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Bill Analysis

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Primary Sponsors: Reps. Isaacsohn and Mathews

Alyssa Bethel, Attorney
Zachary P. Bowerman, Attorney
Mackenzie Damon, Attorney
Austin C. Strohacker, Attorney

SUMMARY

- Establishes two grant programs to be administered by the Ohio Housing Finance Agency (OHFA), including a program for townships and municipal corporations that adopt pro-housing policies and a program for housing developments near megaprojects.
- Eliminates the 10% nonbusiness property credit for holding or leasing single-, two-, or three-family housing and directs the saved revenue to funding the bill's housing.
- Extends, from 15 to 30 years, the potential term of a community reinvestment area (CRA) property tax exemption for residential development projects located near a megaproject.

DETAILED ANALYSIS

Township and municipal grants

The bill establishes a grant program under which the Ohio Housing Finance Agency (OHFA) awards grants to townships and municipal corporations that have at least three of the following pro-housing policies set forth in the bill:

- Having a process in place to increase the rate at which permits are reviewed and granted for housing developments by at least 20%;
- Having a preapproval process in place to create an expedited review and granting of permits for a diverse range of developers;

- Subsidizing or decreasing costs related to water or sewer connections for major workforce housing projects¹;
- Acquiring and readying sites that are ready to be financed and built upon by developers;
- Having no or minimal parking requirements for developments that include residential units;
- Having a housing plan that tracks the needs, gaps, and potential strategies for increasing housing across all income levels within the township or municipal corporation for at least the next ten years;
- Having policies that preserve existing moderate and low-income housing;
- Allowing accessory dwelling units;
- Allowing quadplex housing in at least 75% of the territory of the township or municipal corporation;
- Having reduced, by at least 50%, the portion of territory within the township or municipal corporation that is zoned for single-family use only, as compared to the portion of territory zoned for that purpose ten years before the application date;
- Providing incentives related to increased density to developers that provide low-income housing and workforce housing in census tracts that are at or above the area median income;
- Providing incentives for modular housing.

Grants are awarded annually, to the extent funds are available, and must be awarded based on population. 75% of the grants are awarded to townships and municipal corporations that have three of the pro-housing policies, while the remaining 25% are awarded to townships and municipal corporations that have six or more. So, a township or municipal corporation that has six or more policies will receive a portion of the 25% in addition to a portion of the 75%.

The bill requires OHFA to award a grant to each township and municipal corporation that applies in a timely manner and demonstrates (via documentation or other evidence) that the township or municipal corporation has adopted and implements the necessary number of the pro-housing policies. Each application must include a description of how the township or municipal corporation intends to utilize the grant funds received; the bill allows the following uses:

- Providing capital for housing development through grants or loans;
- Supporting first-time home buyers;

¹ This is defined as a project that reserves at least 20 units for households earning between 60% and 100% of the median income for the county where the project is located. R.C. 175.42(A).

- Providing funds for home repairs for low-income homeowners;
- Providing funds for multi-family building improvements for low- and middle-income landlords;
- Enforcing zoning and residential building regulations;
- Enforcing anti-discrimination housing regulations;
- Providing funds for tenant protection and empowerment;
- Acquiring and readying sites for development;
- Funding a conversion under the Rental Assistance Demonstration Program.

The bill requires townships and municipal corporations that receive grants to provide documentation to OHFA to prove that the funds were used for the specified purposes. If a township or municipal corporation expends funds for a purpose other than those specified, the township or municipal corporation is prohibited from receiving funds under the program for five years.²

The grant program is funded by the Ohio Housing Fund, which the bill creates (see below, under “**Ohio Housing Fund**”).

Housing development grants

The bill requires OHFA to distribute money from the Ohio Housing Fund, discussed below, to housing developments that are located within 20 miles of a megaproject. The bill requires OHFA to adopt rules regarding the grant application and distribution process, permissible uses of grant funds, and penalties for misuse of grant funds.³

Under continuing law, a “megaproject” is a project that either requires unique sites, extremely robust utility service, and a technically skilled workforce, or the operator of which has its corporate headquarters in the United States, incurs more than half of its research and development expenses in the United States, and builds and operates semiconductor wafer manufacturing factories in Ohio.⁴

Ohio Housing Fund

The bill establishes the Ohio Housing Fund in the state treasury, to be utilized by OHFA to award grants under the two programs discussed above. Revenue saved from the bill’s elimination of eligibility for the 10% nonbusiness property tax credit for holding or leasing single-, two-, or three-family housing is directed to the fund (see “**Nonbusiness credit**,”

² R.C. 175.42.

³ R.C. 175.43.

⁴ R.C. 122.17, not in the bill.

below). The fund also consists of any money received or appropriated to it, and investment earnings.⁵

Nonbusiness credit

Under continuing law, Ohio offers a property tax credit, typically referred to as a “rollback,” for property not used in a business activity. Under current law, the credit applies to residential and most agricultural property. The credit reduces, by 10%, the taxes owed on inside millage and voted property tax levies first approved at an election held before September 29, 2013. New and replacement levies approved at elections held on or after that date are not included in computing the credit. Current law provides that residential property improved with dwellings for as many as three families are eligible for the credit, regardless of whether the dwelling is leased, owned by the occupant, or otherwise held. The bill eliminates eligibility for the credit for those holding or leasing property improved with single-, two-, or three-family dwellings. In other words, the only residential property that will continue to qualify for the 10% rollback will be owner-occupied dwellings. This restriction begins to apply to tax years beginning on or after the bill’s 90-day effective date.⁶ The bill does not change agricultural property’s eligibility for the credit.

Under continuing law, local governments, including school districts, are reimbursed by the state for the revenue lost due to the nonbusiness credit.⁷ The bill directs the revenue saved by the bill’s eligibility restriction to the Ohio Housing Fund, requiring the Director of Budget and Management to transfer the savings annually.⁸

Community reinvestment area expansion

The bill authorizes political subdivisions to grant up to a 30-year community reinvestment area (CRA) property tax exemption for residential development projects located within 20 miles of a megaproject. Generally, CRA exemptions are limited to no more than a 15-year term, unless the exemption is for a commercial building associated with a megaproject.

CRA background

Under continuing law, counties, municipalities, and home rule townships may designate a CRA in which new construction and building renovations are eligible for property tax exemption. To create a CRA, a subdivision must determine that new housing construction and the repair of existing historically significant buildings in the area has been discouraged. In the resolution creating the CRA, the subdivision will specify the percentage, up to 100%, of the assessed value of improvements that will be exempt and the term of the exemption.

⁵ R.C. 175.41.

⁶ R.C. 301.302(A); Section 3.

⁷ R.C. 321.24(F), not in the bill.

⁸ R.C. 319.302(F).

In general, a subdivision may grant a CRA exemption for up to 15 years, plus an additional ten for the remodeling of a residential building of historical or architectural significance. However, this 15-year limit can be extended to up to 30 years for the site of a megaproject or a site owned and operated by a megaproject supplier, provided the megaproject operator or supplier, respectively, has been awarded a Job Creation Tax Credit. A “megaproject,” generally, is a large-scale development that meets certain wage and investment or payroll thresholds.

School district approval is required for a commercial or industrial CRA that will exempt more than 75% of the increased value of property, unless the taxes still to be charged on the property and any payments the owner makes to the school district equal at least 25% of the tax revenue that would have been collected without the exemption. If the property owner makes direct payments to the school district, the owner must also make the same payments to any joint vocational school district with territory in the CRA. Under current law, school district approval is not required for residential CRAs.⁹

Expansion for certain residential projects

The bill allows subdivisions to authorize an up to 30-year exemption for the construction of residential developments located within 20 miles of a megaproject. The exemption can apply to separate residential dwellings or to commercial buildings that include residential rental units.

Under the bill, school district approval is required before a subdivision can exempt improvements to a residential dwelling for more than 15 years. And, as under continuing law, school district approval is required for a CRA that would exempt more than 75% of the improvements to a commercial building with residential rental units. However, similar to current law, approval is not required in either case if the school district will receive compensation, or a combination of compensation and property tax revenue, equal to at least 25% of the tax revenue that would have been collected without the exemption.¹⁰

HISTORY

Action	Date
Introduced	04-22-24

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⁹ R.C. 3735.67; R.C. 3735.66 and 3735.671, not in the bill.

¹⁰ R.C. 3735.67.