Ohio House of Representatives

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Chairman Merrin, Rankling Member Riedel, Ranking Minority member Sobecki, and members of the House Ways and Means Committee, thank you for the opportunity to provide testimony on House Bill 470, legislation to enact the Community Investor Credit Act.

The goal of the bill is to expand real estate investment opportunities for the average Ohioan while providing capital to spur much-needed new housing developments across the state.

The bill authorizes developers of multi-family residential housing developments in Ohio that derive at least 1% of their funding from *non-accredited Ohio investors* to qualify for a nonrefundable income tax credit equal to a portion of project development costs. A non-accredited investor (aka “community investor”) is any investor who does not meet the income or net worth requirements set out by the U.S. Securities and Exchange Commission (SEC) to be considered an accredited investor. Specifically, non-accredited investors are anyone making less than $200,000 per year that also has a total net worth of less than $1 million. The U.S. Census Bureau cites Ohio’s median household income in Ohio as just under $57,000, so this would open up opportunities for most Ohioans.[1]

According to 2019 Q4 data from the Federal Reserve, the millennial generation holds approximately zero net real estate wealth. Between 2018 and 2020, the share of Millennials in the United States who expect to always rent their home increased from 10.7 to 18.2 percent.[2] Nationwide, investors are buying approximately 20 percent of all homes.[3] Increased community involvement has been proven to decrease crime.[4] This legislation aims to address these issues by incentivizing development that will encourage investment by individuals in the communities in which they live, regardless of whether they can afford to own a home.

Historically, most individuals did not have access to certain investment opportunities unless they met the minimum net worth requirements, regardless of their own personal financial sophistication or knowledge. Due to an SEC rule amendment passed in 2020, individual investors can now access those opportunities. It is our hope that passage of this bill will incentivize developers to raise capital from non-accredited investors, thereby allowing the average Ohioan access to real estate investment opportunities typically reserved for the wealthiest Ohioans.

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[1] https://www.census.gov/quickfacts/fact/table/OH/INC110219
[2] https://www.statista.com/statistics/1222083/millennial-renters-expect-to-rent-forever-usa/
[3] https://therealdeal.com/national/2021/04/13/institutional-investors-higher-material-costs-lead-to-rising-home-prices/
[4] https://www.brennancenter.org/our-work/analysis-opinion/community-organizations-have-important-role-lowering-crime-rates

House Bill 470 allows a qualifying developer to apply for a nonrefundable credit against their income tax equal to ten per cent of the costs incurred by the developer for the project. Eligible projects can include new construction, a new purchase, and a financial restructuring or recapitalization of a multi-family residence – the goal here is to spur adoption of this community investor model by developers.

The bill authorizes, over a biennium, not more than $50 million in credits overall or $2 million for a particular developer. Tax credits would be awarded on a first-come, first-served basis, with applications going through the Department of Development.

The bill is modeled after other similar tax credits, including the recently reauthorized Opportunity Zone Investment Credit and recently enacted Transformational Mixed Use Development tax credit.

Thank you for your consideration and I would be happy to answer any questions you may have.