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June 3, 2021 VERBAL TESTIMONY

Senator Dolan
Senate Finance Committee

Chair Dolan, Vice Chair Gavarone, Ranking Member Sykes and members of the Senate Finance Committee. Thank you for the opportunity to submit opposition testimony in regard to certain provisions in HB 110: those provisions specifically related to R.C. 5715.01 and 5713.03.

My name is Tony DiBlasi, EVP of Operations and Asset Management at Ohio Capital Corporation for Housing (a 32-year-old not-for-profit organization, a financial intermediary involved in the financing of affordable housing properties across Ohio). I am also here representing the Ohio Housing Council, a trade association consisting of over 100 organizations whose members are active in nearly every county across Ohio.

The language in HB 110 specifically related to R.C. 5715.01 and 5713.03 was previously found in SB 36, introduced in February 2019 in the 133rd General Assembly. During the testimony in the Senate Ways and Means hearing on April 2, 2019, the Ways and Means Committee heard overwhelming evidence in opposition to SB 36, the same language that is now found in HB 110. These provisions would have an absolutely devastating impact on affordable housing properties across Ohio, resulting in a doubling or tripling of the real estate taxes, as this proposed language would require that affordable housing properties be valued as if they were able to charge market rate rents (*which to be clear: they are prohibited from doing so, per their deed restrictions*). These affordable housing assets (by virtue of being involved in federally-sponsored housing programs) are encumbered with a restrictive covenant (often times for 30 years or longer) where the rents the owner is permitted to charge is almost always BELOW market.

Existing statute and numerous rulings from the Ohio Supreme Court over the past 10+ years have noted that affordable housing properties should be valued in a manner that simply considers the restrictive covenants that are in place, *to account for the fact that they generate less income than market rate housing* projects (that are not encumbered and therefore able to charge full market rate rents).

The proposed changes to R.C. 5715.01 and 5713.03 represent bad public policy and would position Ohio as having one of the most drastic and unfavorable valuation methods for affordable housing in the nation. Almost all other states acknowledge the deed restrictions associated with federally-sponsored housing programs, and take those restrictions into account when determining valuation, with nearly half of the states across the nation making affordable housing *completely exempt* from taxation altogether. *Let's not allow Ohio to be one of the only states in the nation that fails to consider the deed restrictions associated with this class of housing. Or even worse, to tax these properties based on phantom income that they aren't able to earn.*

The proposed changes to 5715.01 and 5713.03 are bad for the residents, bad for the banks that provide the loans to these properties, and bad for Ohio's reputation. It even represents a barrier to our economic growth.

Residents at affordable housing properties (some of the most vulnerable populations in our state), will suffer from deferred maintenance, reduced staffing levels onsite and the suspension of services that will result from cost-cutting measures that will be required in response to an unsustainable real estate tax burden.

Banks will suffer, as many affordable housing properties will not generate sufficient cash flow to service their debt obligations, resulting in lenders needing to move those affordable housing properties to their special asset groups, and likely being required to reserve monies on their balance sheet as a safeguard against eventual loan losses.

And Ohio's **reputation** will undoubtedly suffer, as being the most unhospitable state in nation when it comes to its treatment of affordable housing. If passed in its current form, Ohio will produce considerably less affordable housing on an annual basis, and investors' appetite will be diminished as result of the heighted investment risks.

We need to be fostering a climate where we are *creating* and *incentivizing* more affordable housing solutions to encourage employers to relocate and grow here in Ohio to fuel our state's economic growth. The proposed language included in 5715.01 and 5713.03 does the complete opposite…it sends a clear and damaging message that Ohio is actively subverting and suppressing the creation, sustainability and financial viability of Ohio's affordable housing stock.

We urge you to remove the proposed changes to 5715.01 and 5713.03 from consideration in HB 110.

Thank you for your attention to this important matter.

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