Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

H.B. 499
(l_135_2023-7)
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 499's Bill Analysis

Version: In House Government Oversight

Primary Sponsors: Reps. Isaacsohn and Mathews

Local Impact Statement Procedure Required: Yes

Jared Cape, Budget Analyst, and other LBO staff

Highlights

- The bill creates the Housing Accelerator Fund (Fund 5CC1) to be used by the Ohio Housing Finance Agency (OHFA) to operate two new housing construction grant programs. Both would be supported by amounts transferred into the new Housing Accelerator Fund and appropriated for these purposes under the mechanism provided in the bill.
- The first grant program offers funding to townships and municipalities that adopt certain pro-housing policies that help with housing affordability, creation, or quality. The second grant program targets housing developments that are located within 20 miles of a megaproject and have a population of 100,000 or less.
- Any new payroll costs that OHFA incurs for operating these grant programs would be paid from the existing Housing Finance Agency Personal Services Fund (Fund 5AZ0) and used to cover the agency's personnel costs.
- Fund 5CC1 is funded with an annual transfer from the Expanded Sales Tax Holiday Fund (Fund 5AX1). The cash transfer equals any amount by which the amount of money in Fund 5AX1 that was used to calculate the length of the sales tax holiday occurring in the current fiscal year exceeds the total amount transferred in the current fiscal year, provided that the total amount transferred to Fund 5CC1 in any fiscal year does not exceed $100 million.
- The bill extends the period of time a property situated within a community reinvestment area (CRA) may be tax exempt from 15 to 30 years, if it is within a 20-mile radius of a megaproject and either a residential property or a commercial structure with one or more dwelling units available for rent.

Detailed Analysis

Overview

The bill requires the Ohio Housing Finance Agency (OHFA) to oversee two new grant programs that encourage housing development throughout the state. The first of these grant programs is for townships and municipalities that have implemented pro-housing policies. The second grant program targets housing development that is near economic development megaprojects. OHFA's housing incentive programs are generally supported by funding that is not subject to appropriation by the General Assembly. By contrast, these two new programs would be funded subject to appropriation. Specifically, the source of funding would be money appropriated from the Housing Accelerator Fund (Fund 5CC1), created by the bill and described in more detail below. New staffing costs that OHFA might incur for overseeing the programs would be covered by various administrative fees, and loan application, reservation, and servicing fees that apply to OHFA's housing assistance programs that are periodically transferred to the existing Housing Finance Agency Personal Services Fund (Fund 5AZ0).

Township and municipal grants

For the grants to townships and municipalities, 75% of the grants must go to townships and municipal corporations that have at least three of the 12 specified pro-housing policies, while the remaining 25% are awarded as additional grant funding to townships and municipal corporations that have six or more. Each applicant may receive up to 15% of available funds. Townships and municipalities will receive grant funding annually based on population and the availability of funds. The grant funding may only be used for the following nine purposes:

- Providing capital for housing development through grants or loans;
- Supporting first-time home buyers;
- Providing funds for home repairs for low-income homeowners;
- Providing funds for multifamily 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;
- Providing long-term housing for difficult to house populations.

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.

Housing development grants

In addition, the bill requires OHFA to establish a grant program for housing developments that are located within 20 miles of a site that meets current law standards to be designated as a "megaproject," and has a population of 100,000 or less. This grant program is also to be funded from the Housing Accelerator Fund. 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.

Funding source

Fund 5CC1 is funded with an annual transfer from the Expanded Sales Tax Holiday Fund (Fund 5AX1). The cash transfer equals any amount by which the amount of money in Fund 5AX1 that was used to calculate the length of the sales tax holiday occurring in the current fiscal year exceeds the total amount transferred in the current fiscal year, provided that the total amount transferred to Fund 5CC1 in any fiscal year does not exceed $100 million.

The bill appropriates $100 million for this purpose in FY 2025, which is less than the unobligated cash balance in Fund 5AX1.

Community reinvestment area

Current law allows new construction or increased values of remodeled properties within community reinvestment areas (CRAs) to have up to 100% of their assessed values exempt from property taxes.[1] The bill extends the period of time a property may be tax exempt from 15 to 30 years, if it is within a 20-mile radius of a megaproject and either a residential property or a commercial structure with one or more dwelling units available for rent.

In the case of residential properties, the bill requires approval from the local board of education to extend the tax-exempt period beyond 15 years unless the school district receives payments that are at least 25% of taxes that would have been owed had the property not been exempt. These payments may be either directly made to the district or collected from the portions of the new construction that are not tax exempt.

The total effect on property taxes collected by school districts containing a megaproject depends on the amount of development that occurs and the amount of property taxes that would have been collected without the bill. Any development that would have happened regardless of the bill could gain up to 15 additional years of tax-exempt status at the expense of local taxing authorities.

For example, property taxes on an apartment complex with 250 rental units may be approximately $1 million a year. Suppose that 70% of property taxes in the complex's area are distributed to the school district and the complex is built within a CRA that grants a 100% abatement and is not farther than 20 miles from a megaproject. In this case, the district would expect to forgo $700,000 a year in property tax collection for 15 additional years ($1 million in taxes x 70% to the school district = $700,000 in forgone taxes) on that single apartment complex

[1] For structures and remodeling that is used for commercial or industrial purposes, the exact amount exempt from taxation is negotiated with the legislative authority adopting the CRA resolution. For structures and remodeling that is used for residential purposes, the exact amount is set forth in the resolution describing the CRA, per R.C. 3735.67.

alone due to the bill.[2] The school district's revenue loss would not be permissive, which is in contrast to the revenue loss of the legislative authorities granting the exemption.

However, if the apartment complex in the example above were only constructed due to the increased tax incentives in the bill, then the resulting forgone tax revenue for the local school district depends on what would have existed instead of the apartment complex. If the land the complex was built on would otherwise have been a vacant lot, then the apartment complex could provide additional tax revenue. If, on the other hand, the land would have become another structure not subject to 30 years of tax exemption, then the taxes collected by the school district may be lower than they otherwise would have been without the bill.

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[2] Note that this conservative calculation does not factor in expected inflation in property values.