OHIO REAL ESTATE INVESTORS ASSOCIATION

Dan Acton
Senate Bill 212 Opponent Testimony
Senate Ways and Means Committee
February 25, 2020

Chair Roegner, Vice Chairman Blessing, Ranking Member Williams and members of the committee, my name is Dan Acton and I am the Government Affairs Director of the Ohio Real Estate Investors Association (OREIA). OREIA represents 13 local chapters across Ohio with over 2,000 members consisting of the smaller real estate investors and housing providers who typically own single family housing units. Our members own exponentially more units than the number of members we maintain. My background has been more than 30 years in the property management and ownership industry.

When I previously testified in December, OREIA was listed as an interested party. There has been a new iteration of Senate Bill 212 accepted that has caused OREIA to revise its position on the bill to opponent. OREIA appreciates the effort of Senator Schuring to improve neighborhoods and spur development in areas that may need a boost to begin new growth, but we have different visions on how to achieve that end. Allow me to remind you about a typical member of our association.

The Ohio Real Estate Investors Association (OREIA) represents 13 local chapters across Ohio with over 2,000 members consisting of the smaller real estate investors and housing providers who typically own single-family housing units.

- Our members own exponentially more units than the number of members we maintain.
- Our members in many instances own a portfolio of properties, sometimes as few as 3-4 and as many as over 200 properties.
- The properties are typically single-family homes, up to quads and sometimes smaller apartment buildings, with a few owning some commercial investments.
- There are a variety of loans that are taken out on properties. Many times, an investor will take equity from one property to assist in making repairs to other investment properties.
- Investors operate on razor thin profit margins for a property.

- Our members invest in neighborhoods and we want strong returns on our investments, which comes from improved property valuations.

An unexpected repair, a tenant who does not pay rent, terminates a lease early or vacates without notice, unpaid water bills, or any layering of government fees that we are subjected to reduce the profits for a property owner that could otherwise be used to reduce the overall debt on the property or make improvements. The opportunity to invest in a property and receive a related property tax exemption is a great tool that our members could utilize to try to squeeze precious resources out of properties.

Senate Bill 212 has real potential because it is the distressed properties that are found in foreclosure, properties offered by landbanks or just those that are in areas of transition that our members target and turn/return into viable properties. Our members are not seeking to be developers of new housing stock, but we are seeking to be community partners able to take advantage of the tax exemption for the $10,000 remodeling provision of Senate Bill 212.

The concern with Senate Bill 212

In the current version of Senate Bill 212-4, there are specific references to single family dwellings that are newly constructed or have invested at least $10,000 in remodeling and most importantly are all owner-occupied as the focus of the bill. The bill was amended to make clear that rental properties and investors in rental properties are not able to benefit from the remodeling provision. Nearly all of our members' business models consist of properties that we obtain, rehab, hold and rent or rehab and resell. Either way the surrounding properties and neighborhood are benefitted by the investment our members make in their properties. We are disappointed that Senate Bill 212 will exclusively limit the bill to owner occupied properties.

I must add publicly that Senator Schuring did offer to amend his bill to allow for the property tax exemption to occur for investors who purchase a property with the intent to remodel it, but ultimately would sell the unit after remodeling. We appreciate his offer and his willingness to listen to our request, but we could not agree to the proposed change. The majority of our owners are just that, owners of property and we felt that we had to stand up for those investors as well. Consider that a typical unit remodeling project lasts about 90 days, so the property tax exemption would be for only a quarter of the year. Owner occupied units are going to get up to 10 years of property tax abatement.

Carving out rental properties from participation sends a wrong signal to potential investors. OREIA members are property taxpayers just like owner-occupied residents and in some communities, we are already treated differently because of mandated inspections and other regulations placed upon us. The bill should not seek to eliminate an entire class of properties simply because a tenant is the resident. Cities and townships could target specific areas in their communities dense with rental units and create an NDA. Enacting this law could encourage property investors to make these remodeling investments and want to hold on to these properties to recoup their investment increasing the stability of the neighborhood because of the property tax exemption. Furthermore, as Ohio continues to age and the younger people that are here do not largely want to engage in home ownership, adding eligibility for rental properties only makes sense. We could agree that the tax exemption only be eligible while the investor owner owned the property and is not transferrable to a future owner, if the property is sold before the end of the property tax exemption.

Why rental properties should be included

Consider a recent housing study that identified two major Ohio cities as becoming "majority renter-occupied" in the past decade. Dayton and Toledo went from having a majority of owner-occupied households to a majority of renter-occupied households from 2010 to 2018 according to a report released by RentCafe. The report, based on Census Bureau statistics, found that the share of renter-occupied households in Dayton rose from 46.6% (2010) to 56.5% (2018) and in Toledo the share rose from 40.9% to 50.2%. We anticipate that this number will rise even further with the results of the 2020 Census.

OREIA is an opponent to Senate Bill 212 because we believe a compromise may be brokered to add rental properties to the bill. OREIA members are committed to being partners in building strong neighborhoods and we are simply imploring the Senate to treat all properties with equal opportunity.

Requested Action

Further amend Senate Bill 212 to allow rental properties located in an NDA to participate in the property tax exemption process when a property receives the requisite $10,000 remodeling investment, both during the remodeling phase and in a property ownership situation.

I appreciate the opportunity to speak with you again on Senate Bill 212.