



Chairman Rulli, Vice Chairman Schuring, Ranking Member DeMora, and Members of the Senate General Government Committee, thank you for allowing NAIOP the opportunity to provide interested party testimony on Substitute House Bill 33, the state operating budget. My name is Mike Sikora and I serve as the Vice President of NAIOP of Ohio, a member of the Northern Ohio NAIOP Chapter, and a Managing Partner at Sikora Law, where I practice and advocate for the real estate industry.

NAIOP of Ohio is a statewide association of over 500 members representing the real estate development industry across Ohio, and NAIOP is supported by a statewide board with Trustees representing the 4 local chapters. As an organization, we would like to express our continued commitment to working with you and your colleagues in the legislature on innovative ways for development to thrive statewide. According to an analysis from the NAIOP Research Foundation, Ohio is the third highest ranking state in the U.S. for overall contributions of real estate to state GDP of \$64 billion and 424,000 jobs supported in 2022. As the state's leading commercial real estate association, NAIOP of Ohio has identified key legislative priorities that are instrumental in both maintaining and expanding successful development in Ohio. We need to keep this momentum going to stay competitive and attractive to Ohioans and those who want to invest in Ohio.

As you and your colleagues consider amendments to the Substitute House Bill 33, we respectfully ask for your support for the following policy and funding initiatives:

\$500 Million Total for the Brownfield Remediation Program

The Brownfield Remediation Program has supported the redevelopment of contaminated properties. This year, the program has awarded funds for remediation projects in 58 out of Ohio's 88 counties. The program is currently oversubscribed, and the market has proven that there is a significant need and justification for additional funding to support the cleanup of contaminated sites throughout Ohio to ready them for productive use. While we appreciate and commend the House's allocation of \$350 million over the biennium, we believe additional funding would be well utilized by existing qualified projects already in the pipeline.

\$250 Million Total for the Building Demolition and Site Revitalization Program

As we turn blighted properties into new opportunities, Ohio is transforming communities and attracting new investments, businesses, and jobs. The first year of this program has already been a success with funding awarded to projects in 87 of Ohio's 88 counties, but this program is also oversubscribed. Expanding the Building Demolition and Site Revitalization Program would help ready more blighted properties for economic development and growth in Ohio. Like the Brownfield Remediation program, we appreciate the House's allocation of funding (\$150 million is FY 24), however we believe additional funding would be well utilized by existing credible projects.

\$200 Million Total Per Fiscal Year for the Transformational Mixed-Use Development (TMUD) Program

The TMUD Program creates more opportunities for retail, office, residential, and/or recreational space of scale to exist in a single development project. These projects can truly transform a community. Round 1 of the Program, which was oversubscribed, resulted in the Department of Development recommending state support for 13 mixed-use projects, which are expected to spark more than \$1 billion in investments throughout Ohio. Round 2 of the Program was once again significantly oversubscribed as 12 more mixed-use projects were awarded tax credits. Increasing the amount of tax credits that can be awarded in a fiscal year to \$200 million from \$100 million will facilitate more development opportunities that have the potential for tremendous impact to transform Ohio communities.

Increase to \$60 Million the Opportunity Zone Allocation for Fiscal Year 2024 and Fiscal Year 2025

The Ohio Opportunity Zone Tax Credit Program has stimulated and accelerated development in many of Ohio's historically underserved areas, paring well with the Federal Opportunity Zone Program created by the 2017 Tax Cuts and Jobs Act. Over \$43 million was applied for in the most recent round of that Program, based upon a year's-worth of investments. \$50 million is provided for that Program in the first year of the upcoming biennial cycle, and only \$25 million is provided for that Program in the second year of the upcoming biennial cycle. If that Program runs out of funding, just several years into the Program, when it is finally gaining real momentum and having its intended effect, it will crush interest in investment in those areas, because developers and their investors would have already committed their funds to those projects, but would not receive the corresponding financial incentives that curb some of the risks they face by investing in those areas.

Updating the Requirements for Electronic Means of Recording Instruments

Originally House Bill 237 of the 134th General Assembly, this language would modernize Ohio's system of recording instruments, improve, and streamline the ability to complete real estate transactions.

- The ability to file and access recorded instruments remotely would provide a practical benefit to commercial real estate professionals throughout Ohio and the parties to real estate transactions, including sellers, buyers, lenders, and borrowers. The pandemic highlighted how important it is to be able to access and record instruments to complete transactions and doing so electronically should be the safest and most efficient approach.

Proportional JVSD Compensation for Property Tax Exemptions

Clarify that a joint vocational school district (JVSD) shall receive compensation in proportion to how the JVSD is allocated property tax revenue funding relative to the traditional school district.

- Traditional school district's millage can be roughly 15 to 20 times greater than the JVSD's millage, and the school district is giving up a far greater portion of revenue due to an exemption; therefore, it is not logical that the JVSD would receive the same compensation. The lack of clarity regarding how to interpret "at the same rate and under the same terms received" is leading to additional back and forth between the parties, thus slowing development projects down.

TIF Exemption Commencement

Clarify that tax increment financing (TIF) exemptions can begin on a parcel-by-parcel basis by the earlier of (i) the tax year in which the value of an improvement exceeds a specified amount or (ii) a certain year.

- Under current law, the triggers for when a TIF exemption may commence may not facilitate the desired goal of a TIF or maximize the value of the TIF. The proposed change will provide added flexibility to meet the needs of development projects and maximize the value of the TIF for jurisdictions and developers.

TIF Process Simplification

For non-school TIFs (i.e., those in which school districts receive TIF revenue equal to what they otherwise would receive in property tax revenue), simplify all of the TIF statutes to eliminate (i) the requirement that the school district board of education approve the TIF and (ii) the school district notice requirements.

- Under current law, even though school districts are made whole under non-school TIFs, county and township TIFs require the school district to approve non-school TIFs (even though that approval is not required for municipal TIFs). Additionally, the ORC requires notices to be provided to the school districts for non-school TIFs even though the school district is not impacted. These requirements create added steps in the administrative process and can increase costs through legal or service provider fees for the jurisdictions, developers/companies and traditional school districts.

And finally, the successful and important **Historic Preservation Tax Credit** has approved 587 projects to rehabilitate more than 819 historic buildings in 82 different Ohio communities. We request that the expansion of the Historic Tax Credit Program remain in place for not only Fiscal Year 2024, but also Fiscal Year 2025.

NAIOP of Ohio's primary pursuit is to assist the progression of economic development activity in Ohio and advocate for the development community to create jobs, viability, and a quality of life that retains and attracts talent to the state.

Chairman Rulli, thank you again for allowing me the opportunity to testify and I'm available for any questions.