

Testimony in Support of SB 39

April 2, 2019

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee , thank you for the opportunity to provide proponent testimony in support of

Senate Bill 39 . NAIOP of Ohio is the statewide association of the local chapters of NAIOP. We

represent the interests of professionals who advance commercial real estate development

throughout Ohio. We have more than 400 members in Ohio, including owners, officers and

employees of most of our State’s leading developers. We are frequently on the front-line of Ohio job

creation efforts, working with economic development officials and other public and private sector

leaders to attract and retain companies from around the world in the facilities that we develop,

redevelop, sell, and lease.

Senate Bill 39 authorizes a new tax credit for insurance companies that is designed to assist

property owners in raising capital for the development of “transformational mixed use

development” (“TD”), defined as multiple-purpose developments that include at least one large

building and that are expected to have a “transformational economic impact” on the surrounding

area. The nonrefundable credit equals 10% of the development costs associated with the TD. The

credit is to be claimed against the state’s taxes on foreign and domestic insurance companies.

The credit is awarded by the Director of Development Services through an application process

initiated by the property owner. After receiving the owner’s development plan the Director may

certify the TD for the credit if the substance of the plan meets the bill’s eligibility criteria. If the

project is certified, the property owner may sell or transfer the rights to “preliminary approved” tax

credits to one or more insurance companies in order to raise capital for the project.

The owner’s development plan must include a detailed description of the proposed TD, an estimate

of the development costs, a financial plan, a schedule for completion of construction, an assessment

of the anticipated economic impact, and evidence that state and local tax collections will increase by

more than the estimated credit amount within five years following completion of the project.

The bill defines “development costs” as project-related expenses incurred by the property owner in

connection with the TD, including expenses incurred before the project is certified by the Director.

The bill identifies architectural and engineering fees as development costs.

The following eligibility criteria are set forth in the Bill: (1) the estimated development costs

associated with the project must exceed $50 million, (2) the development plan must include at least

one building that is either 15 or more stories high or 350,000 or more square feet in floor area, (3)

there must be more than one intended “use” associated with the project site, and (4) the

development must be expected to have a “transformational economic impact” on the project area.

The bill identifies retail, office, residential, hotel, recreation, and structured parking as potential

uses that could be incorporated into a TD.

The project area must consist of all territory within a specified radius centered on the site of the TD.

The project area must be at least ¼ of a mile, but not larger than a mile.

The insurance company that obtains a tax credit certificate under this statute may claim the credit

against the state’s taxes on foreign and domestic insurance companies. The credit is nonrefundable

and, if not fully utilized in one year, the excess credit may be carried forward for up to five years.

NAIOP of Ohio enthusiastically supports this bill. While this bill is narrowly drafted and only a few

such projects are likely to be eligible for the credit, NAIOP of Ohio believes that any tax credit

supporting transformational development in Ohio is beneficial to the commercial real estate

industry and the people of Ohio.