



Senate Bill 39  
**Transformational Mixed-Use  
Development Tax Credit**  
*Proponent Testimony*  
October 30, 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 speak to you today in support of Senate Bill 39.

My name is Emil Liszniansky and I am a Principal at Envision Group LLC, a consulting firm that assists communities across the State of Ohio with comprehensive planning services related to development, infrastructure, and revitalization projects. Jennifer Syx, President of inSITE Advisory Group, frequently collaborates with our firm on economic development initiatives, specifically the structuring of incentives to leverage private investment in the communities we serve. Together our firms help local governments identify a highest and best use for challenging development areas and strategize a path forward to execute their vision.

We would like to voice our support as proponents of Senate Bill 39 and the Transformational Mixed-Use Development (TMUD) tax credit. Our public sector clients in Ohio are often presented with challenging sites that have immense potential for catalytic redevelopment, but are inhibited by physical constraints and market forces beyond their control such as aging, antiquated infrastructure, environmentally contaminated parcels, and a loss of manufacturing employment. Redevelopment projects of this magnitude require not only an ambitious developer with foresight and committed financing, but also government assistance at multiple levels.

Our experience is that transformative projects in Ohio, especially in aging industrial cities, do not generally occur without layered public subsidy. In the absence of government assistance, these sites often sit vacant for years whether it be a dilapidated shopping mall, an abandoned factory, entire city blocks of surface parking, or a long-closed amusement park. For a select number of catalytic projects, this is where the state TMUD tax credit may be able to help close the financing gap that exists even after local incentives are secured.

We have closely followed the evolution of the TMUD tax credit since the introduction of House Bill 469 which was much more narrowly construed. The latest iteration of the tax credit established in Senate Bill 39 provides much needed flexibility in several areas:

- *Multiple Buildings* – Allowing a project to be comprised of multiple, connected buildings enables areas outside of major city downtowns to potentially take advantage of the tax credit in locations where high-rise construction may be cost prohibitive or incompatible with surrounding development patterns.



- *Phased Projects* – Mixed-use developments are often phased to allow a developer to incrementally establish critical mass and demonstrate to potential tenants, investors, and lenders the market demand and absorption rate for their end uses. Allowing for a phased approach to development acknowledges the market reality that very few mixed-use projects can be constructed in a single phase even with local and state assistance.
- *Renovation of Vacant Buildings* – New construction is often cost-prohibitive in urban markets, particularly where available building space brings down market rents, so the inclusion of renovated buildings as part of a project enables underutilized structures to be put back into productive use, and in some cases capitalize on historic tax credits.

The requirements of Senate Bill 39 enable communities in different locales and of various sizes and densities to potentially benefit from the TMUD tax credit, as allowing for multiple building layouts, phased projects, and renovations will encourage developers to creatively seek context-sensitive solutions that are appropriately scaled to their target market.

The TMUD tax credit may also provide another piece of the capital stack for projects located in certified Opportunity Zones which provide several financial benefits relative to the federal taxation of capital gains invested into Qualified Opportunity Funds. At the state level Governor DeWine has prudently complemented that program with a 10 percent, nonrefundable income tax credit to those who invest in Ohio's Opportunity Zones. The TMUD tax credit could further entice real estate development in these distressed census tracts.

Establishment of the TMUD tax credit will also help facilitate JobsOhio's recent strategic commitment to innovation districts, as the creation of live-work-play environments are essential in attracting the young professionals, entrepreneurs and corporations that will build our state's knowledge economy of the future. If Ohio desires to remain competitive in an increasingly global market, we must recognize the need at the state level to foster the creation of vibrant mixed-use spaces and incentivize those select projects with a truly transformational impact.

We thank you again for this opportunity testify as proponents of the Transformational Mixed-Use Development tax credit and highly encourage the Committee to support Senate Bill 39.

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