

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

NAIOP OF OHIO

May 27, 2022

The Honorable Derek Merrin
Ohio House of Representatives
77 South High Street, Floor 13
Columbus, Ohio 43215

Dear Chairman Merrin:

NAIOP Ohio is the leading statewide commercial real estate association and advocates for the industry at the state level. We urge you and your colleagues of the House Ways and Means Committee to pass Substitute Senate Bill 225, sponsored by Senator Kirk Schuring, in substantially the same form as it unanimously passed the Senate. As we shared during proponent testimony last month, NAIOP's primary objective is to advance economic development in Ohio, acting as an advocate for the commercial real estate development industry to create jobs, improve communities, and enhance the quality of life of Ohioans so as to enable us to attract and retain a talented workforce.

In its third year of existence, following a worldwide pandemic, the Ohio Opportunity Zone Tax Credit Program has real momentum. As Senate Bill 225 provides, the funding for that Program needs to be expanded from \$50,000,000 per biennium to \$100,000,000 per biennium. Otherwise, the positive momentum that Ohio has finally begun to realize in those historically distressed areas of Ohio will be thwarted. The Ohio Department of Development received over 400 applications (a record number) and issued approximately \$26,000,000 in Ohio Opportunity Zone Tax Credits for investments made in Ohio Opportunity Zones in 2021. That means that at least \$260,000,000 was invested into Ohio Opportunity Zones in 2021. As a result, there is only \$24,000,000 left to be awarded for 2022 investments in the current biennium. Since Ohio Opportunity Zone Tax Credits are awarded on a first-come, first serve basis, if the allocation is not increased to \$100,000,000, then there will be applicants that will not receive those tax credits, despite the fact that they took the risk of investing in an Ohio Opportunity Zone and counted on receiving those tax credits to help justify their investment. They will have already spent their money on the investments and will not likely be able to get that money back. Now more than ever, this funding is necessary to counterbalance skyrocketing construction costs and rising interest rates.

Many of NAIOP Ohio's 500 Ohio members have emphasized that if the allocation is not increased to \$100,000,000 to ensure that Opportunity Zone Tax Credits will be available, developers will be *less likely to invest* in Opportunity Zones, and certain projects will be delayed and may never happen. For example, we are aware of a developer that is planning a significant project in a Northwest Ohio Opportunity Zone. If that development is denied credits due to lack of Opportunity Zone Program funding, that could cause that Project to not move forward, that developer will be extremely dissatisfied, and Ohio's lack of adequate support for that Program will have a chilling effect on future economic development in our

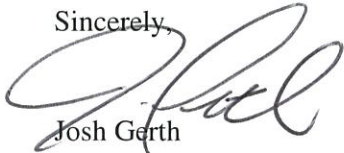
State. Contrast that with the developer having a high degree of confidence that it will be able to receive necessary funding to support its Project with the help of the Opportunity Zone Program, that development moving forward, and positive momentum naturally continuing in Ohio's Opportunity Zones.

If a taxpayer invests money into an Opportunity Zone Fund, and that Fund invests into the Opportunity Zone Property, the taxpayer qualifies for the 10% tax credit, and the taxpayer could receive that tax credit so long as that transaction is documented properly and there is funding is available in that Program. We are urging immediate passage of Senate Bill 225, because temporarily expanding and enhancing both the Ohio Opportunity Zone Tax Credit Program and the Ohio Historic Preservation Tax Credit Program will improve Ohio's communities and generate multiple layers of returns for Ohio's economy for many years to come.

With respect to the proposed amendments to Senate Bill 225, NAIOP supports the inclusion of an emergency provision to enable Ohio to reap the benefits of the temporary expansion and improvements to these Programs immediately. NAIOP supports the proposed amendment that would allow more projects in more cities in Ohio to receive a 35% Ohio Historic Preservation Tax Credit. NAIOP has no issues with the proposed amendment that would impose financial consequences on projects awarded Ohio Historic Preservation Tax Credits that do not move forward on a timely basis. However, NAIOP earnestly opposes the proposed amendment that would remove the Opportunity Zone expansion and enhancement language from Senate Bill 225. We believe any such amendment would undermine our Legislature's goal to promote economic development in Ohio and would result in bad policy and loss of meaningful long-term opportunities for our State.

Therefore, on behalf of NAIOP Ohio, we respectfully urge the passage of Substitute Senate Bill 225 before the upcoming extended summer recess. Thank you for your continued support of Ohio's economic development community and work on this important piece of legislation.

Sincerely,



Josh Gerth
President of NAIOP Ohio

Cc: Ohio House Majority Leadership, Christine Morrison, Dwight Crum, Ohio House Ways & Means Committee