

Testimony on HB 469- Transformational Mixed-Use Developments
Douglas Moormann, Vice President Development Strategies Group
December 5, 2018

Good morning. My name is Doug Moormann and I am Vice President of Development Strategies Group, an economic development consulting firm in Cincinnati. As part of our practice, we represent several real estate developers – all of whom are supportive of HB 469, legislation creating Transformative Mixed-Use Development.

I am speaking today behalf of Neyer Properties, Terrex Development (who submitted written testimony) and Capital Investment Group.

As you know, the bill provides a tax incentive for major economic development projects that will have a transformative effect in stimulating business activity and generating new revenue to state and local governments.

New sources of capital are critical in making developments, especially large- scale developments, financially viable. Construction costs continue to escalate, and end-users expect more and more amenities at today's rent rates.

This legislation offers a tax credit of 10% of the total cost of the project to be applied to the premium taxes paid by insurance companies licensed to do business in Ohio.

The premium tax credit is designed to incentivize insurance companies to invest in the development project. My experience is that insurance companies are very interested in projects like those contemplated in this legislation, major projects offering the potential for steady, long-term returns.

Project eligibility requirements include:

- 1) The development project must have a transformative effect within a minimum of ¼ quarter mile radius of the project.
- 2) It also must demonstrate that the new income taxes, property taxes and sales taxes will exceed the amount reflected in the tax credit over a five-year period after the project is completed. This will ensure that there will be a net tax gain for state and local governments.
- 3) The development has to be a mix-use project that includes retail, office, residential, parking and similar uses and be of the magnitude to truly have a transformative effect.
- 4) The project must exceed 50 million dollars in development costs; and
- 5) The project must include a building that is at least 15 or more stories high or 350,000 or more square feet in floor space.

Mr. Terhar's amendment makes an adjustment in the fifth eligibility requirement. Rather than concentrating the square footage requirement in a single building, the amendment permits that same square footage to be in multiple buildings on a single parking structure. My clients support

this amendment and encourage its adoption. Requiring the multiple buildings to be located on a single parking structure retains the density that is sought in this bill, yet it allows for some flexibility, especially considering the premium costs associated with high-rise construction.

Thank you for the opportunity to speak before the Committee today. I respectfully ask for your support for this bill and the amendment and am happy to answer any questions.