***Opponent Written Testimony from Neighborhood Development Services, Inc.***

***SB 36***

***April 2, 2019***

Chairman Terhar and members of the Senate Ways and Means Committee, thank you for the opportunity to provide written testimony in opposition to Senate Bill 36. Neighborhood Development Services, Inc. (NDS) was recently made aware of the legislation, which would require federally subsidized residential rental property to be valued for tax purpose based on its market rent, without regard to the effects of governments policy powers or other governmental actions, which may include subsidized rent, favorable financing, tax credits or use restrictions.

As a non-profit developer and owner of affordable housing, we are deeply troubled by SB 36 and would like to share our concerns regarding the impact that the bill would have upon the already disadvantaged seniors and families that our organizations serves. This legislation could have disastrous effects for these low and moderate-income households that rely upon federally-subsidized housing programs for one of their most basic human needs: a home.

Neighborhood Development Services, a private non-profit 501c(3) organization, has nearly 35 years of experience in the affordable housing industry. Our mission is to: “revitalize neighborhoods and communities, primarily for the benefit of low and moderate-income households, through the provision and /or promotion of affordable housing, environmental sustainability, community and economic development, and job creation. As such, NDS provides an affordable place to call home to more than 1,000 seniors and families in Ohio, all of which are considered low - to moderate-income.

In order to better illustrate the issues surrounding the impact of SB 36, NDS would like to provide a few examples of properties that would be negatively impacted should this proposed bill be enacted. These impacts are indicative of the detrimental consequences that this bill would have throughout NDS’ portfolio and those of other affordable housing providers throughout the State of Ohio.

**Wellness Village at Midway** is a senior property located in Canton, Ohio.

* The property serves 36 active seniors with not only housing, but also a wide variety of supportive services including nutrition classes, a food pantry, blood pressure and other health screenings, a community garden and various other linkages to services and organizations throughout the community. Wellness Village’s rents are restricted via the LIHTC and HOME programs, and the property serves residents from 0 – 60% of the area median income and rents range from $273 – $736 per two bedroom unit (depending upon income of the household). These limitations are in place for *at least* 30 years from the placed-in-service date.
* Wellness Village is currently appealing its excessive tax rate, which charges more than $41,000 per year (over $1,140 per residence). This appeal process is already a costly endeavor, forcing owners to hire legal counsel to evaluate properties and attend local and state proceedings at the Board of Zoning Appeals. During these hearings, the owner explains how the income earned from these properties are already restricted by the funding sources via rent limits, reserve contribution requirements, etc.

**Rootstown Villas** is also a senior housing community located in Rootstown, Ohio (Portage County).

* The property includes 33 senior housing apartments and is restricted by the LIHTC and HOME programs as well as USDA’s Rural Development 515 program. As such, this property incorporates rent restrictions limiting the maximum allowable rents to $510 for one-bedroom apartments and $554 for two-bedroom apartments. Residency is restricted to households that are at or below 60% of the area median income.
* In addition, USDA’s 515 program provides a mortgage subsidy that brings the interest rate down to 1%, which allows us to charge affordable rents to tenants. Because some of the tenants cannot pay even this lower basic rent, USDA provides Rental Assistance. All 33 of Rootstown’s units have Rental Assistance, which helps tenants to afford the basic, or minimum rent, which is determined by the USDA approved budget of the property and the required loan payment with the reduced interest rate. Further, should any income be earned over and above this basic rent, the owner must return any and all additional income directly to USDA (which also reviews and approves the project’s budget on an annual basis).

***Conclusions:***

As you can see, the overall income and profitability for affordable housing communities is severely limited through income restrictions and rent limitations for more than 30 years from the date they are placed-in-service. As such, these properties do not operate under typical market conditions, and using a market-based value to determine property taxes is inappropriate, restrictive, and unrealistic.

Should SB 36 be made law, it would limit the ability of NDS and other affordable housing providers to fund adequate replacement reserves that allow for the proper maintenance and upkeep of the property, supportive services improve the health and well-being of residents, and the affordability of the property. This would severely limit options for the already disadvantaged senior citizens and families who rely upon subsidized affordable housing for a safe, decent and affordable place to call home.

NDS, appreciates the opportunity to provide feedback regarding SB 36 and would welcome the opportunity to answer any questions and address concerns regarding the potential impact this legislation would have in the affordable housing industry. Please do not hesitate to contact Stacy Brown, Executive Director at 330-297-6400 ext. 222 or at sbrown@ndsohio.org.

Respectfully submitted,

Stacy Brown

Executive Director