



House Economic and Workforce Development Committee

Tony DiBlasi - EVP, Operations and Asset Management

Ohio Capital Corporation for Housing

Written Testimony

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Chairman Swearingen, Vice-Chairman Santucci, Ranking Member Upchurch and members of the House Economic and Workforce Development Committee, thank you for the opportunity to submit testimony in support of those provisions found in House Bill 3 that relate to the valuation of workforce and affordable housing, specifically those provisions impacting Sections 5713 and 5715 of the Ohio Revised Code. These proposed revisions found under H.B. 3 are critically important as they will have a profound impact on the long-term financial stability and sustainability of Ohio's affordable and workforce housing stock.

My name is Tony DiBlasi, EVP of Operations and Asset Management at Ohio Capital Corporation for Housing (OCCH), a not-for-profit organization, a financial intermediary involved in the financing of workforce and affordable housing properties across Ohio and surrounding states. OCCH has attracted over \$4.1B dollars of investment in workforce and senior affordable housing in Ohio over our 34-year history, representing over 50,000 units of housing in 800 properties as we have interfaced with over 120 housing developers over the years. OCCH is also a member the Ohio Housing Council, a trade association consisting of over 100 organizations whose members are active in nearly every county across Ohio.

In the late hours of the 2022 lame-duck Session, certain language related O.R.C. 5173 was added to H.B. 45 that places Ohio in an untenable situation as it relates to the valuation (for real estate tax purposes) of affordable housing. As result of H.B. 45, Ohio is a clear outlier -- *now the only state in the country that allows the 'cost approach' for the valuation of affordable housing* -- a position that is completely inconsistent with national industry standards.

The language found in H.B. 3 related to Sections 5713 and 5715 of the Ohio Revised Code will not only reverse the damaging language contained in H.B. 45, but more importantly, replaces it with a common-sense solution that has emerged after multiple years of dialogue with the key stakeholders related to this matter.

While there has been clear guidance from the Ohio Supreme Court with multiple court rules over the past 14 years related to the valuation of affordable housing, it is true that work is required to clarify the valuation process as owners and County Auditors have both experienced frustrations over the years with an unnecessary level of appeals having been filed at both the Board of Revision and the Board of Tax appeals.

Seeking common ground with County Auditors, representatives from both the Ohio Housing Council (OHC) and the County Auditors Association of Ohio (CAAO) have held a series of meetings over the past several years and have been constructively engaged in our mutual desire to find common ground in an effort to dramatically reduce the numbers of administrative appeals for the benefit of all parties.

In fact, the framework for the language found in H.B. 3 codify the basic concept that the deed restrictions or regulatory agreements tied to these assets must be considered when determining the valuation of this

housing class, and was agreed upon in principle in July of 2022 as a by-product of the Federally Subsidized Housing Study Committee. That Committee was co-chaired by Senator Blessing and Representative Bird and was charged with the duty of exploring the question of appropriate valuation methodologies for these types of housing developments.

The framework for the CAAO / OHC compromise consisted of common-sense solutions that were responsive to the needs of the various stakeholders. Both sides engaged in good faith throughout that process, with both sides making significant concessions in finding common ground. Key outcomes of the CAAO / OHC understanding included the following:

1. Affirmation that the income approach is the only methodology that is appropriate for the valuation of affordable housing.
2. Agreement that a standardized data source should be used to establish a uniform capitalization rate used in the valuation calculation.
3. Agreement that owners of affordable housing should bear the responsibility to provide a standard packet of information to County Auditors well in advance of the reappraisal process – information that is required for the Auditor to properly consider all of the data associated with that property to properly determine its valuation.
4. That a valuation ‘floor’ should be established to not allow for an abnormally low valuation (should the income approach methodology result in a valuation that produces no value).

While I recognize that the agreement from July 2022 contemplated a variety of additional details not stipulated in the language found in H.B. 3, these key four points represented the framework of the agreement. The proposed changes to sections 5713 and 5715 of the Ohio Revised Code found in Sub. H.B. 3 are consistent with the spirit of the agreement that was reached between CAAO and OHC after lengthy negotiations. For that reason, I urge that you support these common-sense provisions to protect Ohio’s workforce and affordable housing portfolio and to open the door for continued investment in this exceedingly important asset class.

I thank you for this opportunity to provide remarks to this Committee, and I welcome any questions you may have.



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Example of Market Rate versus Affordable Valuation

The illustration below demonstrates the significant impact of deed restrictions on the valuation of a deed-restricted property when compared to a market rate property. Let's suppose that two 50-unit buildings were built side-by-side and were mirror images of one another: same location, same bedroom sizes, same amenities.

Property A: **Market Rate Manor**

- **NO DEED RESTRICTIONS**
- Rents \$1,200+ / month
- Minimal paperwork to lease units – same day move-in
- Ability to increase rents per market demand
- Minimal oversight from City / State
- Ability to sell asset to other buyers
- Cash flow not captured by State
- NO risk of severe financial IRS penalties for non-compliance

Property B: **Affordable Acres**

- **30-YEAR DEED RESTRICTIONS**
- Rents capped at \$800+ / month
- Significant paperwork to lease units – delayed move-in to perfect paperwork
- Rents capped – limited increases
- Significant oversight from City / State
- No ability to sell asset to other buyers
- Cash flow captured by State
- Significant risk of severe financial IRS penalties for any regulatory non-compliance

In the sample valuation analysis below, both properties are of the same size; have the same vacancy rate; have the same operating expenses (excluding real estate taxes); and utilized the identical Capitalization Rate (with the same additur to the Cap Rate to account for real estate taxes). The ONLY difference? Market Rate Manor is able to charge a market rate rent at \$1,200/unit per month, and Affordable Acres has a deed restriction where rents are limited at \$800/unit per month.

Rent / Unit	\$ 1,200	Rent / Unit	\$ 800
Units	50	Units	50
	\$ 60,000 per month		\$ 40,000 per month
X 12 Months	\$ 720,000 per year	X 12 Months	\$ 480,000 per year
less 5% vacacny	\$ (36,000)	less 5% vacacny	\$ (24,000)
Annual Income	\$ 756,000	Annual Income	\$ 504,000
PUPA OpEx (less RE Taxes)	\$ 5,200	PUPA OpEx (less RE Taxes)	\$ 5,200
Total Expenses	\$ 260,000	Total Expenses	\$ 260,000
NET OPERATING INCOME	\$ 496,000	NET OPERATING INCOME	\$ 244,000
Cap Rate + Tax Additur	9.00%	Cap Rate + Tax Additur	9.00%
Valuation	\$5,511,111	Valuation	\$2,711,111

Article 12 Section 2 of the Ohio Constitution requires that all real property be valued at its 'true value' which means its fair market value. Fair market value is the price that an educated buyer would pay an educated willing seller, where neither party is compelled to enter into the transaction. Question: Would any informed buyer pay the exact same amount for Property B that they would for Property A? The answer is obviously NO. The inability for Affordable Acres to charge market rents suppresses its value. The provisions in H.B. 3 related to Section 5713 and 5715 of the Ohio Revised Code create a common-sense methodology for the income approach methodology to be fairly applied and aligns with industry standards across the country, consistent with the requirements of the Ohio Constitution.