



HOUSE BILL 751
OPPONENT TESTIMONY
December 1, 2020

Dear Chairman Merrin, Ranking Member Rogers, and members of the House Ways and Means Committee:

Thank you for the opportunity to write in support of H.B. 751 (Hillyer). This bill provides for two common sense reforms to the Board of Revisions filings: a permanent change to allow certain commercial or industrial tenants to file complaints and critically a process for property owners to seek timely adjustment to property values due to pandemic restrictions. The COVID-19 pandemic has shown us how unforeseen events can result in major economic injury for commercial and industrial property, and I am pleased to support this proposed legislation to give businesses a path to timely relief.

Current limitations on who can file are not fair to tenants who directly pay property taxes.

Under current law, only property owners or government entities can file complaints as to property value. This is true even when the conditions of a lease require the tenant to make such payments and the owner approves of giving the tenant this authority. The permanent law provisions in H.B. 751 correct this inequity to extend the ability to file a complaint regarding commercial or industrial property valuations to tenants who bear the property tax burden of the property. To be eligible the tenant's lease would need to require them to pay property taxes and either the lease or other landlord permission authorize them to file a complaint. This bill creates a manageable, bright-line standard for Boards of Revision and is an important tool for those running the businesses within our communities. It will be an easy adjustment for Boards of Revision and I urge passage.

The necessary public health restrictions create limits on the use of property that can affect property value.

The COVID-19 pandemic has caused tremendous harm to many Ohio businesses across a variety of sectors, resulting in reduced ability for their commercial and industrial properties to generate income. Early in the pandemic, a survey from the Dublin Chamber of Commerce found that 46 percent of the



FRANKLIN COUNTY AUDITOR MICHAEL STINZIANO

373 South High Street | 21st Floor | Columbus, Ohio 43215

T (614) 525.HOME | C (614) 219.9224 | auditorstinziano@franklincountyohio.gov | franklincountyauditor.com

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282 respondents were “significantly impacted” by the pandemic and nine percent of respondents were on the verge of losing their business, while only ten percent were unaffected.¹ Around this time, one of Ohio’s largest firms, Goodyear, was projecting a \$185 million quarterly loss due to pandemic impacts.² This is indicative of a larger trend, as the Federal Reserve Bank of Cleveland showed that consumer demand had decreased in many sectors in its region – which includes all of Ohio – with retail and hospitality being hit especially hard.³ This has cumulated into decreased commercial property values. Dan Krueger, a commercial realtor in the Cincinnati area, has estimated that potential renters are mostly interested in leases that are 10 to 20 percent lower than they were pre-pandemic, and vacancies continue to open up as businesses struggle to stay afloat.⁴

Under the current assessment process, we assess property values using a lien date of January 1 of the assessment year and taxes are paid a year in arrears. In 2021, property owners will be paying taxes based on the value of their property of January 1, 2020, meaning current property value assessments are from before the pandemic began. In conducting our sexennial reassessments and triennial updates, our primary goal is to ensure fair valuation of properties. Given the economic injury caused by the pandemic and related government restrictions, the January 1 lien date will not provide fair property values for all property owners, particularly certain commercial and industrial properties.

Here in Franklin County, local businesses continue to struggle due to decreased indoor dining revenues, an owner has stated that many small businesses are merely “limping along”.⁵ The economic hardships described above will likely continue through the winter. As we enter another severe wave of the pandemic, consumer demand will likely further decrease as caseloads remain high. Moreover, there is the possibility of further Department of Health restrictions in order to control the spread of COVID-19. This combines to create a situation in which persistent economic harm has caused decreased incomes from commercial and industrial properties and an unfair January 1 property valuation.

This bill gives small businesses an avenue to seek relief – while helping Auditors assess a fairer property value

Multiple Franklin County businesses have recently expressed concerns over both their ability to generate income and their increased property values. The CEO of a local banquet center recently contacted our office with property tax concerns, stating that they are not generating revenue since they cannot host events. Their CEO was searching for relief given the extreme and unprecedented circumstances we face.

Under current law, property owners cannot argue pandemic related value change until 2022 to address their January 1, 2021 value. This leaves no option for relief to changes that occurred within

¹ <https://www.beaconjournal.com/news/20200420/dublin-chamber-surveys-effects-of-coronavirus-on-businesses>

² <https://www.beaconjournal.com/business/20200416/goodyear-anticipates-massive-losses-over-coronavirus-impact-makes-plans-to-restart-tire-factories>

³ <https://www.beaconjournal.com/business/20200527/ohio-economy-shows-sharp-drops-from-coronavirus-impact>

⁴ <https://www.wcpo.com/news/transportation-development/move-up-cincinnati/free-rent-commercial-property-owners-looking-for-creative-ways-to-lure-businesses-during-covid-19>

⁵ <https://www.dispatch.com/story/business/economy/2020/10/28/without-covid-stimulus-businesses-barely-surviving-amid-uncertainty/6047418002/>

2020 and we hope will largely be temporary. If the restrictions had begun in November of 2019 instead of March 2020 the Board of Revision would be able to act. We cannot allow this accident of the calendar to further harm local property owners.

This is not to reward failed business endeavors, but to recognize when necessary government orders affect the capacity of a property to generate income and value. If enacted, property owners could file to challenge their value and the appropriateness of the method of assessment based on how the Covid-19 orders changed the value of their property. The income approach is a common appraisal mechanism for commercial property which, if backed by evidence, could result in a change in value. Evidence could include for example, changes in legal operating hours or capacity for the property and related income fall-off compared to other years.

Boards of Revision are the proper venue for such relief to be tailored to the actual experience of property owners.

Board of Revisions routinely consider complex appraisal and economic evidence in determining the appropriate value after a complaint. In addition, this mechanism allows for local governments to be heard if they disagree with a property owner's assertion of value. The complaint process is also appropriate since there can be such a range of experiences depending on the type of business and local conditions. A retail location that was ordered closed for a period of time will be in a very different position than one that provided essential services.

The complaint and hearing process is designed for review of an individual property and the Auditor's value is presumed to be accurate. This means that those filing complaints will need to show their claimed value is based on the pandemic and not simply economic conditions unrelated to the highest and best use of the property. The Boards are also capable of distinguishing between arguments related to property value and those that hinge just on the nature of the tax burden which is set by the levies approved by voters.

I understand there may be concerns about how this option will affect local revenue if taxable value decreases for a significant number of properties. I note that the risk to revenue is caused by the pandemic, not the creation of timely relief to businesses. Under current law, these complaints could be filed in 2022 and in the meantime paying taxes based on an unfair value could result in businesses permanently closing. Though difficult, we must separate the question of fair value from the question of tax revenue to do the right thing for the residents and businesses in our state.

Conclusion

The unprecedented circumstances we face deserve creative problem solving and difficult choices. We have asked and continue to ask our communities to work together and sacrifice to protect us all. This legislation would give an important option to some of those most affected so we can be prepared to more strongly forward when the current emergency ends.

Thank you for your consideration of this important legislation. I support H.B. 751 and hope the committee will favorably report the bill. I would welcome the opportunity to work directly with the

sponsor or committee members on pursuing options for relief for economically damaged property. Never hesitate to reach me directly at AuditorStinziano@franklincountyohio.gov or 614-525-5700.

Sincerely,

Michael Stinziano,
Franklin County Auditor