

Community Center Ballot Issue Fact Sheet to Address Misperceptions and Misinformation

Updated March 31, 2021

As often happens with complex issues, some information being shared in the community about the City's Community Center Ballot Issue is misleading, incomplete and/or false. We have prepared this fact sheet to provide accurate information on the items that have been brought to our attention. Should residents hear any additional statements that you believe to be inaccurate or confusing, we invite you to contact us at city.manager@uaoh.net, or by calling 614-583-5040 and we will update and reissue this fact sheet.

Thank you.

Claim: If approved, your UA property taxes will increase to the schools.

Facts: This is false. First and foremost – with the exception of 10 mills of unvoted or “inside” millage which is shared among the City, Schools and County – no other property taxes of any kind can be increased without a vote of the residents. The Community Center ballot initiative specifically states that it does not raise taxes. Additionally, the City does not have the power to raise taxes for the schools under any circumstances. The City and the Upper Arlington Schools are separate entities governed by separate, independently elected bodies.

Claim: The City's estimated community center cost of \$54,000,000 doesn't include bond interest which adds another \$21,250,000.

Facts: This statement is misleading because it implies that the City has not been straightforward about the costs for construction. The \$54 million budget for the Community Center construction is the cost to build and has always been stated as such. Similar to taking out a mortgage when purchasing a home, repayment of the loan taken out by the City to fund construction will include interest payments. The City's financial plan for the Community Center covers all associated debt service, even if the \$21 million interest payments number were accurate.

Consistent with the City's conservative financial budgeting practices, projected interest payments are based on a rate of 3.15%. By comparison, in September 2020, the City of Upper Arlington issued debt at a 2.23% interest rate, and several other bond issuances of recent years have secured similarly low interest rates.



Claim: The ballot language focuses on costs to "build" a community center, while omitting significant costs to operate the facility.

Facts: This is misleading and incomplete. The work of the Community Center Feasibility Task Force focused heavily on operational issues and financial viability. The City has been very clear and transparent about how a community center would change the costs for operating recreation programming. The Task Force's consultants ran two operations scenarios: one based on membership levels that are similar to facilities in comparable communities, and a "stress test" model based on a reduction of revenues across all categories that ranged from one third to one half lower. If memberships and patronage are comparable to other communities, an Upper Arlington Community Center would likely be operationally sustainable, with the current programming subsidy for recreation and senior programming greatly reduced or even eliminated. Even under the stress test projections, the subsidies required to support recreation programming would remain well within what the City can afford.

Appendix 10 of the Task Force's final report contains the analysis that the Task Force used in making its recommendations and can be found at:

<https://docs.uaoh.net/pa/api/Document/ATTkFNrLJRDJXPd6OPzDcj2iPPKYD1ijXeJCBhLcg7CNK0sb2MW Cjs9FFA3zEzMMD6BpfbblppdSqj2UN363iM%3D/>

Claim: 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.

Facts: The first part of this statement is incomplete. The pro forma business plan developed by the Task Force's consultants assumed that 16 percent of households would join the Community Center as members. For financial estimating purposes, this is a reasonable, conservative estimate. Based on participation in existing recreation programs, it is believed that membership levels could be significantly higher.

Additionally, implied in this statement is the idea that only residents purchasing a membership would use the facility, which is false. Revenues would also be generated through daily passes for the fitness and aquatics facilities, meeting room and event space rentals, and from numerous programs and classes that would not require membership in order to participate.

The second portion of this statement is simply false. Property taxes will not increase for any UA residents. That is clear in the ballot language. As previously stated, property taxes cannot be raised without a specific vote of the people.

Claim: 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.

Facts: This statement is false and misleading. The City does not intend to build the office space unless tenants are identified to occupy a majority of the space and defray the costs of building it.

Initial estimates show that prior to accounting for revenue from the office portion of the building, the City only needs to identify additional funding sources of approximately \$250,000 per year to cover the debt service on the \$40 million in long-term debt required to construct the Community Center. If the City chose not to construct the office space, several other revenue streams exist that could cover the debt service on the Community Center:



- From 2015–2019, the City added approximately \$250,000 per year to its reserve funds (2020 was far greater, but that figure was skewed by CARES Act and other pandemic related funding). During that time, and including in 2020, the City spent over \$126 million on capital projects like water, sewers, roads, sidewalks and TIF-district public infrastructure. The City has maintained the increase in capital investments for the community since the passage of Issue 23 in late 2014. The City’s budget is projected to afford the level of debt service needed for these capital projects by using conservative estimates of future revenues including taxes. The City’s current 10-year Capital Improvement Program for years 2021-2030, projects spending over \$140 million on various improvements such as roads, waterlines, sewers and parks directly through the use of cash and future bond issuances.
- Even for the past 12 months (April 1, 2020-March 31, 2021) – the year most directly impacted by the pandemic – the City’s income tax receipts will have increased by 10.5% or \$860,000. That single year’s growth accounts for 344% of the debt service that would be required if the office portion of the project does not go forward (see estimate of \$250,000 above).
- Site preparation has started on the Arlington Gateway project, which is projected to generate a minimum of \$500,000 in additional annual income tax revenues.

The City recognizes that adding office to the project adds risk, which is why it is being used as an opportunity to make the project better, not as a requirement to get it done.

Claim: In order to finance this project, the UA School Board has agreed to forego almost all tax collections on the estimated property valuation of the Kingsdale development project proposed by Continental Real Estate. The City has said that the project will have a taxable value of about \$60 million, a Continental representative estimated that the project would have a build-out value of over \$100 million. Assuming the validity of Continental's estimate, then 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.

Facts: This statement is false. The City tried to use the most reasonable, yet conservative value estimate available. It is hoped and anticipated that the private development on the site will far exceed estimates, because that would have a huge benefit to BOTH the City and UA Schools.

If the projected value is underestimated by 60 percent as implied by this statement, the City would be able to repay its debt on the Community Center much more quickly. A 60 percent increase in value would translate to a 60 percent increase in TIF payments, potentially reducing the term of the 30-year loan by 10-15 years and saving on interest expense.

The Upper Arlington Schools would also benefit, receiving their full share of new property taxes much sooner than currently projected.

Claim: The UA schools have already stated that they intend to seek a property tax levy increase this Fall.

Facts: This is false. In early March of 2021, the Upper Arlington Schools Treasurer stated at a board meeting and it was widely reported in the community that the Schools would not go to the voters for a renewal or tax increase in 2021.



Claim: 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 storm water backups because of infrastructure that desperately needs to be replaced.

Facts: This statement is misleading. Since 2014 and the passage of Issue 23, the City has proactively increased spending on infrastructure in response to the community's support. In combination with recent TIF developments separate and apart from the new Kingsdale TIF, the City has averaged more than \$21 million in capital spending per year on public infrastructure and equipment. This is more than double the average annual spending prior to the passage of Issue 23. The City is confident it can continue this level of spending while also constructing and operating an active community center. The City's current 10-year Capital Improvement Program projects spending approximately \$140 million during 2021-2030 on various types of improvements such as roads, waterlines, sewers, and parks directly through the use of existing cash balances, income tax including the Issue 23 increase, and future bond issuances.

The City takes very seriously concerns about wastewater and storm water back-ups. After two major storm events caused flooding throughout Central Ohio in the Spring of 2020, the City undertook a thorough investigation of all areas that experienced wastewater backups. Based on its findings, the 2021 capital budget was increased to cover additional sanitary sewer repair work, chemical root removal, increased video inspections, as well as adding a budget for backflow preventer reimbursement for qualifying homes. For more information on our investigation into these issues, you can view our complete report at: <https://upperarlingtonoh.gov/wp-content/uploads/2021/04/Sanitary-Storm-Investigation-from-March-May-2020.pdf>

The City has been implementing large projects to improve our storm sewer system in 2020 and 2021 with the Mountview Road project, and Northwest Boulevard Phase 1 and Phase 2 projects. To decrease the amount of inflow and infiltration (rainwater) getting into the sanitary sewer system, the City continues to invest over \$1.3 million of annually in the Sustainable Sewer Solutions project which rehabilitates our sanitary mains and laterals by lining the sewers using trenchless technology.

Claim: 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 taxpayers paying more in the future.

Facts: This statement is false and incomplete. The City has always been very honest that a Community Center represents a major investment and will indeed be a heavy lift for the community. This would be the largest new asset developed by the City in decades. All involved in the study and development of the proposal before voters take this responsibility very seriously but are confident it can be accomplished while still maintaining a high level of services, continuing important reinvestment in all of the City's assets and preserving the City's exceptional fiscal position.

Regarding the City's Bond Rating, the City's Finance Director did raise these concerns, but he did not predict a specific revised rating. It is possible that building a community center, combined with a variety of other factors, could translate to a downgrade. However, the City's bond advisors anticipate at most, a reduction from AAA to AA1, which would translate to a nominal increase of 0.05% - 0.10% in interest rates for future bond issuances. To put this in perspective, only 4% of municipalities in Ohio have a AAA rating and 9% have an AA1 rating. Therefore, UA would still be in the top 13% of rated communities.



Claim: The projected annual operating costs are inconsistent with experience at similar facilities.

Facts: This statement is false. The operating budget projects expenses at \$3.4 million for a 95,000 square foot facility (\$35.79 per SF) which is in the same range as regional facilities: Dublin - \$36.36, Westerville - \$37.50, and Worthington - \$41.66.

Claim: 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.

Facts: This statement is incomplete. The City currently subsidizes recreation and senior programming that would be relocated to the community center by approximately \$530,000 per year. The business operations model based on similar facilities projects full cost recovery, reducing this subsidy to \$0 if the Community Center meets its projections. Under a “stress test” operations model the subsidy needed to support operations would increase by up to approximately \$250,00 (for a total subsidy of \$780,000 per year).

The City offers a wide variety of recreation services at different locations today that would be incorporated into the Community Center. This would translate to efficiencies in resources and greater flexibility for adding new programs and services that would generate new revenue streams, and the City is confident that a Community Center would be operated in a fiscally responsible way.

Claim: There is no mention about upkeep.

Facts: This is false and misleading. The Task Force Finance Committee and consultants established a maintenance fund as part of the operating budget. On an annual basis, five percent of revenue would be set aside for future maintenance needs. Based on the full-potential projections, this equates to \$1.1 million in the first six years. The City recognizes how critical this is to the long-term viability of the facility.

Claim: 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. Gahanna embarked on a similar speculative scheme with taxpayer dollars in Creekside, a mixed-use development.

Facts: This statement is false. The Upper Arlington proposal is focused on securing a medical office partner and is already receiving significant interest. Modeled after a successful partnership in Mason, Ohio, the City is seeking a medical partner to sign a long-term lease for most, if not all of the space. Any remaining office space would be highly marketable, based on the direct access to amenities, housing options and the Community Center.

This project is fundamentally different than Gahanna’s Creekside, which was a more speculative project that relied heavily on leasing retail space and was constructed shortly before the financial crisis of 2008. Kingsdale is in an established area and the proposal is to build approximately half the office space that was included in the Creekside development.



Claim: 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.

Facts: This statement is incomplete. Based on feedback from local real estate brokers and national site selection consultants, the City has concluded that this is precisely the correct time for this kind of space. Office users are looking for amenity-rich space to entice workers back into the office environment.

There will not be space in Central Ohio with higher amenities than the community center building. Offices that are vacant around Columbus share the following attributes: they are disconnected from amenities, they are in old buildings, and they are in suburban office parks or aging downtown office towers. The office space at Kingsdale will have none of those challenges.

The shift to working from home actually represents a significant opportunity for Upper Arlington, and it is one that makes a community center even more critical. As workers lose connections in the office, the spaces and amenities offered by a community center will be even more vital. The ability to hold meetings, gather with friends and colleagues, exercise and ensure that children are safe and engaged will be a significant draw to workers who are deciding where to home and office.

As stated above, the City sees the office space as an important enhancement to the project, but it is not necessary for the project to succeed.

Claim: 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.

Facts: This statement is at a minimum misleading. No source is given for the comment that “most” other Central Ohio taxpayers are not subject to these fees. Mathematically, that statement could be fact if the City of Columbus and two or three suburbs do not charge a certain fee. However, several other communities have supplemental police and fire pension levies and special millage for this item. While Columbus, Dublin, Worthington and Grandview do not charge for waste removal; at least nine other communities do. It is true that most municipalities do not charge for EMS runs, but in most other suburban communities, that service is provided by the township or another municipality which levies the fee. Regarding water and sewer fees, outside of the City of Columbus there is a great deal of variability in the fees that are charged, largely dependent on the age of the infrastructure in the community.



Claim: 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)

Facts: This statement is incomplete. The City does exceed the national standard for outdoor pools because the community has expressed a desire for such facilities. The standard is a guide, but the demand in Upper Arlington exceeds the standard, with the City's three outdoor pools operating at or above full cost recovery.

It is important to note that the NPRA standard only applies to outdoor facilities. They do not have a standard for indoor pools. Indoor and outdoor pools offer different services and experiences. Upper Arlington residents have expressed interest in year-round swimming for lap swimmers, family leisure swim and indoor swim lessons.

The City understands that the new high school may offer some limited availability for lap swimming when it is not programmed for students, competitive group practices and swim meets. This would only allow for swim hours during the school day however, and would not provide any additional access for families, working professionals, or those who want to undertake other water fitness activities.

Finally, the City agrees that a second competition pool would not be necessary or appropriate in the Community Center and has been very purposeful to not make plans for such a facility.

Claim: It has been suggested that the proposed center would increase residential property values.

Facts: This statement is misleading. The City has not taken a position on whether or not a community center will increase property values, but the City is confident that a community center will be good for our community.

