

**Testimony of Don Brunner  
On behalf of the Ohio Apartment Association  
To the Senate Select Committee on Housing**

**September 26, 2023**

Good morning, Chairman Reynolds and members of the Senate Select Committee on Housing. My name is Don Brunner, and I am the president and CEO of BRG Realty Group of Cincinnati. I'm joined today by my colleague, Charles Tassell, who is also an apartment community owner in the greater Cincinnati region. Together, we are members of and past and present leaders of the Greater Cincinnati Northern Kentucky Apartment Association and the Ohio Apartment Association (OAA). We also dedicated our time and efforts to supporting apartment communities at the national level. I am the Immediate Past Chair of the National Apartment Association, serving as Chair for 2022, and Charles is the Chief Operating Officer of the National Real Estate Investors Association. We are happy to be here to speak on behalf of myself and the members of OAA.

First, I'd like to provide a little background on OAA. The association is a federation of nine local apartment associations. OAA members own or manage approximately 500,000 rental units across the state of Ohio. Our members are largely local, Ohio-based companies with years of experience in the rental market. We are primarily the owners and/or operators of large-scale apartment communities, as opposed to one-off single-family rentals or small-scale multi-unit properties.

I'd also like to tell you a little bit more about my business, BRG Realty Group, as I believe my business is representative of many OAA members across the state. BRG has been headquartered in Cincinnati since our founding in 2005. BRG's owners and executive team has over 250 years of accumulated experience in property management. The Group's founding principals maintain significant ownership interests in most of BRG's communities and they have guided the organization on sustainable growth strategy. Our success is built upon a foundation of relationships shaped by trust, an engaged and talented employee base, service focused business practices, sound fiscal practices, value-add services, and investor and risk management protocols that ensure future stability. BRG owns and manages more than 7,000 apartment units in Greater Cincinnati; Columbus; Northern Kentucky; Dayton; Lexington, Kentucky; Georgetown, Kentucky; Richmond, Kentucky and New Albany, Indiana. Our properties are a diverse mix of older communities that we acquired and new properties that we developed and built. We are proud to provide housing to residents from all walks of life and from all income levels. We are Ohioans – and most of my colleagues in OAA are the same. We are committed to this state and to remaining a vital piece of the state's housing mix.

By this point, I'm sure you have heard from numerous witnesses on the housing issues that the state is facing. I will not belabor that point and will only echo that we are seeing the same issues – lack of units; rising rents; rising interest rates and rising costs, etc. What I would like to do today is address some issues that are specific to our industry that add to our cost of doing business and thus impact the costs to our tenants and the quality of the product we are able to provide. We also offer our thoughts on possible solutions the General Assembly might consider to alleviate some of the pressures we are facing.

## 1. Property Taxes

Many witnesses have referenced the rising cost of rent in the state. We acknowledge that is a fact. However, rental rates rise when the costs of owning and managing rental properties rise. Our only “customers” are our tenants, and our revenue stream is rent – this is not a business that provides many revenue diversification options.

With that rental revenue, we must pay certain fixed costs:

- the mortgage
- our insurance policies
- utilities
- a myriad of local licenses and inspections fees
- our labor force
- property maintenance – including landscaping, pest control, pool maintenance, appliance repairs, plumbing and electrical repairs, etc.
- and of course, property taxes.

We are significant property owners in our communities and property taxes are one of the largest costs of business that I and other OAA members face. And like all other property owners in the state, we’ve seen our property taxes steadily, and more recently rapidly, increase. To the point that we will be paying approximately 25% of one of our property’s revenues in a Central Ohio suburb as property taxes.

When so much of our revenue is devoted to our fixed costs and those costs are rising, something has to give. Do we raise the rent? Do we defer ongoing maintenance? Layoff some of our staff? It certainly makes it difficult to plan for and complete the capital improvements that keep our properties up-to-date and providing for the amenities that our tenants desire.

It is important to note that multi-family residential property is considered commercial land under Ohio law and thus taxed at a higher rate than residential land – land used and occupied by one, two, or three families. Apartment communities – where the only purpose is residential and the only revenue is derived from rent – are taxed in the same way as theaters, office buildings, warehouses, retail and wholesale stores, bank buildings, commercial garages, commercial parking lots, and shopping centers.

We believe, and have long argued, that all property that is full-time residential in character should be taxed in the same manner. While tenants may not pay property taxes directly, their cost of living is impacted by the property taxes their landlords pay. The current tax structure clearly favors one group of Ohioans, homeowners, over another, tenants.

## 2. Zoning

Again, as many witnesses have said, Ohio is a patchwork of zoning codes. There is little to no consistency across the thousands of zoning codes in force around the state. Many are decades old and are written to favor detached single-family homes, with little to no room for multi-family

homes or that push multifamily communities into corners and less favorable areas. Most codes are so restrictive that it can take months, if not years, and significant expense to even get approval to build new communities.

There are codes that are so tilted toward single-family homes that even small-scale multi-family homes, like duplexes, townhomes and courtyard buildings, cannot be built. Some of our most desirable, historic neighborhoods include this diverse housing mix, allowing for neighborhoods with households of all different ages, sizes, and incomes. In essence, we are stuck living in the 1950s and 1960s when the car-based suburb ruled the American dream, even in some of our densest urban areas and in contravention to what many citizens desire for their housing.

We understand that zoning, like politics, is local. Every community should have the ability to tailor their zoning code to the needs of their particular community. But what the state can do is establish minimum standards for zoning codes. Standards that require communities to allow increased density and respect diverse housing options. Standards that eliminate the mountains of red tape and bureaucratic process that have accreted into the codes over the years and with patchwork revisions. And while citizens should have a strong voice in how their communities develop, small groups of NIMBYs shouldn't be allowed to derail progress that most of the community supports.

Requiring minimum standards will help promote housing development and diversity and can lower development costs by ensuring a relatively standard development process across the state.

### 3. Regulatory Burdens

Just as there is a patchwork of zoning codes, there is also a patchwork of local laws that impact the development, the day-to-day operation, and the cost of multi-family housing. Drive across a border and the costs and requirements of operating multi-family housing can change drastically.

Increasingly, these regulations will extend beyond the typical health/safety/building code type regulations into those that attempt to dictate the terms of the contract between the landlord and the tenant. But Ohio has long stated that the rights and requirements of landlord and tenants should be standard and has in fact enacted Revised Code Chapter 5321 to be the one standard that governs that contractual relationship. In fact, R.C. 5321.19 states, in pertinent part:

Except as provided in division (B) of this section, no political subdivision may enact, adopt, renew, maintain, enforce, or continue in existence any charter provision, ordinance, resolution, rule, or other measure that is in conflict with this chapter, or that regulates the rights and obligations of parties to a rental agreement that are regulated by this chapter, including, without limitation, by any way imposing or requiring rent control or rent stabilization.

The exceptions are for (1) building, health, and safety provisions; (2) regulations on the rent for properties owned and operated by the political subdivision; and (3) economic development incentive programs that include voluntary rent restrictions.

Local regulations that attempt to regulate the rights and obligations of parties to a rental agreement are not only costly and burdensome, but they also violate state law. We would appreciate this General Assembly acting to reinforce this point.

#### 4. Evictions

Filing an eviction action is a costly and time-consuming process. It burdens the tenant and the landlord. It is a measure of last resort – in most cases.

Unfortunately, in too many jurisdictions and with too many programs, an eviction filing is also a necessary measure for tenants to access rent relief. In many cases, tenants are not eligible for the rent relief program until there is a pending eviction. This is not time- or cost-effective – having to file the eviction is costly to the landlord, thus raising the amount of relief the tenant needs. All of the eviction filings also burden our courts. Finally, having to file the eviction impacts the tenant's credit, impacting their finances and their ability to find a safe and affordable rental unit in the future.

Any state-funded rent relief program should require that it be accessible by a tenant *before* an eviction is filed. Our belief is that this will lower the number of evictions filed, thus lowering the costs to landlords, tenants and courts alike.

#### Conclusion

Thank you so much for the opportunity to appear today to offer insights from OAA and our members. We are at a confluence of events, one that was inevitably coming and that was only exacerbated by the COVID-19 pandemic. Many of the underlying problems in the housing market have become so clear in the last few years. You have a unique opportunity to confront those issues and act to create a housing market in Ohio that (1) produces enough units to house and meet the needs and wants of the population we have, not the one we had, through both new construction and rehabilitation; and (2) recognizes the need for diverse housing solutions across all demographics – age, family-size *and* income levels. Ohio needs an all-of-the-above approach that brings housing into reach for Ohioans across the board.

Thank you so much for your time and attention today. I stand ready to answer any questions you may have.