

Nate Green
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Jobs Alliance Testimony for House Bill 123
Ohio House Ways and Means Committee
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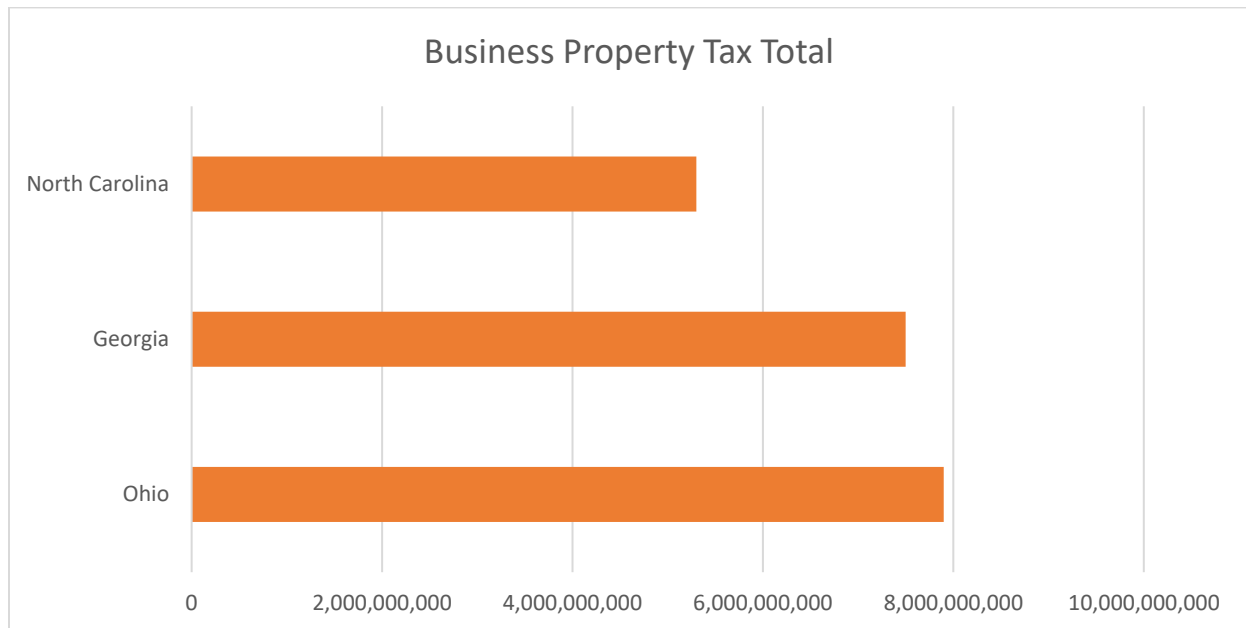
Chairman Merrin, Vice-chair Reidel, Ranking Member Sobecki , and members of the House Ways & Means Committee, thank you for the opportunity to present testimony today in support of House Bill 123. My name is Nate Green and I serve as the Executive Director of the Jobs Alliance. The Jobs Alliance was formed to advocate and support pro-growth economic development policies in the state of Ohio like Representative Cross and Fraizer's Community Reinvestment Area reform legislation. I have served as a Deputy Director for Business Investment at the Ohio Department of Development, a senior leader at Jobs Ohio but also as Executive Director of P3—Pickaway County's economic development group and on the staff at the Cleveland Port Authority. My perspective today is shaped by a 20-year career in economic development and negotiating over \$1 B in economic development projects.

I first would like to start by thanking both Representative Cross and Representative Fraizer for introducing this important legislation. Ohio like many other state's provide a variety of tools to help support the creation of jobs in our state. Representatives Cross and Frazier recognize that property tax abatements can address Ohio's high tax and property costs and drive not just job creation but also local tax revenues.

One of those programs is the Ohio Community Reinvestment Area (CRA) program, which is an economic development tool administered by municipal and county government that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRAs are areas of land in which property owners can receive tax incentives for investing in real property improvements. The program is delineated into two distinct categories, those created prior to July 1994 ("pre-1994") and those created after the law changes went into effect after July 1994.

Property tax abatement programs are a prime tool to retain and attract manufacturing and logistics jobs to Ohio. Manufacturing and logistics are hot growth markets in today's COVID 19 economy launching what is a second Industrial Revolution. Logistics is a booming industry driven by the growth of the \$340 B e-commerce industry expected to grow to \$476 B by 2024 according to CBRE. Manufacturers in the United States account for 11.39% of the total output in the economy, employing 8.51% of the workforce according to the National Association of Manufacturers. A site's property tax costs directly impact a region's ability to retain and attract logistics and manufacturing projects. Whether a new building or equipment purchases, logistics and manufacturing facilities are a capital-intensive business that drive up property values and property tax bills. The higher a site's property tax the more challenging it is to locate new logistics and manufacturing facilities. As the chart below illustrates from the Council of State Taxation, Ohio has higher property tax rates than their Southern counterparts of a similar market size. More importantly, Ohio taxes far more business activity than many other states including being only one of 17 states to permit municipal income taxes. The result is Ohio taxes business

nearly \$23B while competitors North Carolina taxes business \$16.6B and Georgia just over \$18B according to the COST report.



Source: 2020 Business Tax Burden, Council of State Taxation

Ohio's CRA program permits Ohio municipalities and counties to encourage revitalization of the existing housing stock and the development of new structures. Ohio needs to reform its tax abatement program to streamline the process and encourage economic investment. House Bill 123 would do just that. HB 123 streamline the process of creating a new CRA by eliminating the requirement that the Ohio Development Services Agency approve a proposed CRA. The legislation would require DSA instead to create a model CRA exemption agreement between both the owners of a commercial or industrial project and the local authorities as well as establish the terms of such an agreement.

The legislation would increase from 50% to 75% the percentage of a proposed CRA that a municipality or county is able to approve without obtaining permission from a school district encompassing a project. As well as a number of other changes, which I have outlined below.

- Removes the requirement that municipalities share municipal income tax revenue generated by new employees at a large CRA commercial or industrial project with the school district encompassing that project;
- Reduces, from five to two years, the amount of time required to transpire between the discontinuation of a CRA commercial or industrial project, and when the project's owner may obtain an enterprise zone tax exemption or another CRA exemption;
- Removes the requirement that the owner of a CRA commercial or industrial project notify the local authority in advance of relocating the site of the project to another local authority's CRA;
- Modifies the recipients of and the information appearing in a required annual report issued by local authorities detailing CRA commercial and industrial projects;

- Eliminates fees paid by CRA commercial and industrial project owners to the local authority and DSA to cover the cost of administering such projects; and
- Requires DSA to publish on its website the locations of each CRA, as well as all commercial and industrial project exemption agreements.

The proposed reforms I have referenced today in my testimony are important updates and will position Ohio for continued job creation in a 21st century economy. I encourage you and your colleagues on the House Ways & Means Committee to continue to support this valuable economic development tool by passing these needed updates.

If you have any questions, I would be happy to answer them at this time.

Thank you.

Nate Green