

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

NAIOP OF OHIO

Testimony in Support of Substitute SB 39

October 23, 2019

Chairman Zeltwanger, Vice Chair Powell, Ranking Member Sobecki, and members of the House Economic and Workforce Development Committee, thank you for the opportunity to provide proponent testimony in support of Substitute Senate Bill 39.

NAIOP of Ohio is the statewide association of the local chapters of NAIOP. We represent the interests of professionals who advance commercial real estate development throughout Ohio. We have more than 600 members in Ohio, including owners, officers and employees of most of our State's leading developers and the top professionals that support commercial real estate development efforts. We are frequently on the front-line of Ohio job creation efforts, working with economic development officials and other public and private sector leaders to attract and retain companies from around the world in the facilities that we develop, redevelop, sell, and lease.

Substitute Senate Bill 39 authorizes a new tax credit for insurance companies that is designed to assist property owners in raising capital for the development of "transformational mixed use development" ("TD"), defined as multiple-purpose developments that include at least one large building and that are expected to have a "transformational economic impact" on the surrounding area. The nonrefundable credit equals 10% of the development costs associated with the TD. The credit is to be claimed against the state's taxes on foreign and domestic insurance companies.

The credit is awarded by the Director of Development Services through an application process initiated by the property owner. After receiving the owner's development plan the Director may certify the TD for the credit if the substance of the plan meets the bill's eligibility criteria.

If the project is certified, the property owner may sell or transfer the rights to “preliminary approved” tax credits to one or more insurance companies in order to raise capital for the project.

The owner’s development plan must include a detailed description of the proposed TD, an estimate of the development costs, a financial plan, a schedule for completion of construction, an assessment of the anticipated economic impact, and evidence that state and local tax collections will increase by more than the estimated credit amount within five years following completion of the project.

Sub. SB 39 defines “development costs” as project-related expenses incurred by the property owner in connection with the TD, including expenses incurred before the project is certified by the Director.

The bill identifies architectural and engineering fees as development costs.

The bill identifies retail, office, residential, hotel, recreation, and structured parking as potential uses that could be incorporated into a TD.

The project area must consist of all territory within a specified radius centered on the site of the TD and the area must be at least ¼ of a mile, but not larger than a mile.

The insurance company that obtains a tax credit certificate under this statute may claim the credit against the state’s taxes on foreign and domestic insurance companies. The credit is nonrefundable and, if not fully utilized in one year, the excess credit may be carried forward for up to five years.

NAIOP of Ohio enthusiastically supports this bill. While this bill is narrowly drafted and only a limited number of projects are likely to be eligible for the credit, NAIOP of Ohio believes that the proposed tax credit supporting transformational development in Ohio would be beneficial to the commercial real estate industry, the communities in which those projects are built, surrounding areas, and the people of Ohio.