

Testimony of Scott Ziance Regarding HB 482

On Behalf of NAIOP of Ohio

House Ways and Means Committee

Tuesday, May 17, 2016

Chairman Schaffer, Vice Chair Scherer, Ranking Member Cera, and members of the House Ways and Means Committee, thank you for allowing me to provide proponent testimony on House Bill 482.

I am testifying today on behalf of NAIOP of Ohio, the commercial real estate development trade association, for which I currently serve as vice president. In my full-time job, I am a partner at the Vorys law firm in Columbus, where I spend most of my time working on state and local economic development incentives projects.

Early last year, our board decided to identify one specific legislative topic on which we would be proactive and attempt to make a positive difference. That decision led to the drafting of this legislation with Representative Dever, while working closely with the Ohio Department of Taxation and the Ohio County Auditors' Association.

Representative Dever already summarized the key components of HB 482 and the key reasons HB 482 will have a positive impact for our communities. Thus, I will limit my testimony by emphasizing just a few key points.

First, if enacted, this legislation will make these two real property tax incentive programs consistent with Ohio's other key real property tax incentives programs – enterprise zone exemptions and tax increment financing (TIF) exemptions. For both enterprise zone exemptions and TIF exemptions, the exemption applies to the entire increase in assessed value after a project is commenced. They are easy to understand, easy to predict, and easy to administer.

Second, if enacted, this legislation will truly be clarifying. I have not met anyone who disagrees with the proposition that the brownfield remediation exemption was probably intended to exempt the increase in value above the value in the year in which the remedial activities began. In addition, most county auditors administer the CRA exemption in the manner that this legislation requires it to be administered.

Third, if enacted, this legislation really will eliminate nasty tax surprises that developers sometimes receive on difficult redevelopment projects. One of those surprises happened to one of my clients several years ago. After the client spent much more than it budgeted on a multi-year redevelopment project because of site issues that it could not have identified before beginning the project (as is sometimes the case with redevelopment projects), the developer learned that its brownfield remediation exemption would be based on the increase above the project value when the project was 90% completed, rather than based on the increase above the project value before the remediation began. That surprise was tough to stomach.

Developers and communities that are undertaking difficult redevelopment projects face enough uncertainties. HB 482 will eliminate some of them. We respectfully ask you to support this legislation.

Thank you Chairman Schaffer and members of the committee for allowing me to provide proponent testimony. I would be happy to answer any questions you may have at this time.



**Ohio General Assembly**  
**House of Representatives**  
**Columbus**

**Sponsor Testimony of Representative Jonathan Dever**  
**Regarding House Bill 482**  
**Before the House Ways & Means Committee**  
**Tuesday, May 17, 2016**

Chairman Schaffer, Vice Chair Scherer, Ranking Member Cera, and members of the House Ways and Means Committee, thank you for allowing me to provide sponsor testimony on House Bill 482, which clarifies how the exempt value of property subject to a brownfield exemption or community reinvestment area exemption is calculated.

According to the EPA, a brownfield is described as “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of hazardous substance, pollutant, or contaminant.” One great example of a brownfield is a gas station, which is shut down. With brownfields in Ohio, we offer a tax exemption for the increased value of the property, as a result of remediation efforts. However, in current practice, the base value of the property is calculated as its value the year before the covenant not to sue is issued, even if remediation began years before. This causes a great deal of harm, given that a developer could have put years and a great deal of capital into the project, only for it to be meaningless with regard to the abatement. Under HB 482, the base value used to calculate the exemption for a brownfield will begin when the remedial activities start. This will provide clarity to the statute and remain true to the intent of the law.

With regard to community reinvestment areas (CRAs), current law provides for a tax exemption “for the amount by which the remodeling increased the exempt value of the structure.” Some county auditors take the position that much of the increase in value after remodeling occurs is not a result of the remodeling itself, but rather other outside factors (ie. resurgence of neighborhoods, community projects, increased rankings of schools, etc.). The differing interpretations of CRAs have led to inconsistencies throughout the state. Under this proposed legislation, the increased value after remodeling will be completely attributed to the remodeling activities. By doing this, we will eliminate the unpredictability faced throughout our state.

Throughout the drafting process we worked closely with the Ohio Department of Taxation and the Ohio County Auditors Association, as well as NAIOP, which is an association representing commercial real estate development.

I believe we are at a point with HB 482 to provide more certainty and help to mitigate the great deal of risk to the individuals and organizations that help rebuild some of the most in-need properties throughout our communities. In both scenarios, developers throughout Ohio have experienced a great deal of uncertainty when it comes to rehabilitating some of our communities' most in-need properties. As a result, HB 482 helps to clarify the law and provide more consistency throughout Ohio.

Thank you Chairman Schaffer and members of the committee for allowing me to provide sponsor testimony on HB 482. I would be happy to answer any questions you may have at this time.



The Miller Valentine Group  
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May 16, 2016

Dear Chairman Schaffer, Vice Chair Scherer and Ranking Member Cera:

On behalf of the Miller Valentine Group, I wanted express my support of House Bill 482.

If enacted, this legislation will make two real property tax incentive programs consistent with Ohio's other key real property tax incentives programs – enterprise zone exemptions and tax increment financing (TIF) exemptions. For both enterprise zone exemptions and TIF exemptions, the exemption applies to the entire increase in assessed value after a project is commenced. They are easy to understand, easy to predict, and easy to administer.

Next, if enacted, this legislation will truly be clarifying. I have not met anyone who disagrees with the proposition that the brownfield remediation exemption was probably intended to exempt the increase in value above the value in the year in which the remedial activities began. In addition, most county auditors administer the CRA exemption in the manner that this legislation requires it to be administered.

Finally, if enacted, this legislation really will eliminate nasty tax surprises that developers sometimes receive on difficult redevelopment projects. One of those surprises happened to one of my clients several years ago. After the client spent much more than it budgeted on a multi-year redevelopment project because of site issues that it could not have identified before beginning the project (as is sometimes the case with redevelopment projects), the developer learned that its brownfield remediation exemption would be based on the increase above the project value when the project was 90% completed, rather than based on the increase above the project value before the remediation began. That surprise was tough to stomach.

Developers and communities that are undertaking difficult redevelopment projects face enough uncertainties. HB 482 will eliminate some of them. We respectfully ask you to support this legislation.

Thank you. Sincerely,

  
Dave Dickerson  
Partner  
**Miller Valentine Group**