Report on the Ohio Historic Preservation Tax Credit

October 31, 2016

Presented by the 2020 Tax Policy Study Commission

TABLE OF CONTENTS

Introduction

The 2020 Tax Policy Study Commission was created in 2015 by House Bill 64. In addition to a review of Ohio's tax structure and policies as well as the state's severance tax, the Commission was tasked with studying the Ohio Historic Preservation Tax Credit, as authorized in section 149.311 of the Ohio Revised Code, and then to publish its findings and recommendations no later than October 31, 2016.

The Commission held public meetings regarding the Ohio Historic Preservation Tax Credit on April 28, 2016 as well as June 20, 2016, soliciting testimony from state agencies, non-profit organizations, and Ohio businesses. These testifiers reviewed the history, administration, and use of the Tax Credit, highlighting success stories of renovation, neighbor revitalization and economic development. The testimony and presentations are included in the following report.

Additionally, the Commission requested research information from the Legislative Service Commission regarding the Ohio Historic Preservation Tax Credit and its administration, as well as a comparison between Ohio's tax credit program and the federal government's Historic Rehabilitation Tax Credit program. Both of these documents are also included for review.

Finally, the Commission will make several recommendations to the Ohio General Assembly regarding the Ohio Historic Preservation Tax Credit at the end of the this report.

Commission Members

The following individuals have attended and been members of the 2020 Tax Policy Study Commission as it reviewed the Ohio Historic Preservation Tax Credit:

- Senator Bob Peterson (Co-Chair)
- Representative Tim Schaffer (Co-Chair)
- Representative Jeff McClain (as Co-Chair)
- Representative Jack Cera
- Director Tim Keen, Office of Budget Management
- Senator Scott Oelslager
- Representative Gary Scherer
- Representative Kirk Schuring
- Senator Charleta Tavares

R-131-3742

Ohio Legislative Service Commission

Research Memorandum

Joe McDaniels
October 6, 2016

OHIO HISTORIC BUILDING REHABILITATION TAX CREDIT

SUMMARY

The historic building rehabilitation tax credit incentivizes the restoration of historic buildings by awarding credits to owners and qualified lessees that complete rehabilitation projections in accordance with certain preservation criteria. The credit equals 25% of the qualified expenditures made by the owner or qualified lessee and may be claimed against the income tax, foreign and domestic insurance company gross premiums taxes, and financial institutions tax. Rehabilitation projects must be pre-approved by the Director of Development Services in order to be eligible for the credit. Generally, the credit is capped at $5 million. However, catalytic projects may receive a credit of up to $25 million.

The historic building rehabilitation tax credit – also known as the "historic preservation tax credit" – was enacted by the General Assembly in 2007 and made permanent in 2011. The credit is available to owners and certain long-term lessees that rehabilitate historic buildings in accordance with preservation criteria. Credits are awarded on a competitive basis for projects that are expected to generate a positive economic impact in the surrounding community. According to a comprehensive report issued by the Development Services Agency, 109 projects across 28 Ohio communities have been awarded credits under the program as of December 2015.[1]

This memorandum summarizes the law governing the credit and modifications since its inception. The text under each heading is a description of current law. The legislative history of the credit is detailed in the accompanying tables.

Credit amount

The historic building rehabilitation tax credit equals 25% of the qualified rehabilitation expenditures incurred by the owner or qualified lessee in the rehabilitation project. Except for "catalytic" projects (discussed below), the maximum credit amount is $5 million per project. The credit is refundable, but if any amount is refunded, the owner

---

[1] Ohio Development Services Agency, "Ohio Historic Preservation Tax Credit: 2015 Comprehensive Report," (2015), https://development.ohio.gov/files/redev/2015OHPTCComprehensiveReport.pdf.

of the tax credit certificate may not claim more than $3 million of the credit for that year. The owner may carry forward the unused portion of the credit for up to five years.[2] The total amount of certificates issued per fiscal year may not exceed $60 million.[3]

"Qualified rehabilitation expenditures" are expenses paid or incurred by an owner or qualified lessee of a historic building during the "rehabilitation period" and before and after that period as determined under federal rehabilitation tax credit law. Qualified rehabilitation expenditures include architectural or engineering fees and the expense of preparing nomination forms for listing on the National Register of Historic Places. Qualified rehabilitation expenditures exclude the cost of acquiring, expanding, or enlarging a historic building; expenditures attributable to work done to facilities related to the building, such as parking lots, sidewalks, and landscaping; and new building construction costs.[4]

The owner or lessee determines the length of the "rehabilitation period." However, there is a maximum duration for the rehabilitation period, the length of which depends upon the initial plan for completing the rehabilitation project. If the initial plan calls for the project to be completed in stages, then the rehabilitation period cannot exceed 60 months. Otherwise, the rehabilitation period cannot exceed 24 months.[5]

Minimum qualifications

The rehabilitation credit is available only for historic buildings and only for the building's owner or certain lessees. The rehabilitation project must meet rehabilitation standards originally established under the National Historic Preservation Act. Also, receiving the credit must be a "major factor" in the applicant's decision to rehabilitate the building or to increase the level of investment in the rehabilitation.

For the purposes of the credit, a "historic building" is a building – including its structural components – that is located in Ohio and that is either: (1) individually listed on the National Register of Historic Places, located in a "registered historic district," and certified by the State Historic Preservation Officer as being of historic significance to the district or (2) individually listed as a historic landmark designated by a local government certified under federal law. A "registered historic district" is a historic district listed in the National Register of Historic Places under federal law, a historic district designated by a local government certified under federal law, or a local historic

---

[2] R.C. 149.311, 5725.151, 5725.34, 5726.52, 5729.17, and 5747.76; Section 757.170 of Am. Sub. H.B. 64 of the 131st General Assembly.

[3] R.C. 149.311(D)(2).

[4] R.C. 149.311(A)(7).

[5] R.C. 149.311(A)(8).

district certified under federal regulations by the Secretary of the Interior as substantially meeting National Register criteria.

The "owner" of a historic building is a person holding the fee simple interest in the building. A "qualified lessee" is a person subject to a lease agreement for a historic building and eligible for the federal rehabilitation tax credit through a pass-through agreement with the building's owner. The federal rehabilitation tax credit is available to lessees so long as the remaining term of the lease is greater than the federal income tax cost recovery period. The remaining lease term is determined on the date rehabilitation is completed without regard to any renewal periods. The federal recovery period is 39 years for nonresidential property and 27.5 years for residential property.

The state and political subdivisions are explicitly prohibited from receiving the Ohio historic preservation tax credit.[6]

Selection of projects for credits

Satisfying the minimum qualifications does not ensure that a project will be awarded a credit since only $60 million in credits may be awarded each year. The Historic Preservation Officer and Development Services Agency (DSA) select projects according to a scoring system developed by DSA for each round of applications. Two application rounds are held each year. For each applicant meeting the minimum requirements, DSA must conduct a cost-benefit analysis to determine if the project will result in a net revenue gain in state and local taxes once the building is put into use. DSA is required to consider the results of this cost-benefit analysis, along with the potential economic impact and the regional distributive balance of credits throughout the state in determining whether to approve the application. Projects are ranked according to the score, and credits are approved (but not yet claimed) in that order until the credit allocation is exhausted.[7]

Bill	Change to the Historic Preservation Tax Credit Program
H.B. 149 of the 126th General Assembly (2007)	Created the Historic Preservation Tax Credit Program.
H.B. 119 of the 127th General Assembly (2007)	Required that the cost-benefit analysis include economic activity during the construction phase of the rehabilitation project. Under the original tax credit program, DSA could not approve any application that was not projected to result in a net revenue gain in state and local taxes once the building was used.

[6] R.C. 149.311(A), 26 U.S.C. 47 and 168(c).

[7] R.C. 149.311(C) and (D); O.A.C. 122:19-1-4.

Bill	Change to the Historic Preservation Tax Credit Program
Am. Sub. H.B. 554 of the 127th General Assembly (2008)	Extended the duration of the program until 2011 (the program was originally set to expire in 2009). Prohibited the state and political subdivisions from receiving the historic preservation tax credit. Implemented the $60 million annual cap, the $5 million per-project cap, and the $3 million refund cap. Previously, the credit was limited to the first 100 applications with no caps on the dollar amount. Required that the application include an estimate of the rehabilitation expenditures. Eliminated the cost-benefit analysis requirement (restored in 2011).
H.B. 153 of the 129th General Assembly (2011)	Made the credit program permanent. Required that tax credit applications be submitted directly to DSA instead of the State Historic Preservation Officer. Restored the cost-benefit analysis requirement, but specified that the DSA must "consider" the results of the analysis rather than deny any application based on net negative results.
S.B. 314 of the 129th General Assembly (2012)	Extended eligibility to "qualified lessees" of historic buildings.
H.B. 59 of the 130th General Assembly (2013)	Adjusted the attribution of expenditures by owners to qualified lessees of historic buildings.

Issuance of the tax credit certificate

After DSA approves a historic rehabilitation project, the owner or lessee is required to file "sufficient evidence of reviewable progress," including a viable financial plan, copies of final construction drawings, and evidence of historic approvals. The progress reports must be filed within 12 months after the original application is approved. Within 18 months after that notice, the owner or lessee must provide evidence that financing for the rehabilitation has been secured and closed. DSA may rescind approval of a historic rehabilitation project if the owner or lessee fails to timely file either of these progress reports.

For projects with a rehabilitation period of 24 months or less, DSA may not issue the tax credit certificate until the completion of the project. If the rehabilitation period exceeds 24 months, DSA may issue a tax credit certificate upon completion of each stage of the project. In both cases, the applicant is required to submit a third-party cost certification compiled by a CPA of the actual costs incurred during the rehabilitation project. This requirement is waived if the qualified rehabilitation expenditures do not exceed $200,000. The rehabilitation tax credit certificate may not be issued for an amount greater than the estimated amount furnished on the original application.[8]

---

[8] R.C. 149.311(D).

Bill	Change to the Historic Preservation Tax Credit Program
H.B. 554 of the 127th General Assembly (2008)	Created the 12-month and 18-month progress report requirements.
H.B. 153 of the 129th General Assembly (2011)	Allowed for the issuance of tax credit certificates after each stage was completed for longer-term historic preservation projects.

Credit terms and limitations

The holder of a historic preservation tax credit certificate may claim the credit against the personal income tax, the financial institutions tax (FIT), or the foreign or domestic insurance company premiums tax. In addition, a provision in uncodified law temporarily allows taxpayers to claim the credit against the commercial activity tax (CAT) if the owner cannot claim the credit against another tax and the certificate becomes effective after 2013 but before June 30, 2017.

Bill	Change to the Historic Preservation Tax Credit Program
H.B. 153 of the 129th General Assembly (2011)	Allowed the credit to be applied to the domestic and foreign insurance premiums taxes.
H.B. 510 of the 129th General Assembly (2013)	Allowed the credit to be applied to the FIT.
H.B. 483 of the 130th General Assembly (2014)	Temporarily allowed the credit to be claimed against the CAT (scheduled to expire in 2015).
Sub. H.B. 64 of the 131st General Assembly (2015)	Extended the time the credit may be claimed against the CAT to 2017.

Catalytic projects

Notwithstanding the $5 million limitation that generally applies to historic building rehabilitation tax credit certificates, a tax credit of up to $25 million is available for one rehabilitation each biennium if it qualifies as a "catalytic project." To qualify, the project must foster economic development within 2,500 feet of the building. Before approving a catalytic project, DSA must consider the number of jobs the catalytic project will create and the effect that approval would have on the availability of credits for other applications within the annual $60 million certificate cap. DSA may issue only one certificate for a catalytic project per fiscal biennium.[9]

Bill	Change to the Historic Preservation Tax Credit Program
H.B. 483 of the 130th General Assembly (2014)	Authorized a special credit for catalytic projects.

[9] R.C. 149.311(D)(6).

Administration and reporting

The owner or qualified lessee of a historic building may seek a historic building rehabilitation tax credit by applying to DSA for a tax credit certificate. DSA may charge reasonable application and other fees in connection with the administration of the credit. Fees are credited to the Historic Rehabilitation Tax Credit Operating Fund.[10]

DSA is required to work in consultation with the Director of Budget and Management to develop a system of anticipating the tax revenue impact of historic preservation tax credits. The system may include tracking the number of applications approved, the estimated rehabilitation expenditures and rehabilitation period associated with the applications, the number of tax credit certificates issued, and other relevant information.[11]

DSA compiles an annual report overviewing the tax credit program by August of each year. The report is submitted to the Senate President and the House Speaker. The report must include information on the number of tax credit certificates issued during the previous fiscal year, an update on the status of each historic building for which applications were approved, and the dollar amount of the tax credits granted. On or before December 1, 2015, DSA and the Tax Commissioner were required to issue a comprehensive report that includes a detailed analysis of the effectiveness of issuing tax credits for rehabilitating historic buildings.[12]

Bill	Change to the Historic Preservation Tax Credit Program
H.B. 153 of the 129th General Assembly (2011)	Authorized DSA to collect administrative fees. Required DSA to pursue federal stimulus funds for the purpose of making loan guarantees to persons rehabilitating historic buildings in Ohio.
H.B. 486 of the 130th General Assembly (2014)	Changed the due date for the annual report from April 1 to August 1.
H.B. 233 of the 131st General Assembly (2016)	Required the development of a system for tracking tax revenue impact.

R3742-131.docx/dp

[10] R.C. 149.311(G).

[11] R.C. 149.311(I).

[12] R.C. 149.311(F).

R-131-3204

Ohio Legislative Service Commission

Research Memorandum

Joe McDaniels
June 21, 2016

COMPARISON OF THE STATE AND FEDERAL HISTORIC REHABILITATION TAX CREDITS

SUMMARY

The Ohio Historic Rehabilitation Tax Credit program incentivizes the restoration of historic buildings by awarding credits to owners and qualified lessees that rehabilitate such buildings in accordance with certain preservation criteria. The credit equals 25% of the qualified expenditures made by the owner or qualified lessee and may be claimed against the income tax, foreign and domestic insurance company gross premiums taxes, and financial institutions tax. Rehabilitation projects must be pre-approved by the Director of Development Services in order to be eligible for the credit. Generally, the credit is capped at $5 million. However, catalytic projects may receive a credit of up to $25 million.

The state credit is modeled partly after the Federal Rehabilitation Tax Credit, which is available to owners and qualified lessees of certain buildings used in a trade or business or held for the production of income. If the building is a "certified historic structure" the credit equals 20% of the taxpayer's qualified rehabilitation expenditures. The rehabilitation of buildings other than certified historic structures may qualify for a 10% credit if the building was placed into service before 1936 and the rehabilitation meets certain additional criteria. The federal credit is not capped but may be subject to restrictions arising from the alternative minimum tax, tentative minimum tax, and passive activity rules.

The following table summarizes the similarities and differences between the Ohio Historic Rehabilitation Tax Credit and the Federal Rehabilitation Tax Credit. The table focuses primarily on credit eligibility, computation, and major procedural components.

Comparison of State and Federal Historic Rehabilitation Tax Credits		
Topic	**Ohio Historic Rehabilitation Tax Credit**	**Federal Rehabilitation Tax Credit**
Eligible buildings	A building that is located in Ohio and is either: (1) Individually listed on the National Register of Historic Places under the federal National Historic Preservation Act, located in a "registered historic district," and certified by the State Historic Preservation Officer as being of historic significance to the district; or (2) Individually listed as a historic landmark designated by a local government certified under federal law. A "registered historic district" is a historic district listed on the National Register of Historic Places under federal law, a historic district designated by a local government certified under federal law, or a local historic district certified under federal regulations by the Secretary of the Interior as substantially meeting National Register criteria. Unlike the federal credit, there is no requirement that the building be used in a trade or business. (R.C. 149.311(A)(1).)	A building that is "depreciable" (i.e., it is used in a trade or business or held for the production of income) and that meets one of the following criteria: (1) The building is listed individually in the National Register of Historic Places or is located in a "registered historic district" and certified by the National Parks Service as contributing to the historic significance of that district; (2) The building was placed into service before 1936, is being rehabilitated for nonresidential uses, and the rehabilitation meets statutorily prescribed criteria related to the retention of walls and internal structural framework (I.R.C. 47(c)(1) and (3)).
Credit recipient	The owner or "qualified lessee" of a historic building. A qualified lessee is a person subject to a lease agreement for a historic building and eligible for the federal historic rehabilitation tax credit. The state, state agencies, and political subdivisions are specifically excluded from receiving the tax credit. (R.C. 149.311(A)(3), (A)(4), and (B).)	The owner of the building or a lessee, so long as the remaining term of the lease, determined on the date that the rehabilitation is completed without regard to any renewal periods, is greater than the federal income tax cost recovery period. The federal recovery period is 39 years for nonresidential real property and 27.5 years for residential rental real property. (I.R.C. 47(c)(2)(B)(vi) and 168(c).)

Comparison of State and Federal Historic Rehabilitation Tax Credits		
Topic	**Ohio Historic Rehabilitation Tax Credit**	**Federal Rehabilitation Tax Credit**
Credit amount	The credit equals 25% of the qualified expenditures made for rehabilitating the historic building (R.C. 5725.151, 5725.34, 5726.52, 5729.17, 5733.47, and 5747.76).	The credit equals 20% of the qualified rehabilitation expenditures if the building is a "certified historic structure" (i.e., qualifies under subsection (1) under **Eligible buildings** above). The credit equals 10% of the qualified rehabilitation expenditures if the building is not a certified historic structure (i.e., qualifies under subsection (2) under **Eligible buildings** above). (I.R.C. 47(a).)
Taxes against which the credit may be claimed	The income tax, foreign and domestic insurance company gross premiums taxes, and financial institutions tax (R.C. 5725.34, 5726.52, 5729.17, and 5747.76).	Federal income tax (I.R.C. 47).
Refund and carry forward	The credit is refundable but, if any amount of the credit is refunded, the sum of the amount refunded and the amount applied to reduce the taxpayer's tax liability for that year may not exceed $3 million. The taxpayer may carry forward any excess of the amount claimed for up to five ensuing years. (R.C. 5725.151, 5725.34, 5726.52, 5729.17, 5733.47, and 5747.76.)	The credit is not refundable but unused portions of the credit may be carried back one year and carried forward for 20 years (I.R.C. 39(a)).
Overall cap	$60 million per fiscal year (R.C. 149.311(D)(2)).	No cap.
Individual credit cap	$5 million except for catalytic projects which may receive up to $25 million. Only one catalytic project may be approved each fiscal biennium. (R.C. 149.311(D)(6) and (H), 5725.151, 5725.34, 5726.52, 5729.17, 5733.47, and 5747.76.)	No cap, but subject to alternative minimum tax, tentative minimum tax, and passive activity rules (I.R.C. 47, see also, https://www.nps.gov/tps/tax-incentives/before-apply/irs.htm).

Comparison of State and Federal Historic Rehabilitation Tax Credits		
Topic	**Ohio Historic Rehabilitation Tax Credit**	**Federal Rehabilitation Tax Credit**
Qualified expenditures	Expenses paid or incurred during the rehabilitation period by an owner or qualified lessee to rehabilitate a historic building, including architectural or engineering fees and costs of preparing nomination forms for listing on the National Register of Historic Places. The cost of acquiring, expanding, or enlarging a historic building; expenditures attributable to work done to facilities related to the building (i.e., parking lots, sidewalks, and landscaping); and new building construction costs are explicitly excluded from "qualified expenditures" for the purposes of the credit. (R.C. 149.311(A)(2).)	Any expenses incurred rehabilitating an eligible building that would be properly charged to a capital account. The cost of acquiring, expanding, or enlarging the building is explicitly excluded along with any expenditure in connection with a portion of the building which will be used for tax-exempt purposes. (I.R.C. 47(c)(2).)
Rehabilitation standards	Rehabilitation must comply with the rehabilitation standards of the U.S. Secretary of the Interior. Project must be approved ahead of time by the Director of Development Services (R.C. 149.311(B) and (C)(2)).	Rehabilitation must comply with the rehabilitation standards of the U.S. Secretary of the Interior. The building must be "substantially rehabilitated" – meaning that the qualified rehabilitation expenditures exceed the taxpayer's basis in the building at the beginning of the rehabilitation period. (I.R.C. 47(c)(1)(C).)
Cost-benefit analysis	The Director of Development Services is required to conduct a cost-benefit analysis to determine whether the rehabilitation of the historic building will result in a net revenue gain in state and local taxes once the building is used (R.C. 149.311(B)(6) and (D)(1)).	No similar requirement.

R3204-131.docx/dp

Testimony by Director David Goodman
Ohio Development Services Agency
Ohio 2020 Tax Policy Study Commission
April 28, 2016

Chairman Peterson, Chairman McClain, and members of the 2020 Tax Policy Study Commission, thank you for the opportunity to offer testimony on the Ohio Historic Preservation Tax Credit. My name is David Goodman, and I am the Director of the Ohio Development Services Agency.

The Ohio Development Services Agency (DSA) has been entrusted with administering programs which create jobs and build strong communities. During my time at the agency, we have made accountability and transparency of taxpayer money a priority.

The State of Ohio has a rich history, and many of the historic buildings that remain from our past help tell our story and make Ohio a unique place to live, work, and visit.

The purpose of the Ohio Historic Preservation Tax Credit is to encourage private investment in the reuse of these historic buildings, which does the following:

- Creates jobs
- Provides unique spaces for residents and businesses
- Promotes heritage tourism
- Adds to state and local tax revenues
- Revitalizes communities

This program was created by the General Assembly in 2006 as a pilot program and is now permanent. The Development Services Agency currently awards up to $60 million in tax credits each year.

Applications are evaluated with an objective 100-point scoring system that takes into account the potential economic impact, including the legislatively-mandated cost-benefit analysis.

The tax credit is performance-based: developers receive the credit only after construction is complete and all requirements are verified. This structure increases accountability and protection of taxpayer dollars. Since 2006, 152 projects across 37 communities in Ohio have been completed. As you would expect, our largest metropolitan areas are represented in that list. But so are Portsmouth, Sandusky, Oberlin, and Washington Court House, among others. Regional distribution is a consideration in the scoring system, prioritizing communities that are new to the program.

Each fiscal year, program funding is capped at $60 million in tax credits with a $5 million cap per project. The only exception to the $5 million cap is one award per biennium of up to $25 million to a Catalytic project. Catalytic projects are large-scale rehabilitation projects that undergo additional review to encourage significant additional economic development in the surrounding area. The credit helps finance the rehabilitation of historically significant buildings by providing a tax credit of up to 25 percent of eligible project costs. The credit leverages private dollars in the form of developer equity and bank financing.

The Ohio Historic Preservation Tax Credit program is administered in partnership with the State Historic Preservation Office at the Ohio History Connection. They determine if a property qualifies as a historic building and that the rehabilitation plans comply with the U.S. Secretary of the Interior's Standards for Rehabilitation. Many local communities that use the program as a revitalization tool in older neighborhoods weigh in with us on applications, and TourismOhio's local partners also use the program to drive their $40 billion industry.

Thank you, Chairman Peterson, Chairman McClain, and members of the Commission. I would be happy to answer any questions.

2020 COMMISION TESTIMONY

April 28, 2016

Interested Party Testimony

Ohio Historic Preservation Tax Credit

Joyce Barrett, Executive Director

Heritage Ohio
846 ½ E. Main Street Columbus, OH
jbarrett@heritageohio.org

Thank you Commission Chairs Peterson and McClain, Director Keen, and members of the commission for giving me the opportunity to speak to you today in support of the Ohio Historic Preservation Tax Credit (OHPTC).

I am Joyce Barrett, Executive Director of Heritage Ohio, your statewide non-profit organization which promotes downtown revitalization through the Main Street Program, and advocates for historic preservation as the statewide Preservation Partner with the National Trust for Historic Preservation.

I am here to tell you about the resounding success of the OHPTC program, and why it is important for the future success of Ohio.

On the screen, you will see images of some of the 284 approved projects which are being rehabilitated because of the OHPTC. Many of these were vacant for 10, 20 or 30 years; some were ready for the wrecking ball. Because of the OHPTC program, they are now income-producing, tax-generating assets. Without the program, they would still be empty, or gone.

Through our work with Ohio Main Street and Downtown Affiliate programs in 42 communities, and our travels providing technical assistance, I am familiar with the challenges facing downtowns of all sizes. Daily, I see commercial districts that were once bustling with people, businesses and jobs, now underperforming, or empty.

Like other "rust belt" states, Ohio has had almost zero population growth for the past 30 years and is projected to continue to be stagnant for the next 30 years. Of concern is brain drain and the aging of our population. This trend can be changed, and the Ohio Historic Preservation Tax Credit can help.

What we see happening in cities all across the country is that by adaptively reusing historic buildings, we can create the kind of cool places that will attract and retain our youth and entrepreneurs of all ages. Ohio is a state that takes advantage of, and builds on, one of our great resources: our existing historic buildings.

This is possibly the single most important impact of the OHPTC, and a key reason for having this program. This is clearly happening in Cleveland and Cincinnati, but it is also beginning to happen in Youngstown, Toledo, Hamilton, Dayton, and Canton.

Ohio has the third most national register listed historic structures in the country. These buildings can be turned into loft apartments or trendy workplaces – exactly what the next generation is looking for. You want to attract high tech companies to Ohio? Then you need to have rehabbed, turn-of-the-century factories with exposed brick and wood floors. You want young people to call Ohio home? They are doing this in neighborhoods like Over-the-Rhine in Cincinnati and East 4th Street or the Warehouse District in Cleveland.

Equally important is the revitalization of our cities and towns. If you are trying to attract a company or manufacturer, it is a lot easier if you have a vibrant, rehabilitated downtown; not one with vacant storefronts and large gaps where buildings have been torn down.

This is beginning to happen one building at a time in smaller communities: Cambridge, Piqua, Lima, Lebanon, East Liverpool, and Marietta, where you all got to experience at the State of the State Address in the newly restored People's Bank Theatre.

Here are some reasons why Ohio's historic credit is so great:

Our program is the only tax credit in the state (and maybe the country), with a Cost-Benefit Analysis refer to page 10 in the ODSA report. We are proud of this and think all tax credits should have them.

We have one of the best historic tax credit programs in the country. Currently there are 34 states with historic tax credit programs. Most recently California, Idaho and Arizona have considered using ours as a model. In 2013, Ohio had 80 certified completed historic tax projects compared to 15 in Michigan where they eliminated their historic tax credit in 2011.

Ohio is attracting investment from both within and outside the state.

The Ohio Historic Preservation Program is a successful program. To date:

- 152 projects have been completed in 52 communities.
- It has a 6:1 Return on Investment.
- Between 2008-2015:
  -9,000 construction jobs were created.
  -14,350 long term operational jobs were created.
- It pays back in increased State, Income and Property Taxes.

These projects will not happen without the historic tax credit. How do we know? Because the buildings were empty for decades. You know the buildings in your own community that are like this. And just as we are in a race to entice and retain young people to our state, we are in a race against time to rehabilitate buildings before they are torn down due to abandonment and neglect. This program is an alternative to demolition.

This is why the General Assembly passed the Ohio Historic Preservation Tax Credit Program in 2005. It was to help spur redevelopment by providing a tool to make historic buildings financially competitive. The program is working. We can see the results. It has a positive return on investment to the state: in increased taxes, in jobs, in communities that are vibrant and attractive for the next generation to call Ohio home.

So here is my message – we can shape Ohio's future success by how we successfully, adaptively reuse our history. Thank you for your time.

2020 Tax Policy Commission

HERITAGE OHIO
Vital Places. Vibrant Communities.

Columbus

Columbus - Julian Building

Columbus - Julian Building

Columbus - Julian Building

Chillicothe

Chillicothe – Carlisle Building

Chillicothe – Carlisle Building

Chillicothe – Carlisle Building

St. Clairsville

St. Clairsville – Clarendon Hotel

St. Clairsville – Clarendon Hotel

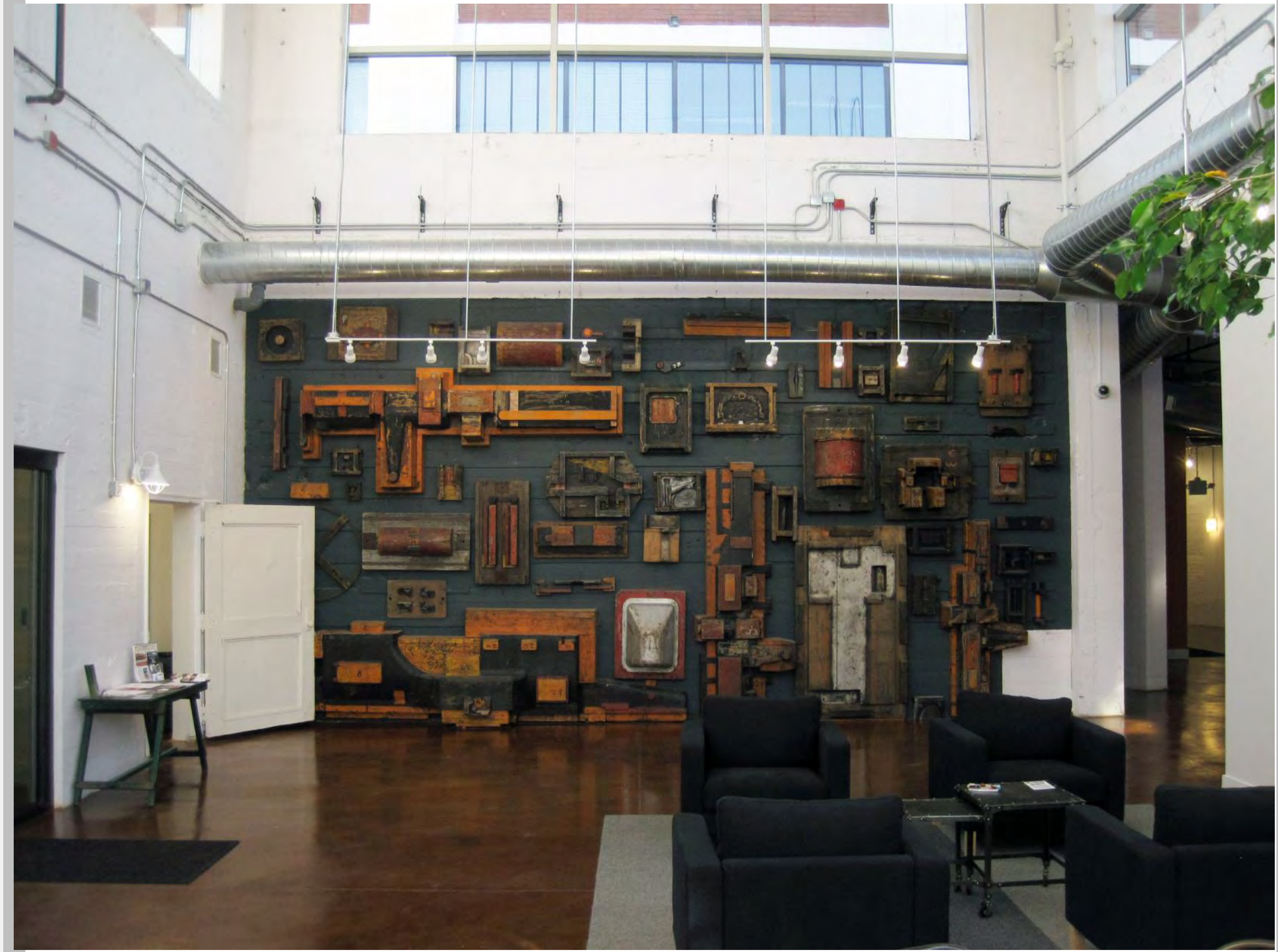
St. Clairsville – Clarendon Hotel

Cincinnati

Cincinnati – American Can

Cincinnati – American Can

Cincinnati – American Can



Cleveland

Cleveland – Schofield Building

Cleveland – Schofield Building

Cleveland – Schofield Building

Columbus

Columbus – Cristo Rey High School

Columbus – Cristo Rey High School

Piqua

Piqua – Fort Piqua Plaza

Piqua – Fort Piqua Plaza

Piqua – Fort Piqua Plaza

Kenton

Kenton – Merriman Block

Kenton – Merriman Block

Kenton – Merriman Block

North Canton

North Canton – Hoover West Factory

North Canton – Hoover West Factory

Kent

Kent – Franklin Hotel

Kent – Franklin Hotel

Marietta

Marietta – Peoples Bank Theatre

Marietta – Peoples Bank Theatre

Ohio Historic Tax Credits Projects

Simmons Hardware Co. Toledo

...n Capital Brewing ...lumbus

...Sohngen Building ...n since 1999

Templin Bradley Company Cleveland

Falls Stamping and Welding Cuyahoga Falls

Peoples Bank Theater Marietta

Historic Tax Credit Statistics 2006-2015	Total
Total Project Investment	$1.58 Billion
Buildings Rehabilitated	141
Communities Impacted	28

Return on investment $6 for every $1 in historic Tax credits

SANDVICK ARCHITECTS
1265 WEST SIXTH STREET CLEVELAND, OHIO 44113 PHONE (216) 621-8055 FAX: (216) 687-1814

OHIO 2020 TAX POLICY STUDY COMMISSION

Written Testimony of Jonathan Sandvick, President of Sandvick Architects
April 28, 2016

Thank you Co-Chairs Peterson and McClain, and Commission members, for the opportunity to share my perspective on the Ohio Historic Preservation Tax Credit program. My name is Jonathan Sandvick, and I am president of Sandvick Architects, an architecture and historic preservation firm that specializes in the revitalization of downtowns and inner city neighborhoods large and small. Our firm has provided services to more than 200 historic rehabilitation projects representing over $1.6 billion in investment, including a substantial number in downtown Cleveland as well as Columbus, Toledo, Dayton, Akron and Canton, but also smaller cities like Findlay, Hamilton, Newark and St. Clairsville. I am also active in multiple organizations focused on historic preservation and downtown revitalization, serving as Vice-Chair of both Heritage Ohio and Downtown Cleveland Alliance.

I am deeply engaged in the use of Ohio Historic Preservation Tax Credits for the redevelopment of our cities and towns. The program is an unquestioned success, with a remarkable and tangible impact on our state's physical and economic development, while consistently generating a return on investment by creating more in new taxes than it costs the state. The Ohio Historic Preservation Tax Credit is recognized across the nation as a model program, and with 33 states currently offering historic preservation tax credits, the reliability and efficiency of Ohio's program provides a competitive advantage. Just in our company alone, we are currently working for clients from Florida, Maryland, and Califorina, with additional partners from New York, Texas, and Israel, who are investing hundreds of millions of dollars in Ohio's buildings and creating jobs for thousands of Ohioans. Each of these clients are new to the Ohio real estate market, and in every case the Ohio Historic Preservation Tax Credit was a determining factor in their decision to invest here. At the same time we have also seen more Ohio-based clients investing in our cities and keeping their focus at home instead of pursuing opportunities elsewhere, again with the Ohio Historic Preservation Tax Credit representing a major factor in those decisions.

The relative success of Ohio in attracting investment to historic building rehabilitation is confirmed by national statistics collected through the federal historic tax credit program. In 2015, Ohio benefited from over $395 million in direct spending on the redevelopment of historic properties across the state, second only to New York. This simply would not occur without the Ohio Historic Preservation Tax Credit, and numerous projects lie fallow due to their inability to secure an allocation from the highly competitive program.

The strong demand for the Ohio program is a reflection of its practical efficiency and ease of use. It is intentionally designed to pair naturally with the federal historic tax credit, which has existed since 1976 and is used in conjunction with the Ohio credit in nearly every case. This integration minimizes redundant transaction costs and makes it easy to leverage every state dollar with a readily available and well-established federal funding tool, maximizing the benefit of both sources to the project. Our projects employ a wide variety of funding sources and incentives, including grants, TIFs, loan guarantees, etc., each of which add another layer of complexity to the process, whereas the Ohio Historic Preservation Tax Credit fits neatly within the structure of the federal credit and requires little additional effort or expense. For the same reason, the program is also able to piggyback off of the existing administrative work at the State Historic Preservation Office, which is charged with managing the federal historic tax credit program in Ohio, avoiding redundant staff and bureaucratic processes. The Ohio Historic Preservation Tax Credit is therefore a highly efficient and effective means of delivering needed support to these projects.

While the program does an excellent job of meeting the needs of its users to drive private investment, it is equally adept at safeguarding the program’s investment on behalf of Ohio’s taxpayers. With demand for the program far exceeding the available allocation, every application is subject to a rigorous and competitive review by the Ohio Development Services Agency, comparing the relative merits of each project’s economic impact and likelihood of success. The fully objective and transparent analysis is not about picking “winners” and “losers” from among the many applicants, but instead insuring that the State of Ohio is always the ultimate winner, which should be the goal of any public incentive. The most important part of the evaluation is the required cost-benefit analysis, which is calculated by ODSA itself to make sure that each project will generate more in new taxes than it receives in credits. As an Ohio taxpayer, I wish every public incentive were put to this most fundamental test of its efficacy.

Further, not a single penny of the state tax credit is released until the project is complete and occupied, and all of the expenses have been independently certified. So the State’s money is only invested in the project *after* the promised benefit has been delivered, by which time a significant portion of the new jobs and tax revenue have already been generated from the construction, and the long-term benefits from its operation are assured.

You have already seen the exceptional results of the Ohio Historic Preservation Tax Credit program on the ground, where it is dramatically changing the faces of communities across our great state and yielding outstanding returns on the State’s investment. I hope my remarks have helped illuminate the inner workings of the program, which I believe is the most efficient, fair and user-friendly incentive offered in the State, if not the nation. It works for property owners and investors, it works for our communities, and it works for Ohio taxpayers. What more could any of us ask?

Thank you again for the opportunity to speak, and for your thoughtful consideration of this critically important program as well as all of Ohio’s tax policies.

Ohio 2020 Tax Policy Study Commission
Written Testimony of Joe Roman, President and CEO
Greater Cleveland Partnership
April 28, 2016

Chairman Peterson and members of the Commission, my name is Joe Roman and I am the President and CEO of the Greater Cleveland Partnership (GCP). GCP is the largest chamber of commerce in the State of Ohio. Collectively with the Council of Smaller Enterprises (COSE), we represent 8,500 small, mid-market and large companies across Northeast Ohio. Our mission is to mobilize private sector leadership, expertise and resources to create jobs and leverage investment to improve the economic vitality of Northeast Ohio. Tax reform – specifically advocating for a tax system that supports economic and business growth in our state – is a key priority for our members.

We have been consistent in sharing our position on Ohio's tax policy and continue to stand by key recommendations we made during the operating budget process:

1. Seek greater efficiencies in state government to allow for personal income tax reductions versus shifting the tax burden from one group of businesses to another;
2. Permanently preserve the 100% tax exemption on the first $250,000 in business income;
3. Maintain or lower the current commercial activity tax (CAT) rate and maintain or increase the current CAT exemption level; and
4. Be thoughtful about the implications of expanding the sales tax base and/or increasing the rate.

I want to provide written testimony on tax expenditures – specifically the Historic Preservation Tax Credit and the New Market Tax Credit. While tax expenditures represent forgone revenue to the state, we know that there are tax credit programs in Ohio that add significant economic value to local communities. The Historic Preservation Tax Credit and New Market Tax Credit are two such programs and we urge the state to continue to invest in these.

Historic Preservation Tax Credit

After an attempt last year to suspend the Historic Preservation Tax Credit program and convert it into a grant program, an updated economic impact study was conducted by Cleveland State University to further show the value of this program. We know that the Historic Preservation Tax Credit creates millions of spending for capital investment, new and permanent jobs as a part of the projects, and economic and civic vitality for downtown centers and neighborhoods. In many cases, this program allows local developers, government and businesses to transform abandoned buildings into community anchors. You can look at much of the major investment in Downtown Cleveland as evidence of this.

Since the inception of the Historic Preservation Tax Credit program, nearly 30% of funded projects have taken place in Cuyahoga County and there are more projects underway thanks to the state's investment. A notable project is the old Cleveland Trust Complex that received a catalytic Historic Preservation Tax Credit award. This critical investment of $31 million from the state into a total project cost of $230 million was crucial to ensure that this project could move forward and the building not be demolished. Today, it is home to a new Heinen's grocery store, The Metropolitan at the 9 hotel and residential units. This project attracts people into downtown, contributes to the increased value and development we are seeing in our central city, and was a key asset in our application to attract the Republican National Convention to the City of Cleveland.

The CSU study found that for every dollar invested by the state, *more than six dollars* are attracted in additional investment. This is the kind of value we strive to see in our economic development efforts. Continued support and investment in the Historic Preservation Tax Credit program is critical.

New Market Tax Credit

Lastly, I want to highlight the New Market Tax Credit (NMTC) program because of how it works hand in hand with the Historic Preservation Tax Credit and other essential economic development tools that are critical to transforming our regions. For a few years, GCP along with other physical development and financing partners, have advocated that the real estate restriction in this program be removed because it is counterproductive to the type of physical development currently happening in many low-income and distressed areas across the state. Moreover, this restriction does not exist in the federal New Market Tax Credit program.

The real estate restriction in current law (ORC 5725.33(A)(4)) does not permit projects under the NMTC for businesses that drive more than 15 percent of their income from real estate. To satisfy this provision, a borrow must either be the end user of the property or, if a single-purpose entity is utilized, the borrower must demonstrate that the majority of the property will be utilized by a single tenant for the entire seven-year tax credit compliance period. This may not be an issue for more established companies or nonprofits that want to own their own real estate but for growing startup and second stage companies, this provision presents a challenge to their eligibility for the NMTC.

Our experience with young companies is that they do not have the means or the desire to own and manage real estate; their capital is better spent investing in their core competencies for business growth. Many of the transformational public/private development projects underway – Opportunity Corridor, Health Tech Corridor and the more than two million square feet of vacant building space in Downtown Cleveland – will include a mixed use of manufacturing, research and development, retail/commercial, office and residential. Without a change to the current law, the real estate provision will continue to be a barrier and limit the ability to use the NMTC program for catalytic projects that have the potential to revitalize the urban core. Therefore, this provision should be removed from current law.

Thank you again for the opportunity to provide written testimony on these important issues.

AIA Ohio
A Society of The American Institute of Architects

April 28, 2016

Statement is Support of the Historic Preservation Tax Credit Program

Thank you Chairmen McClain and Peterson and members of the 2020 Tax Study Commission for this opportunity to address the ways that the Ohio Historic Preservation Tax Credit program contributes to the economic well-being of our state. My name is Bob Loversidge, and I am and architect and CEO of Schooley Caldwell, a 72 year old small business in Columbus. I am here today representing AIA Ohio, the state society of the American Institute of Architects, with approximately 20,000 members organized into seven chapters across Ohio.

The Ohio Historic Preservation Tax Credit has been a significant economic development tool since it was created by the Ohio General Assembly in 2006. It has directly benefitted 398 historic structures, in 52 Ohio communities, representing $4.4 billion in redevelopment investment.

OHPTC is an efficiently-run, ultimately fair and effective incentive program that we believe should be retained or expanded by the General Assembly. Several reasons for this include:

- Incentives are needed to encourage property owners and developers to pursue renovation of historically significant structures, especially in distressed downtown areas, where these structures are likely to be underutilized or vacant.
- The OHPTC program has a proven track record of being revenue-positive for the State. For every $1 million in awarded historic preservation tax credits, the return on investment is $6.7 million – this according to studies conducted by Cleveland State University. This report also notes that for every $ 1 million in credits, the return is $8 million in construction spending, $32 million in operating impact, 83 construction jobs and 299 operations jobs. This information is available on the Ohio Development Services Agency's web site.
- The Ohio program requires periodic cost-benefit analyses to check in on the effectiveness of the program. A recent cost-benefit analysis involving a project in Warren, Ohio demonstrated that 31% of the state's investment of $630,800 in historic tax credits was recovered before the tax credit was awarded. One-hundred percent (100%) of the state's investment will be recovered in new revenues by the fourth year of operation. By year 10 the building will have generated additional state and local tax revenues of $494,000 in excess of the amount of the credit, or a return on investment of 80%, and by year 15 the building will have generated approximately $839,000 in new tax revenues, representing a return on investment of 130%.

17 South High Street, Suite 200
Columbus, Ohio 43215-3458
614/221-0338 • Fax: 614/221-1989
E-mail: aiaohio@assnoffices.com

- One advantage of the OHPTC program over other possible incentives is that it is totally integrated/coordinated with the companion Federal Historic Preservation Tax Credit program, creating a powerful and complementary program that is administered concurrently and according to the same set of rules. The Ohio Historic Preservation Office, using primarily with Federal funds, reviews projects for both programs at the same time, saving the state money that might be needed for separated programs. Owners get the advantage of receiving the 25% State tax credit and the 20% Federal credit – a powerful incentive to re-use our historic resources.
- OHPTC rewards only successfully completed projects. Unlike other programs that might give money upfront, the tax credit certification comes only after the approved design is documented to have been completed. Uncompleted or poorly completed projects do not receive the benefit.
- Renovation of historic buildings creates more jobs than equivalent new construction, and it is "greener." Economist Donovan Rypkema points out that new construction is about 50% labor and 50% materials, whereas restoration and renovation can be as much as 75% labor – that is, for every dollar spent you get twice as much local employment, and use about half the resources.

Members of the Commission, we commend your efforts to examine all portions of Ohio's tax structure to examine better ways of doing things. OHPTC is a highly successful, extremely effective, efficiently-run, revenue positive program of the State of Ohio. It creates high-paying jobs – more than new building construction – in communities, big and small, all over our state. It is not broken . . . please retain this very important economic development tool.

I would be happy to respond to any questions you may have.

17 South High Street, Suite 200
Columbus, Ohio 43215-3458
614/221-0338 • Fax: 614/221-1989
E-mail: aiaohio@assnoffices.com

CINCINNATI CENTER CITY DEVELOPMENT CORPORATION

THE OHIO HISTORIC PRESERVATION TAX CREDIT IN CINCINNATI

The Cincinnati Center City Development Corporation (3CDC) is a private, non-profit, real estate development and finance organization focused on revitalizing Cincinnati's urban core in partnership with the City of Cincinnati and the Cincinnati corporate community. 3CDC's goals and objectives are to preserve historic structures and improve streetscapes, create and manage great civic spaces, and to build high-density, mixed-use developments filled with local businesses to serve diverse, mixed-income neighborhoods.

The Ohio Historic Preservation Tax Credit has been an invaluable tool in achieving these objectives. 3CDC has received 29 awards to date, totaling $55 million. The awards have ranged in size from $84,000 to a recent $25 million catalytic award granted to the Cincinnati Music Hall project. Without this program, some $411 million in total project costs would not have been realized. Collectively, these projects have led to the renovation of nearly 70 vacant historic buildings and the in-filling of over 42 vacant lots, yielding 565,000 square feet of commercial space filled with businesses providing jobs to upwards of 2,000 individuals. Additionally, the projects have created more than 240 housing units, over 30% of which are affordable to low-income residents, 156 hotel rooms and 449 parking spaces serving the neighborhood.

29 AWARDS RECEIVED, TOTALING $55 MILLION

ENABLING 20 PROJECTS TOTALING $411 MILLION

NEARLY 70 VACANT HISTORIC BUILDINGS PRESERVED

The neighborhood of Over-the-Rhine (OTR) is one of the most economically distressed areas in the country, with a poverty rate of 58%, unemployment rate of over 25%, and a median household income of just $9,895 [22% of area median income (AMI)]. Geographically situated just north of the center city, the troubles in OTR had contributed to the destabilization of the central business district. This unstable environment had prevented growth and investment in the city's core, which had in turn impacted the health of the entire region. In the absence of a major turnaround, the region was in danger of losing some of its largest employers, further exacerbating the persistent distress in Cincinnati's center city.

3CDC has set high standards with its projects, using the $55 million granted in historic tax credits to leverage investments in the center city of over seven times that amount. This successful track record would not have been possible without the Ohio Historic Preservation Tax Credit program. All of these projects, endorsed by the community, were catalytic in nature and resulted in significant community and economic impact felt throughout the region and the State of Ohio.

PARVIS LOFTS APARTMENTS

This revitalization of 10 buildings on the west side of the 1400 block of Vine Street quickly brought a critical mass of people, renovated units, and commercial space to a block that stood empty and blighted. The 32 apartments leased up in 90 days and the 15,000 square feet of commercial space is filled with restaurants, retail and service.

HISTORIC TAX CREDITS AWARDED $1,086,169
TOTAL PROJECT COST $11.9 MILLION
YEAR COMPLETED 2009

WESTFALEN LOFTS

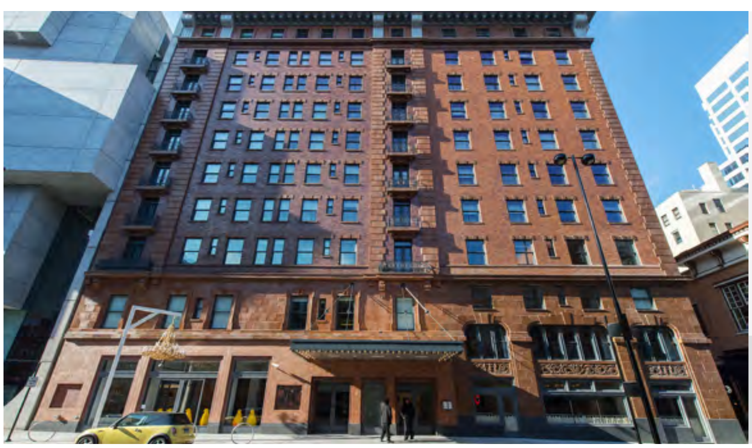
Westfalen Lofts encompassed the redevelopment of the remaining east side of the 1400 block of Race Street, north of the Saengerhalle building (another 3CDC project). The project involved the conversion of three previously vacant and abandoned buildings into 8 condominium units and one single-family home. All are sold.

HISTORIC TAX CREDITS AWARDED $602,477
TOTAL PROJECT COST $3.9 MILLION
YEAR COMPLETED 2010

SAENGERHALLE

The Saengerhalle project included the complete renovation of three attached historic structures and a new construction addition to create 32,750 square feet of office and restaurant space at the northeast corner of the Washington Park expansion. The office and commercial spaces are fully leased.

HISTORIC TAX CREDITS AWARDED $1,091,753
TOTAL PROJECT COST $8.4 MILLION
YEAR COMPLETED 2011



21C MUSEUM HOTEL

This historic building, adjacent to the Dick and Lois Rosenthal Center for Contemporary Art, was restored to its original purpose as a hotel by 21c Museum Hotel LLC. 21c Museum Hotel Cincinnati includes 156 rooms, a contemporary art museum with more than 8,000 square feet of public exhibition space, Metropole restaurant and multiple meeting spaces. It was named the best hotel in the Midwest, No. 2 in the U.S., and No. 29 in the world by the 2014 Condé Nast Traveler Readers' Choice Awards.

HISTORIC TAX CREDITS AWARDED $5,000,000
TOTAL PROJECT COST $57.4 MILLION
YEAR COMPLETED 2012

CITY HOME

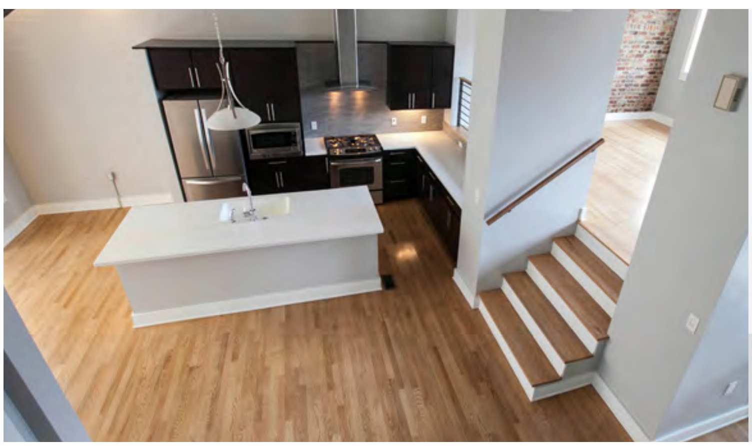
The City Home project on Pleasant Street transformed a block of vacant dilapidated buildings and empty lots into 18 new residential units. Over-the-Rhine Community Housing and Eber Development partnered on this project to provide special financing on three of the 18 units, making them affordable for low-to-moderate income buyers. All units are sold.

HISTORIC TAX CREDITS AWARDED $195,716
TOTAL PROJECT COST $8.5 MILLION
YEAR COMPLETED 2012

PAINT BUILDING

This $5.7 million project included the restoration of the historic Paint Building into 6,173 square feet of office space over two upper floors and 6,100 square feet of street-level restaurant space on a prominent corner at Vine and 14th Streets. The office and commercial spaces are fully leased.

HISTORIC TAX CREDITS AWARDED $1,256,186
TOTAL PROJECT COST $5.7 MILLION
YEAR COMPLETED 2012



MERCER COMMONS

Mercer Commons is a mixed-use development including both the renovation of historic buildings and new construction on vacant parcels. The project yielded in total 67 apartments (30 of which are affordable units), 23 condominiums, 5 townhomes, 14,500 square feet of commercial space, and a 340-space parking garage. It has helped to bridge the gap of development on Vine from the 1200 block to the 1400 block as well as create a connection to Walnut Street. All residential units are sold and commercial space leased.

HISTORIC TAX CREDITS AWARDED $4,166,597
TOTAL PROJECT COST $50.9 MILLION
YEAR COMPLETED 2013-2014

B-SIDE APARTMENTS

The two buildings comprising B-Side Apartments – located on the east and west sides of the corner at 15th & Republic Streets – were renovated into 14 rental units that were made available in December 2013. By April 2014, all 14 units had been leased.

HISTORIC TAX CREDITS AWARDED $493,889
TOTAL PROJECT COST $2.8 MILLION
YEAR COMPLETED 2014

28 WEST 13TH STREET

Built around 1880, a single family home located at 28 W. 13th St. and a multi-family apartment building located at 26 W. 13th St. were joined to create 11 new apartments. Park West is located a few steps from Washington Park with ample parking. Features vary by residences but include park views, hardwood floors, exposed brick, washer and dryers, balconies and lots of light. All units are leased.

HISTORIC TAX CREDITS AWARDED $215,000

TOTAL PROJECT COST $1.1 MILLION

YEAR COMPLETED 2014

UNION HALL

In an effort to solidify Cincinnati's start-up ecosystem, three buildings on Vine Street in historic OTR were chosen for 30,000 square feet of flexible office space and 7,000 square feet of commercial/restaurant space. Upon the project's completion, Union Hall will serve as the new home of Cintrifuse, the Brandery, and CincyTech.

HISTORIC TAX CREDITS AWARDED $1,945,985

TOTAL PROJECT COST $15.2 MILLION

YEAR COMPLETED 2015

TAFT'S ALE HOUSE

Built in 1850, Saint Paul's German Evangelical Protestant Church is a focal point of Over-the-Rhine's Race Street. The church was abandoned in the 1980s and sustained significant wear and tear over the years. The building's $9.7 million rehabilitation and renovation was completed in April 2015, when the building reopened as Taft's Ale House – a three-story brewery, pub and restaurant.

HISTORIC TAX CREDITS AWARDED $1,850,000

TOTAL PROJECT COST $9.7 MILLION

YEAR COMPLETED 2015

1201 WALNUT

The renovation of the former Pabst Bedding Warehouse began in March 2014, and the $6.6 million project concluded in 2015. The new home of 3CDC, this project yielded 28,000 square feet of office and restaurant space at the corner of 12th and Walnut Streets. All spaces are leased.

HISTORIC TAX CREDITS AWARDED $777,877

TOTAL PROJECT COST $6.6 MILLION

YEAR COMPLETED 2015

GLOBE BUILDING

Renovation of the historic Globe Building, located across the street from Findlay Market, officially began in June 2014. People's Liberty has served as the building's anchor tenant since the $3.6 million project was completed in March 2015.

HISTORIC TAX CREDITS AWARDED $540,000

TOTAL PROJECT COST $3.6 MILLION

YEAR COMPLETED 2015

THE TRANSEPT

Originally built in 1814, The Transept served the first German-American congregation in Cincinnati from its location at the southwest corner of Washington Park. Having sat vacant since 1993, The Transept's $4.7 million renovation into a new event center and bar was completed in September 2015.

HISTORIC TAX CREDITS AWARDED $490,000

TOTAL PROJECT COST $4.7 MILLION

YEAR COMPLETED 2015

HOGAN BUILDING

Named after Ohio's Pioneering Attorney General, The Hogan Building was developed by Grandin Properties. Comprising two renovated buildings on Republic Street, which is quickly becoming OTR's most sought-after residential street, The Hogan yielded six two-bedroom and six one-bedroom apartments, most with balconies.

HISTORIC TAX CREDITS AWARDED $398,000

TOTAL PROJECT COST $1.9 MILLION

YEAR COMPLETED 2016

MEMORIAL HALL

Built in 1908, Memorial Hall is a 600-seat performance and event space located across from Washington Park and directly south of Cincinnati Music Hall. Together with Hamilton County and the Cincinnati Memorial Hall Society, 3CDC plans to bring much-needed upgrades to the historic hall, including air conditioning, modern restrooms, a modern catering kitchen, theatrical and audio/visual upgrades, and historical restoration throughout.

HISTORIC TAX CREDITS AWARDED $996,000

TOTAL PROJECT COST $11.2 MILLION

YEAR COMPLETED UNDER CONSTRUCTION

15TH & RACE

The 15th & Race project is a mixed-use development including both the renovation of historic buildings and new construction on vacant parcels in the 1500 blocks of Race and Pleasant Streets, and along 15th and Liberty Streets. Plans call for the project to be completed in phases, with the overall project ultimately yielding 23 condos, 27 affordable apartments, 11 townhomes and 29,000 square feet of commercial space.

HISTORIC TAX CREDITS AWARDED $3,001,106

TOTAL PROJECT COST $38.9 MILLION

YEAR COMPLETED UNDER CONSTRUCTION

CENTRAL PARKWAY YMCA

The YMCA of Greater Cincinnati (YMCA), 3CDC and the Model Group have joined together to undertake a $26 million renovation that will convert 225 dormitory style units into approximately 65 high-quality affordable apartments for seniors, dramatically improve the YMCA Wellness facilities to retain existing customers and attract new customers, and provide over 25,000 square feet of office space for the YMCA's corporate headquarters.

HISTORIC TAX CREDITS AWARDED $5,000,000

TOTAL PROJECT COST $26 MILLION

YEAR COMPLETED UNDER CONSTRUCTION

MUSIC HALL

Constructed in 1878, Music Hall is in dire need of restoration, renovation and repairs. Nearly 20% of the funding for Music Hall's renovation will be provided via the $25 million catalytic tax credit the hall was awarded from the Ohio Development Services Agency as part of the Ohio Historic Preservation Tax Credit Program. Without this funding, the project might not have been possible. Music Hall serves as home to Cincinnati's renowned performing arts organizations, including the symphony, ballet, opera and may festival.

HISTORIC TAX CREDITS AWARDED $25,000,000

TOTAL PROJECT COST $135 MILLION

YEAR COMPLETED UNDER CONSTRUCTION

OPHTHALMIC HOSPITAL AND FREE DISPENSARY

The former Ophthalmic Hospital and Free Dispensary served as a medical facility in Over-the-Rhine for nearly 90 years, but is now vacant. These buildings will be rehabbed into a boutique hotel with 20 guest rooms and a full-service bar and restaurant on the first floor, with support spaces in the basement.

HISTORIC TAX CREDITS AWARDED $732,950

TOTAL PROJECT COST $7.4 MILLION

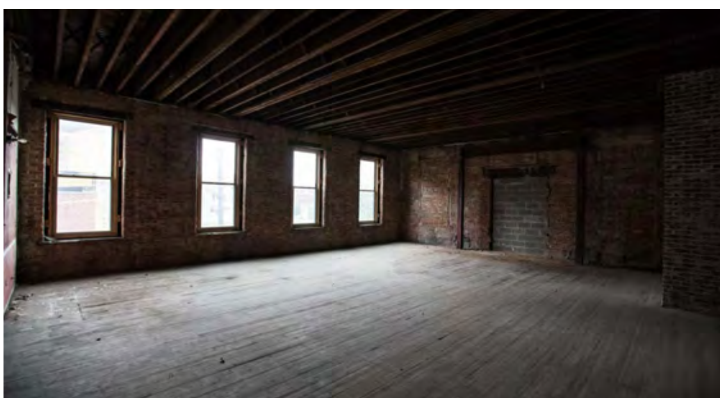
YEAR COMPLETED PREDEVELOPMENT

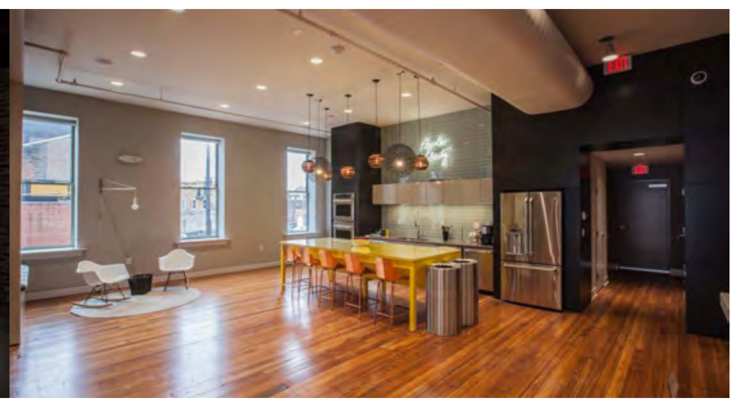
3CDC CINCINNATI CENTER CITY DEVELOPMENT CORPORATION

BEFORE / AFTER

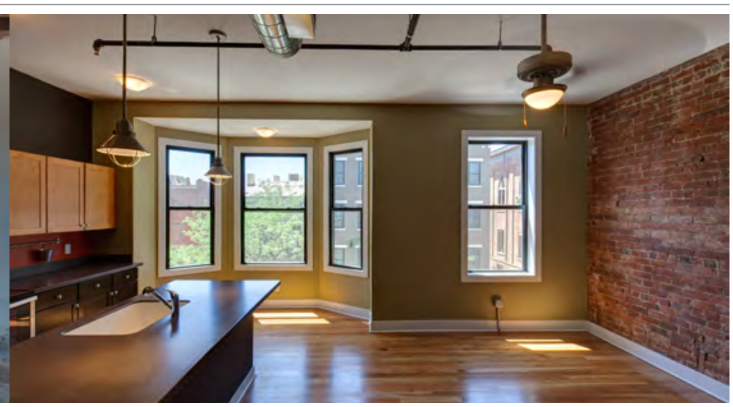
BEFORE / AFTER

BEFORE / AFTER





BEFORE / AFTER



Ohio 2020 Tax Policy Study Commission
Testimony from Amanda Terrell, Deputy State Historic Preservation Officer
June 20, 2016

Co-Chairman Peterson, Co-Chairman Schaffer and members of the 2020 Tax Policy Study Commission:

Good morning. My name is Amanda Terrell and I am the Deputy State Historic Preservation Officer at the Ohio History Connection and I oversee the daily operations of the State Historic Preservation Office. I appreciate being invited to speak about the Ohio Historic Preservation Tax Credit (OHPTC) program.

I know you heard extensive testimony in late April from the organizations that have used the state historic tax credit program and we couldn't agree more with the sentiments expressed then that this is a very successful program and we are pleased to play such an important role in helping it serve the needs of communities large and small across Ohio. I probably can't add a lot more to what has already been said in that regard, so I will spend most of my remarks telling you more about how this work fits into what we do at the State Historic Preservation Office (or the SHPO as we call it).

Our office has responsibility for most of the official state and federal historic preservation activities across Ohio. In fact, this year marks the 50th anniversary of the National Historic Preservation Act, which set the stage for many of the impactful historic preservation programs and initiatives in Ohio. For example, the National Historic Preservation Act created Historic Preservation Offices in each state. In the case of Ohio, the State Historic Preservation Office was established at the Ohio Historical Society, now known as the Ohio History Connection. The National Historic Preservation Act also created the National Register of Historic Places and enabled federal Historic Preservation tax credits, which helps lead us to the purpose of our discussion today.

To qualify for the 25% Ohio Historic Preservation Tax Credit, a property must be officially considered a historic building. The most common way for that to occur is for a building to be listed in the National Register of Historic Places. That listing process is initiated with staff in my office, who work with property owners or their consultants to prepare the documentation necessary to show that a building is historically significant and has physical integrity. My office, working with the National Park Service, sees the process through to the point of listing. Ohio has the third highest number of National Register listings in the

800 E. 17th Ave., Columbus, OH 43211-2474 • 614.297.2300 • ohiohistory.org

country, which means that there are many buildings that are already eligible to apply for the federal and state tax credit programs. Even so, the numbers of listings have steadily increased over the years, so that's a clear signal that there is still a lot out there to be recognized. Once a property gets its official listing in the National Register, then it is eligible for federal and state historic preservation tax credits.

Both the federal and state historic tax credit programs are administered by my office and in partnership with the National Park Service on the federal level and the Ohio Development Services Agency on the state level. The Federal Historic Preservation Tax Credit has been around since 1981, and, as a 20% credit, has been responsible for billions of dollars being leveraged and spent to revitalize historic buildings in communities across the country. The federal credit was popular here in Ohio for years, but interest and activity in that program really picked up after the state tax credit was passed in Ohio in 2006 and has been on a steady incline ever since. Our state tax credit was crafted to have certain similarities with the federal program in order to create administrative efficiencies, promote transparency, and to create a foundation of common program expectations for our customers and partners.

My office's primary roles in these processes are to certify that a building is historic and then to verify that the proposed rehabilitation work meets the Secretary of the Interior's Standards for Rehabilitation. These Standards were developed by the National Park Service and we use them for both the federal and state programs. They are a set of common-sense guidance on how to sensitively rehabilitate a historic building—for example, repair something rather than replace it; if you have to replace something, replace it with an item of similar material and design; retain those features of the building that give it its historic character, and so on. These Standards ensure that high-quality work maintains the historic integrity of the building. Ninety-eight percent of projects that we see are pursuing both the federal and the state tax credit, so it's clear that there are administration efficiencies gained from these two programs working in synch.

I want to make a few key points about the necessity and demand for this state tax credit program. You heard at the April testimony that many of these projects would not happen without the Ohio Historic Preservation Tax Credit. We hear that statement all the time from developers and owners and I thought I would share with you some data that supports that. We see many building owners that reapply in order to get the chance to be awarded the credit during the next application period. For example, in the application round that we are about to wrap up next week, 17 out of the 44 tax credit applications received were "reapplications." That's about 39%. Some of these reapplications were the second, third, or fourth attempt to receive a tax credit. What that says to us is that many of these owners need the credit in order to make the financing work—otherwise, would they really sit on a property for months or years longer than necessary? If they had the financing without the credit, one would think that they would do the rehabilitation, put the building back into service as quickly as possible, and start making money on it. Instead, many of these buildings that don't get the state tax credit continue to sit vacant or underutilized, deteriorating in many cases, not producing property tax revenue, not putting people to work, not giving a "derelict" property new life in the community. On June 28th, the next round of state tax credit awardees will be announced—and there will be some very pleased applicants and there will be some very disappointed applicants. Those that receive the credit will be able to give their contractors the notice to proceed with construction, putting people to work and getting these buildings on their way to being more productive parts of their communities. Those applicants that are not successful…well, who knows what will happen…they may decide to apply again in the fall, hoping for a more favorable pool from which to be selected; they may have to reassess their ownership; there can be a big question mark in these cases. What we know is that there was a significant historic building somewhere in Ohio that had someone ready to invest in it, but without receiving the credit, the future of that building becomes less certain. Additionally, in the last seven application rounds, the amount of tax credit requested each time has been at least double and in a few cases, triple, the amount of funds available. So there is a lot more good that could be done by expanding this program.

Our partners at the Ohio Development Services Agency had a comprehensive report of the program prepared last year that looked at a number of case studies—one of them was the Kress Building in Youngstown, which was ultimately demolished in 2014 because the project did not receive state tax credits. That site is now a parking lot and that doesn't do many people a whole lot of good. We hate to hear those kinds of examples. What we find more compelling is the positive effect that the state's investment in communities is having, the ripple effect that historic rehabilitation projects have on spurring additional private investment in communities, and improved quality of life and increasing desirability of living in these revitalized historic places. The list of benefits and positives go on and on.

I'd like to take this opportunity to share with you some information about how Ohio ranks in historic tax credit work across the country. And this is also a chance for me to talk about the high quality and high volume of work that my staff does. For example, just last year, in federal fiscal year 2015, Ohio's State Historic Preservation Office was #3 in the country for number of certified historic buildings seeking the federal credit; we were #2 in the country for the number of completed projects that were reviewed and forwarded to the National

OHIO HISTORY CONNECTION

800 E. 17th Ave., Columbus, OH 43211-2474 • 614.297.2300 • ohiohistory.org

Park Service; and we were #1 in the country for the number of applications for buildings that are about to embark on rehabilitation and construction work.

We do a high volume of work and we do it very well and efficiently as was mentioned several times in the April testimonies before this committee. We work hard with building owners to ensure successful projects for the state and federal programs. And while I'm told frequently by property owners that my team has high expectations, I'm also told that that's appreciated because owners know they can count on their project being approved at the federal level with guidance from my office. My team and I are really proud of the work that we do and the benefit that it brings Ohio. More than half of the other states in the country have a state historic preservation tax credit, but ours is looked to as a model for states that are seeking to pass or tweak legislation.

The main interest and agenda of the State Historic Preservation Office is the preservation of Ohio's historic buildings, neighborhoods, objects, structures, and archaeological sites. And we know that historic preservation is a critical component of community investment and economic revitalization, so it's very easy to sing the praises of a program that does all of these things so well. We're thrilled that this synergy is seen so clearly in our Ohio Historic Preservation Tax Credit. This program is a win-win all around for Ohio and Ohioans.

Thank you for your time. I will be happy to answer any questions you might have.

OHIO HISTORY CONNECTION

800 E. 17th Ave., Columbus, OH 43211-2474 • 614.297.2300 • ohiohistory.org

Ohio | Department of Taxation

Testimony of Deputy Commissioner Marjorie Kruse
Ohio Department of Taxation
Ohio 2020 Tax Policy Study Commission
June 20, 2016

Co-Chairman Peterson, Co-Chairman Schaffer, and members of the 2020 Tax Policy Study Commission, my name is Marjorie Kruse and I am the Deputy Commissioner of Audit and Compliance for the Ohio Department of Taxation. Thank you for the opportunity to offer testimony on the Ohio historic preservation tax credit.

The Ohio historic preservation tax credit program is administered by the Ohio Development Services Agency. The Department of Taxation's role is to provide a mechanism whereby taxpayers may claim the tax credit. Currently, the credit may be claimed against the income tax, the financial institutions tax, and in certain circumstances, the commercial activity tax. The credit may also be taken against the insurance premium tax which is administered by the Ohio Department of Insurance.

Once a tax credit certificate is issued by DSA, the credit may be claimed on a tax return by an individual or pass-through entity against the income tax or by a financial institution against the financial institutions tax. If a taxpayer is unable to claim the credit against either of those taxes, the taxpayer may claim the credit against the commercial activity tax. After a return is filed, the Department will evaluate the credit certificate and tax return to ensure that the credit is claimed timely, in the proper tax period, by the correct claimant, and in the correct amount.

The historic preservation tax credit is both refundable and nonrefundable. If the credit claimed exceeds tax liability and a refund is to be issued, up to three million dollars may be claimed as a refundable credit. The remaining credit, if any, may be carried forward for up to five years and used as a nonrefundable credit against future tax liability. The one exception to the refundable limitation is the catalytic project tax credit. One catalytic project tax credit may be awarded each biennium. That credit is fully refundable up to $25 million, but only $5 million may be claimed each year.

In summary, the Department of Taxation's role in the administration of the Ohio historic preservation tax credit program includes processing the tax returns on which the tax credits are claimed, verifying and tracking the credits, and issuing refunds when valid claims are presented.

Thank you, Co-Chairman Peterson, Co-Chairman Schaffer, and members of the Commission. I would be happy to answer any questions.

Summary and Recommendations

Ohio's Historic Preservation Tax Credit (OHPTC) was passed by the General Assembly and signed by the Governor in late 2006. The program became fully operational in July 2007 and since that time has been used as a tool to encourage investment in revitalizing historic buildings and also to foster economic growth.

During the 9 years the OHPTC has been in law, 152 projects across 37 communities have been completed, stimulating over 9,000 construction jobs and establishing over 14,000 permanent jobs.

Although the OHPTC program has had some positive results, the Ohio 2020 Tax Policy Study Commission recommends that the program make some changes to improve its transparency and accountability. The following changes are recommended by the Commission:

- There should be further enhancement of the tracking mechanism for credits that were established in HB 233, which was passed into law this session. An effective tracking system will allow policy makers to determine when the credits will be applied and how it will affect Ohio's revenue forecast.

- Applicants for the OHPTC should disclose what percentage of the credit will actually go toward the project. There have been concerns expressed that too much of the credit sometimes is spent on business professional fees and not enough on the project itself. To this end, there should be further discussion about the pros and cons of converting future tax credits into a grant program without any disruptions to existing tax credits. Consideration should be given to how grants would better manage projects in the pipeline and allow more dollars to go toward the actual projects. Additionally, the tax consequences of the grant program and its impact on syndicating capital should be considered.

- Applicants should have to demonstrate that their project will move forward after the OHPTC is approved. There should be a stipulation that if the project does not go into construction phase within a reasonable period after the OHPTC is approved, it will expire. This will minimize the projects in the queue and will provide better tracking of the credits.

- Consideration should be given to including in the biennial operating budget bill a provision that depicts the total allowable amount of historic tax credits that may be authorized during the biennial budget period, estimates of the historic tax credits that will be claimed during each fiscal year of the budget period, and an estimate of the historic tax credits that have been authorized but will remain outstanding at the end of the biennial budget period. The intent of such a provision would be to clearly depict an estimate of the state revenues that will be directly foregone during the upcoming biennial budget and future biennia.