



CDFS-1561-08

Industry Attraction Series

# Cooperative Economic Development Agreements

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## Introduction

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. A CEDA 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 CEDA authorization in 1999.

## What is a Cooperative Economic Development Agreement?

Under Ohio Revised Code, sections 701.07, 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. Legislative authorities enter into such contracts to facilitate economic development, to create or preserve jobs and employment opportunities, and to improve the economic welfare of the people in the area. The program (CEDA) is designed to encourage cooperation among local communities and it is considered by many to be a mutually beneficial economic development tool. This cooperation takes the form of tax revenue sharing among municipalities and townships.

## How is a CEDA formed between municipalities and 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. 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. During the thirty-day period prior to the public hearing, the agreement shall be made available for public inspection.

Specific language in the CEDA may contain the following:

- 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
- 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 Cooperative Economic Development Agreement work?

A CEDA is meant to work in this way: Let's say a city or village and a township have an area of vacant land 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. 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 the city to collect new income tax revenue from the jobs created by the industrial prospect and the township to collect an increase in property taxes on previously vacant land.

In the example above, the CEDA allowed the city and the township to meet the needs of the prospect without having to consider annexation and the city and township could collect additional taxes therefore increasing each entities revenue stream.

### Advantages of a CEDA

State enabling legislation provides the framework under which a CEDA can be created. Beyond state oversight of the program's framework, local communities can use the program however they choose.

### Advantages for a township

- Because townships are not permitted to collect income tax, the CEDA provides the ability to increase

revenues in the form of increased property taxes on previously vacant land.

- The CEDA agreement designates periods of time that no annexation will occur.
- The increased revenue provides township officials a new funding source that will provide additional services to its residents at no further cost.

### Advantages for a city or village

- The CEDA agreement enables a city or village to increase its income tax revenues.
- The agreement typically extends infrastructure utilities therefore generating additional revenue.
- The CEDA creates a cooperative arrangement with the township in solving local economic issues.

### Conclusion

Since 1999, numerous Ohio communities have recognized the importance of working together with adjacent entities to create a Cooperative Economic Development Agreement. Many entities view a CEDA as an economic development tool that promotes local cooperation among townships, cities, and villages. The CEDA provides a mechanism by which townships and cities and villages can foster development activities in a specified area. With local entities struggling over diminishing revenues and demand for excellent services by their residents, it is important for them to cooperate and find a solution that will satisfy all parties.

### References

Ohio Revised Code (online)

<http://codes.ohio.gov/orc/701.07>

Ohio Department of Development,

Office of Tax Incentives, Columbus, Ohio

<http://www.odod.state.oh.us/cms/uploadedfiles/CEDASummary.pdf>

Village of Canal Winchester

<http://www.canalwinchester.org/Industrial%20Development.htm>

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