

My name is Taylor Hawkins, and I am a homeowner in Bay Village, Ohio and a commercial & multifamily real estate finance executive at Bellwether Enterprise Real Estate Capital in Cleveland, Ohio. My comments here today are my own and not necessarily the stated position of my employer.

I have been involved in the Ohio commercial and multifamily real estate financing industry for the last 12 years. Our firm is headquartered in Cleveland, Ohio with 30 offices around the country, including offices in Cleveland, Columbus, and Cincinnati. We work with real estate investors ranging from individual investors, family offices, and corporations, to the largest insurance companies, pension funds, and government agencies, including Fannie Mae, Freddie Mac, and FHA. Our firm is responsible for approximately \$2 billion of transaction volume annually in the State of Ohio.

I am a proponent of the proposed legislation, HB 126, because it addresses several key issues with the current system.

For individuals, investors, and corporations, the single largest ongoing annual expense related to any real property investment in the State of Ohio is real estate taxes. As such, real estate taxes must be properly underwritten when deciding to buy or build a new industrial building, retail shopping center, office building, multifamily property, or any other real property investment. Inaccurate assumptions for future real estate tax liabilities have a significant negative impact on the present value of such an investment.

The current system, which allows school boards to challenge property tax valuations, creates uncertainty regarding what the owner will need to budget and pay for real estate taxes. In many municipalities, this uncertainty is magnified by the fact that any significant commercial and multifamily property's valuation will be challenged, on an annual basis, by aggressive school boards and their attorneys. In fact, many property owners will make investment decisions based on what school district certain properties are located in and which attorneys represent which school boards. In these jurisdictions, the property owner must, at a minimum, expect to pay attorneys' fees on a regular basis to defend itself from property tax valuation challenges.

It is important to understand that the current system is not only difficult for Ohio's commercial and multifamily property owners, but also their mortgage providers, which include banks, life insurance companies, and governmental agencies. These lenders, which typically provide the majority of the capital required for real property investment, regularly struggle with how to properly underwrite real estate taxes in the State of Ohio. As you know, Ohio is one of the few states in which a third party can challenge real estate taxes, which is confusing for investors and difficult to plan for.

For example, you might have four identical multifamily properties on the same street, with the same real estate tax valuation from the assessor. A year later, the first property has not been challenged. The second property was challenged and settled at a higher value. The third was challenged and won after paying high attorney fees to fight the increased value. The fourth was challenged and settled with a payment directly to the schoolboard. In the second year, a new investor considers acquiring one of the four buildings, but is confused why one has a much higher real estate tax valuation and the other three do not. What the new investors will not know is how much was spent on legal fees and how much of a settlement needed to be paid.

The uncertainty created by these practices manifests itself in greater risk for commercial and multifamily property owners in the State of Ohio. The current practice limits the flow of capital into and throughout

our state, because investors and capital providers have real and perceived risks related to their single largest ongoing annual expense. This practice decreases transaction volumes and constrains investment in our state.

Over the last several years I have regularly seen investors choose to pass on an investment in the State of Ohio strictly because of this matter. I believe that HB 126 will bring clarity to the real estate tax valuation process and increase investment in State of Ohio. Thank you for your time and I am happy to answer questions now or in the future.

Taylor Hawkins