OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 499
135th General Assembly

Fiscal Note & Local Impact Statement

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

Version: As Introduced

Primary Sponsors: Reps. Isaacsohn and Mathews

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill creates the Ohio Housing Fund to be used by the Ohio Housing Finance Agency (OHFA) to operate two new housing construction grant programs. Both would be supported by GRF amounts transferred into the new Ohio Housing 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.
- 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.
- The Ohio Housing Fund is funded with GRF savings generated by eliminating the 10% nonbusiness property tax credit on residential, nonowner-occupied dwellings.
- 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 Ohio Housing Fund, created by the bill and described in more detail under the heading "**GRF property tax relief**" 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. 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.

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," also to be funded from the Ohio Housing 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.

GRF property tax relief

The bill eliminates the 10% nonbusiness property tax credit (rollback) for property with single-family, two-family, or three-family dwellings that is not owner-occupied.[1] Political subdivisions will not incur a revenue loss on behalf of this policy because the property owner will instead be responsible for the amounts owed.

The amount of additional property taxes paid to local taxing authorities due to the elimination of this credit would be equally matched by a reduction in GRF funding from two appropriations – item 110908, Property Tax Reimbursement – Local Government, and item 200903, Property Tax Reimbursement – Education. The Office of Budget and Management Director would instead transfer from the GRF to the Ohio Housing Fund an amount equaling the avoided GRF costs. In effect, the Ohio Housing Fund would receive funds equal to the additional property taxes paid by owners of residential properties that are not owner-occupied.

The latest state-level estimates available from the U.S. Census Bureau suggest that over 780,000 dwellings would no longer receive the nonbusiness property tax credit.[2] In 2023, approximately $290 million of all such credits were given to the owners of nonowner-occupied housing.[3]

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.[4] 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.

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[1] R.C. 319.302.

[2] U.S. Census Bureau's 2019 American Housing Survey (AHS).

[3] Ohio Department of Taxation.

[4] 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.

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 alone due to the bill.[5] 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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[5] Note that this conservative calculation does not factor in expected inflation in property values.