Of The Community Center**

The City's estimate that the facility will cost \$54,000,000 to construct. That number does not include interest rates on the thirty-year \$40,000,000 bond issue. At the City's estimated interest rate of 3.15%, which is below current bond rates, that will cost an additional \$21,000,000 in interest payments. Thus, the actual cost of this community center will approach \$75,000,000 when bond interest is included.

### **The City's Finance Director Has Described Funding for this Proposal As A "Heavy Lift" And Admits That UA's AAA Bond Rating Will Be Downgraded To AA If This Project Moves Forward. That Will Result In UA Taxpayer's Paying More In The Future.**

The City will be issuing an unprecedented amount of bonds if voters approve this proposal. The

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<sup>1</sup>Tax Increment Financing "is an economic development mechanism available to local governments in Ohio to finance public infrastructure improvements..." More precisely, it is a legal mechanism to reappropriate future tax revenues from one purpose to another without voter approval. The UA school board has to agree to surrender their \$60 million in estimated taxes over the next 30 years. TIF's are controversial, prohibited in some areas and by two states.

bonds the City proposes to issue will be as follows:

	\$40,000,000 to construct the community center
	\$13,880,000 to construct the 50,000-60,000 square feet of office
	<u>\$15,000,000</u> to construct a parking garage for Continental Real Estate
Subtotal	\$68,880,000

Interest will be needed to pay those bonds off. So the \$54,000,000 community center will actually cost about \$75,000,000 (\$54,000,000 + \$21,000,000 in bond interest). The accompanying office building estimated to cost \$13,880,000 will actually cost about \$21,008,000 (\$13,880,000 + \$7,200,000 in interest). And the parking garage provided to the developer at taxpayer expense, will actually cost about \$22,800,000 (\$15,000,000 + \$7,800,000 in interest). The City is also planning to issue bonds to cover another taxpayer funded parking garage for Continental at the Gateway project where Half Price Book once stood at a cost of \$20,000,000, not including interest.

A lower bond rating, which will result in higher borrowing costs for much needed infrastructure repairs that are financed will unfairly punish the 84% of UA's taxpayers who are projected by the City not to use the facility.

### **Only 16% Of UA Residents Are Expected To Use The Facility**

The City's own consultant has estimated that the vast majority of UA residents will never join the recreation center. Although every household will be forced to subsidize the recreation center through its taxes, the City's consultant estimates that only 16 percent of the UA's residents will join. That means that 84 percent of residents are being asked to subsidize this recreational facility for the benefit of the few residents expected to become members. Our City government has it backwards when it imposes a fee for the storm water system which benefits everyone while at the same time proposing a tax for a recreation facility which benefits only a few.

### **The Operating Costs Have Been Understated**

The projected annual operating costs are inconsistent with experience at similar facilities. Dublin has spent over \$4 million annually to operate its community center and information from private facilities indicates annual operating costs of about \$3.5 million and higher for a facility of the size being proposed for UA. Annual operating costs for the UA Senior Center exceed \$350,000, equivalent to about \$2.4 million when scaled to the proposed UA facility. Realistically, estimated operating costs suggest an annual operating subsidy somewhere between the \$600,000 a year that Westerville subsidizes its community center and the \$4 million that Dublin has spent to operate its facility.

And there is no mention about upkeep. Dublin opened its community center in 1996 with approximately 104,000 square feet and indoor aquatics. Ten years later, the HVAC in the building had to be replaced (it's well-known that indoor aquatics severely impacts HVAC systems) at a cost of \$600,000.

Another parallel is Nationwide arena with an original construction cost of \$175 million. Twenty years after opening, the *Columbus Dispatch* reported (11/25/2020) that the Franklin County Convention Facilities Authority is asking for \$94.4 million for upkeep and capital expenses. When operating subsidies are required, will UA ask for new taxes specifically for operating the community center or will they be taken from taxes earmarked for other City services (police, fire, street repair, sewer replacement, *etc*). We would then be asked to provide new taxes for these services – taxes which would not be necessary if the center was not built.

### **The Real Estate Development Project**

The City proposes, in part, to fund ongoing Community Center operations by including 50,000 to 60,000 square feet of office space expecting to lease it as a revenue generator.

The City has absolutely no experience whatsoever acting as a developer and risking taxpayer dollars as a pseudo developer in an attempt to finance, build and lease 50,000 square feet of office space at a cost of \$13,880,200, not including interest on the bonds, that it intends to issue to pursue as a stream of revenue necessary to pay for the community center.

At 50,000 square feet, the City's own numbers indicate it will cost \$13,880,000 to construct this speculative and risky venture. And the City intends to issue 30 year bonds to cover this debt issuance, which will result in interest payments of \$7,228,000 assuming that bonds can, in fact, be issued at 3.15%.

Gahanna embarked on a similar speculative scheme with taxpayer dollars in Creekside, a mixed use development. That project was an abysmal failure with multiple defaults, foreclosures, receiverships and related litigation. Just how many millions of dollars Gahanna taxpayers lost is still unknown.

In a March 17, 2021 *Columbus Dispatch* article titled *Almost 1 In 5 Columbus Offices Are Vacant, Adding To Oversupplied Central Ohio Market*, it was reported that over 19% of central Ohio offices are empty, the highest rate in over ten years because of the COVID pandemic. The article reported that many employers have rethought their leasing needs, and are having more and more employees work from home. Given the uncertainty that surrounds office space, the City's timing couldn't be worse with its decision to dive into the speculative and risky office market.

UA taxpayers currently pay 7 extra fees for basic government services that most other central-Ohio taxpayers are not subjected to. They are: (1) a separate property tax to cover the City's already existing obligation to pay the PERS retirement obligation for safety forces under the Ohio Revised Code; (2) a separate 1997 property tax to cover basic infrastructure repairs; (3) special fee to cover sanitation services; (4) special fee for 911 runs when you call the squad; (5) quarterly water line fee that is billed and collected on your quarterly Columbus water bill; (6) quarterly sewer line fee that is billed and collected on your quarterly Columbus sewer bill; and (7) a yearly stormwater fee that was imposed to pay for stormwater projects.

The City claims that \$8.8 million extra dollars are available to fund construction of the proposed community center. Perhaps it's time to eliminate some of the 7 extra taxes and fees imposed on UA

residents for basic government services or advance work on the 100 year old infrastructure that spurred the 25% income tax hike by Issue 23.

### **The Proposed Community Center Includes A Fifth Swimming Pool**

UA has three outdoor swimming pools (Hastings, Tremont & Devon Road), plus another indoor pool at Upper Arlington High School. The National Park and Recreation Association recommends one swimming pool per 20,000 people. (UA's population is about 35,000)

In the recent Upper Arlington Citizen Financial Review Task Force, convened in 2019, there were multiple conversations and recommendations urging the City and the UA schools to work together on shared facilities to avoid unnecessary duplication of swimming pools, recreation facilities and meeting space. Unfortunately, those recommendations fell on deaf ears, hence the recent construction of a new aquatics complex at the high school, with another proposed pool complex now being sought at Kingsdale for a community center.

### **There Is No Evidence That These Facilities Increase Residential Property Values**

It has been suggested that the proposed center would increase residential property values; there is no evidence to support this claim. The Franklin County Auditor recently released figures on the increase in property valuations for Columbus suburbs. UA was among the leaders and the figures showed no correlation between property values and the presence or absence of a recreation center. This is consistent with studies by the Real Estate Research Institute which show that the dominant factor affecting suburban property values is quality of schools, with location a distant second and all other factors far down the list. The presence or absence of a community center is simply not on the radar screen. Furthermore, local residential developers will tell you that anything they build in UA sells well and at a strong price.

The City has allowed developers to acquire residential properties on the north side of Lane Avenue, granted rezonings and the bulldozing of houses in order to allow the construction of hotels. When citizens objected, they were dismissed by city council and staff who argued that essential city services (police, fire and EMS) were at stake.

Now the City plans to syphon \$500,000 annually from the hotel/motel tax generated by the Lane Avenue hotels, money that neighboring residences were told was critical to essential government services.