



**TESTIMONY OF RICHARD T. CRAVEN ON BEHALF OF NAIOP OF OHIO  
IN SUPPORT OF SENATE BILL 225  
APRIL 5, 2022**

Chairman Merrin, Vice-Chair Riedel, Ranking Member Sobecki and members of the House Ways & Means Committee, thank you for the opportunity to present testimony in support Senate Bill 225. I am Rick Craven, Managing Director of Sikora Law LLC, which has with offices in Downtown Cleveland and Downtown Columbus. My law practice is focused entirely on legal matters for real estate companies throughout all of Ohio.

Today, I am testifying on behalf of NAIOP of Ohio. NAIOP of Ohio's members include many of the most respected developers and owners of commercial real estate throughout the State of Ohio and numerous other commercial real estate professionals, including lawyers, brokers, engineers, architects, and title professionals. NAIOP of Ohio respectfully requests your favorable consideration of this Bill that would expand and improve Ohio's already successful Opportunity Zone and the Ohio Historic Preservation Tax Credit programs.

The Historic Tax Credit Program has proven to be one of the most successful incentives used in Ohio. Cleveland State University undertook an economic impact analysis of that Program and found that it had an incredible return on investment to Ohio – \$6.72 for every \$1.00 of the credit. It is well-designed to “twin” easily with the federal historic tax credit, and accordingly, it makes Ohio a more attractive place in which to develop historic properties when compared to other states. Moreover, it continues to be in significant demand, with the demand for such credits, which are applied for through a competitive application process, substantially exceeding their availability. By increasing the amount availability for HPTC and making the other positive changes set forth in Senate Bill 225, the General Assembly will be driving more investment in Ohio's communities (especially small Ohio communities), improving those communities, and increasing overall revenues to state and local governments in Ohio.

The Federal Opportunity Zone Program incentive is a community investment tool established by Congress at the end of 2017 to encourage long-term investments in low-income urban and rural communities. There are 320 Ohio census tracts designated as Opportunity Zones. Ohio's complimentary Opportunity Zone Program has accelerated development and economic growth in many of these communities. Our firm has worked on many Opportunity Zone projects all throughout Ohio.

The ultimate goal of the Ohio Opportunity Zone Program is to accelerate growth and prosperity in certain Ohio communities. Ohio was one of the first states to pass an Opportunity Zone law that complements the federal Program. The combination of those Programs has spurred economic

development activity. Some developers are now working on their second, third, or fourth developments in Ohio Opportunity Zones, due in part, to those Programs. Ohio's Program has also attracted investors from outside Ohio who have said that they would have chosen Opportunity Zone projects in other states, had it not been for the Ohio Program.

Prior to the most recent Application Period, (with respect to which definitive statistics are not yet available), investments had already been made in more than 215 developments in 72 census tracts, across 18 different Ohio counties. Our firm has seen the direct impact that the Ohio Opportunity Zone law has had on our clients and their investors – incentivizing additional activity all across the State of Ohio. Without the Ohio Opportunity Zone Program benefits, some projects that developers have pursued would not have been financially feasible. Now that we are three years into the Ohio Program, we have determined that there are certain changes that can be made to the Ohio Opportunity Zone Program that will enable it to have greater impact. It is important that Ohio stays at the forefront of these incentives to maintain the positive momentum and to attract more and more investors from outside of Ohio.

The first proposed Amendment will enable Tax Credit Certificates to get into the hands of developers and investors sooner—for Opportunity Zone investments made during the first half of the year. Many of our firm's clients have sold Ohio Opportunity Zone Tax Credit Certificates, and in turn taken those proceeds and reinvested them into other Ohio Opportunity Zone projects, which they will be able to do more quickly and to a greater extent with two rounds of awards per year. It should also be more efficient for the Department of Development to process those applications twice per year, rather than all at once.

The Ohio Opportunity Zone Program should also be expanded so that \$100 million is available for that Program. As our economy pulls out of the pandemic, construction material costs have skyrocketed, putting many projects out of reach financially. Ohio's Opportunity Zone Program provides an additional resource to bring development projects in Opportunity Zones into the realm of financial feasibility. Approximately \$26 million has been applied for so far, in this biennial cycle, and there is more interest in Ohio Opportunity Zone projects now than there has ever been. Ohio should not allow that interest to be stifled due to lack of available funding.

Along those same lines, SB 225 would enable c-corporations to invest in Ohio Opportunity Zone Projects and receive tax credit certificates that they could then sell, which will drive more capital and investments into those areas.

Lastly, flexibility as to the transferability of the Tax Credit would be beneficial to investors, tax credit purchasers, and the State of Ohio as a whole. Although the Program allows for a tax credit certificate to be transferred, the determination of whether the recipient will transfer or claim the certificate must be made prior to a taxpayer utilizing any portion of the Certificate. If a recipient claims a portion of the Certificate but cannot claim the credit in its entirety, the recipient is currently unable to transfer the remaining amount of the Certificate. SB 225 would afford the flexibility to allow those certificates to be claimed in part with the balance sold to someone else who could utilize the remainder.

These proposed Amendments to Ohio's Opportunity Zone Program would have further positive effects on economic development in Ohio to help further rejuvenate and revitalize our state's distressed communities, and provide a much-needed boost as our economy pulls itself out of the pandemic. These amendments will help maintain Ohio's status as a frontrunner in Opportunity Zone development, which will make developers want to increase their development activity in Opportunity Zones and make out of state investors more likely to invest in Ohio Opportunity Zone projects.

Thank you for your time and consideration.

Respectfully submitted,



Richard T. Craven