



Ohio Senate Finance Committee

Michael Deemer, President & CEO, Downtown Cleveland Inc.

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Chair Cirino, Vice Chair Chavez, Ranking Member Hicks-Hudson, and Members of the Senate Finance Committee:

Thank you for the opportunity to provide testimony in support of expanding the Ohio Historic Preservation Tax Credit Program.

I am providing testimony on behalf of Downtown Cleveland, Inc., a nonprofit organization that attracts talent, jobs, residents, and investment through market influence, community impact, and irresistible experiences. As the only organization focused solely on strengthening and building the heart of Cleveland itself, we envision Downtown Cleveland as a vibrant and welcoming city center that weaves Downtown districts and surrounding neighborhoods into a seamless urban fabric that is greater than the sum of its parts. We work from sidewalk to skyline and everything in between, leading efforts to enhance Downtown's environment, economy, and experience.

The Ohio Historic Preservation Tax Credit has been monumental in transforming Cleveland and its city center, generating over \$10 billion in total economic activity and over 7,000 jobs since 2006 according to the Cleveland Restoration Society. Additionally, Cleveland is now a national leader in office conversions and is looked to as an example from peer cities, largely thanks to this incentive.

While the program has been truly transformative, we from the business community understand that there are modifications that can be made to make the program more impactful and competitive.

Firstly, we are asking for an increase of the annual cap to follow the Governor's recommendations of \$120 million, with the additional per project increase from \$5 million to \$10 million. The limited supply of historic preservation funding has created a strong incentive for projects to pursue allocations in the earliest stages of the development process, tying up portions of each annual allocation as owners work to complete pre-development work. An increase to the per project cap is needed to follow the rise in construction and project costs. Increasing the per project cap would help push projects toward completion and help fully realize the potential of the incentive.

Additionally, adjusting the qualified rehabilitation expenditure percentage allocation for small projects to 35% from 25% incentivizes developers to take on smaller projects or projects in smaller communities due to improved economic circumstances created by the program.

Second, since all historic preservation projects generate a net positive return on investment to the State, as verified by the cost-benefit analysis that is a precondition for every award, the State's best interests are served by maximizing the volume of historic preservation projects completed each year.

Finally, a rolling application process with preference for higher scoring projects, rather than a biannual approach, would free up the market to pursue all viable redevelopment opportunities on a natural timeline. With more shovel-ready applicants applying on a rolling basis, preservation funds can be deployed more efficiently, reducing current delays between allocating awards and project completion to maximize the program's effectiveness. This would also further reduce the administrative burden on the State and better leverage the incentive, because projects will apply for credits when all financial and other requirements are secured.

We feel that these improvements are needed to simplify the program and make it a more reliable economic development tool incentivizing developers to invest in Ohio. On behalf of Downtown Cleveland, Inc.

Thank you for your time and consideration on this critical investment in Ohio.