

TESTIMONY ON SB 39

TRANSFORMATIONAL MIXED-USE DEVELOPMENT TAX CREDIT
BEFORE THE HOUSE ECONOMIC AND WORKFORCE DEVELOPEMNT COMMITTEE

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Last year, the House approved HB 469 - legislation offering a tax credit for insurance companies investing in a Transformational Mixed-Use Development (TMUD). This legislation was unanimously approved by the House and was left pending before the Senate Ways and Means Committee when session ended.

As you know, this legislation was reintroduced as SB 39 in this session and was passed by a vote of 32-1.

For context, Neyer Properties was founded by Dan Neyer in 1995 following in the tradition his family began more than 100 years in real estate and real estate development. Dan has grown his company to be the largest local owner of commercial property in Southwest Ohio and among the top 100 privately owned companies in Cincinnati.

Commensurate with passion for real estate development, Neyer has a passion for positively impacting the community. Neyer has not shied away from challenging projects. We recently undertook the conversion of the former Baldwin Piano manufacturing facility into a dynamic apartment building just outside the central business district in Cincinnati.

Neyer Properties is a partner and major investor in the Cincinnati Innovation District. The Innovation District is planned to become a major hub of innovation built around the strong medical, life science and research capabilities already present in the immediate area. Think about the Innovation District in terms of the innovation hub in Atlanta adjacent to Georgia Tech, or the one in Boston linked to Harvard and MIT.

In Cincinnati, opening of the new MLK interchange at I-71, is catalytic, leading directly to the development of the Cincinnati Innovation District. The Cincinnati Innovation District is planned to contain multiple mixed-use developments supporting bioscience and innovative companies capitalizing on the strength of anchor research institutions including Cincinnati Children's Hospital Medical Center, the University of Cincinnati, the US EPA's Water Research Labs, and NIOSH

We control a 20-acre parcel on the west side of I-71 nearest the University of Cincinnati and Cincinnati Children's Hospital. On this site we are planning to develop office, research, hotel, retail, and residential projects. On the other side of I-71, in the Walnut Hills neighborhood, we are also acquiring property for future development. We are the largest private property holder in the corridor and are committed to the holistic development of the area. This is a long-term project – think 30 years.

As with other important urban development projects throughout the state, these projects in the Cincinnati Innovation District are facing the problems of high land acquisition costs, stagnant rents, and increasing construction costs. The first phase of the development also carries the burden of paying for infrastructure that will support future phases of the development.

In addition, the first phase must set the tone for all future phases and requires innovative designs and place making that will, very importantly, attract and retain the innovation economy workers talent for which Ohio aspires. You cannot underestimate the value of the TMUD tool in helping to develop precisely the type of live, work play environments sought by the knowledge workers the state and JobsOhio are focused on attracting.

In short, the TMUD tool will help to close gaps in the financial stack for these exceedingly challenging cost structures and be catalytic in moving these capital-intensive projects forward – helping to realize, in our case, the vision for the Innovation District.

I will hasten to add that not all large-scale, transformational, mixed use developments are high-rise buildings. An amendment added in the Senate that allows more than one connected buildings to comprise the required 350,000 square feet of development allows for invaluable flexibility in site design. A more campus-style approach, connecting nodes of buildings, in many cases is preferred over vertical construction.

In closing I will offer a few observations:

This legislation encourages insurance companies to keep their capital in Ohio. Keeping capital working within the borders of our state is a valuable benefit of this legislation.

The Return on Investment eligibility requirement is an innovative solution that creates a true public-private partnership. The developer benefits from the infusion of new capital into the financial structure and the governments benefits from documented, increased revenue stemming from the development – a win-win scenario. From the state and local government perspective, it's important to underscore that eligibility requires a net tax gain by government.

I see this TMUD tool as similar to the successful Ohio Historic Preservation Tax Credit. The Ohio Development Services Agency has deployed this tool effectively, achieving the desired impact of causing blighted historic property to be both preserved and in many cases returned to productive tax use. I fully anticipate that the TMUD tax credit will also meet its intended purpose,

Thank you for the opportunity to testify on Senate Bill 39. I am happy to answer any questions you may have.