

Senator Lou Terhar
Chair, Senate Ways & Means
Ohio Senate Building
1 Capitol Square, 1st Floor
Columbus, Ohio 43215

Delivered via email: Brianna.Miller@OhioSenate.gov



April 1, 2019

The Honorable Senator Terhar,

The OBL is the foremost trade association for Ohio's banking industry – and is Ohio's only organization focused on meeting the needs of *all banks and thrifts* in the Buckeye State. The non-profit association is comprised of 190 FDIC-insured financial institutions including commercial banks, savings banks, and savings and loan associations ranging in size from just over \$13 million in assets to over \$2.5 trillion. For more than 125 years, the OBL has been the voice of the Ohio banking industry, fostering a cooperation that has made it one of the strongest and most reputable financial trade associations in the country.

On behalf of OBL members, I write to you in opposition Senate Bill 36 (SB 36), legislation that would threaten the viability of Low-Income Housing Tax Credit (LIHTC) projects by changing how these projects are valued for tax purposes. Though the valuation of LIHTC projects by county auditors is complex, a series of Supreme Court of Ohio cases over the past decade have recognized the unique situation these projects present for taxing. Through the *Woda Ivy Glen Ltd. Partnership v. Fayette Cty. Bd. Of Revision*, 121 Ohio St.3d 175, 2009-Ohio-762, 902 N.E.2d984, decision and its progeny, LIHTC projects have been valued taking into the economic realities imposed on the properties. Generally speaking, these properties can only be rented to a small subset of the population and are only able to generate limited rental income due to restrictive covenants imposed by the government. Thus, the true value a buyer would be willing to pay for the property is less than one would pay for an unencumbered, non-LIHTC, property.

SB 36 would change how LIHTC properties are valued by requiring auditors to value the property using market rate rather than considering the very real, legal government restrictions on the rent that can be charged. Essentially, the properties would be valued based on a rental value that the property could never actually charge. Some estimates predict that this could put as much as thirty-five percent of current LIHTC projects under extreme financial duress. This would increase the number of potential defaults and place the banks who hold the mortgages on, or invest in, these properties at great risk of financial loss. Banks and lenders could see significant financial losses for the existing affordable housing stock as well as put any future affordable housing developments at risk as they would become economically impracticable. Consequently, passage of SB 36 would be extremely detrimental to Ohio's banking industry and economy.

For these reasons, we urge you to oppose SB 36. Please feel free to contact me if you have any questions regarding our opposition at dboyd@ohiobankersleague.com or (614) 340-7608.

Sincerely,

Don Boyd
State Government Relations Director
& Legislative Counsel

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