TESTIMONY ON SB 39

TRANSFORMATIONAL MIXED-USE DEVELOPMENT TAX CREDIT

BEFORE THE SENATE FINANCE COMMITTEE

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Last year, the House approved HB 469 - legislation offering a tax credit for insurance companies investing in a Transformational Mixed-Use Development (TMUD). This legislation was unanimously approved by the House and was left pending before the Senate Ways and Means Committee when session ended.

This legislation was reintroduced as SB 39 in this session.

This premium tax credit is designed to incentivize insurance companies to invest in the TMUD. 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.

Transformational mixed-use developments are large-scale. In Cincinnati, opening of the new MLK interchange at I-71 has led to the development of the Cincinnati Innovation District. The Cincinnati Innovation District is planned to contain multiple mixed-use developments supporting bioscience and innovative companies capitalizing on the strength of anchor research institutions including Cincinnati Children’s Hospital Medical Center, the University of Cincinnati, the US EPA’s Water Research Labs, and NIOSH.

MLK Investors, a partnership between Neyer Properties and Kulkarni Properties, is a major investor in the Cincinnati Innovation District. We have a 20-acre parcel on the west side of I-71 nearest the University of Cincinnati and Cincinnati Children’s Hospital. On this site we are developing office, research, hotel, retail, and residential projects. On the other side of I-71, in the Walnut Hills neighborhood, we are also acquiring property for future development. We are the largest private property holder in the corridor and are committed to the holistic development of the area. This is a long-term project – think 30 years.

As with other important urban development projects throughout the state, these projects in the Cincinnati Innovation District are facing the problems of high land acquisition costs, stagnant rents, and increasing construction costs. In addition, the first phase must set the stage for all future phases and requires innovative designs and place making that will attract and retain the talent that Ohio needs to drive population growth – this requires initial investment from all stakeholders. The TMUD tool can mitigate these costs and be catalytic in moving these projects forward – helping to realize the vision for the Innovation Corridor.

On the other side of the equation, this legislation encourages insurance companies to keep their capital in Ohio. Keeping capital working within the borders of the state is a valuable benefit of this legislation.

Project current eligibility requirements for a TMUD include:

1. A strong and short-term ROI for the state. To be eligible, a project 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.

2) The project must exceed 50 million dollars in development costs; and

3) The project must include a building that is at least 15 or more stories high, 350,000 or more square feet in floor space. We propose an amendment to the bill that permits the same square footage to be in multiple buildings in lieu of a single building so long as these buildings are served by parking structures.

Not all large-scale, transformational, mixed use developments are high-rise buildings. Limiting this legislation to high-rise development unnecessarily restricts the potential impact of the bill and fails to recognize the realities of the Ohio market.

**I ask that you please amend the bill to allow for multiple buildings that collectively total a minimum of 350,000 square feet of space in a defined area**. Limiting the multiple buildings to a defined area encourages density. To further promote density and limit the number of projects eligible for the credit, **I suggest that the amendment also require eligible projects to include structured parking** – thus preventing sprawling projects utilizing massive surface parking lots from being eligible. As a further restriction to limit the number of eligible projects**, I suggest that you employ a proximity test requiring eligible project buildings to be contained in an area that if a circle were drawn around it, the multiple buildings would have be to located within 1/10 of a mile of a center point for the eligible project site**. To give you some perspective, this is an area a little smaller than Capital Square.

Thank you for the opportunity to testify this afternoon and for considering my suggested changes to the bill; I am happy to answer any questions you may have.