OHIO ECONOMIC DEVELOPMENT ASSOCIATION

November 8, 2017

The Honorable Sherrod Brown
United States Senate
455 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Rob Portman
United States Senate
524 Hart Senate Office Building
Washington, D.C. 2051

Dear Senator Brown and Senator Portman:

On behalf of the Ohio Economic Development Association and our nearly 600 members, we are writing to ask you to preserve Private Activity Bonds, the New Market Tax Credit, and the Historic Tax Credit. All are important economic development tools in Ohio and all are set to be eliminated in the Tax Cuts and Jobs Act recently introduced in the U.S. House of Representatives. We also ask that you reject any provisions that curtail or eliminate Private Activity Bonds, the New Market Tax Credit, and the Historic Tax Credit from any tax reform legislation brought forward by the U.S. Senate.

Private Activity Bonds are a critical economic development financing tool that has made important public facilities and infrastructure improvements possible. Some examples of the types of projects often funded by Private Activity Bonds include hospitals, schools, highways, bridges, railways, water and sewage facilities, energy facilities, and low-income housing. The elimination of Private Activity Bonds will drive up project financing costs, jeopardizing these types of important projects.

While Private Activity Bonds are used across the nation, this finance tool is particularly important in Ohio. Specific projects in our state that have been possible through the issuance of Private Activity Bonds include:

- $227,355,000 Treasurer of State of Ohio Tax-Exempt Private Activity Bonds, Series 2015 (Portsmouth Gateway Group, LLC - Borrower) (Portsmouth Bypass Project), dated April 9, 2015: financed construction of Portsmouth bypass through public-private partnership

- $5,000,000 Port of Greater Cincinnati Development Authority Multifamily Housing Revenue Bonds (AHA - Colonial Village/Athens Garden Project), Series 2015A, dated December 15, 2015; financed improvements to low-income housing facility

- $9,850,000 State of Ohio Economic Development Revenue Bonds (Ohio Enterprise Bond Fund) Series 2012-10 (Dayton-Montgomery Port Authority - White Castle Distributing LLC Project), dated October 31, 2012: financed construction of distribution facility for White Castle companies

- $281,470,000 County of Franklin, Ohio Hospital Facilities Revenue Bonds, Series 2015 (OhioHealth Corporation), dated June 3, 2015: financed construction of multiple new hospital facilities in Central Ohio

- $4,470,000 Butler County Port Authority Tax-Exempt Development Revenue Bonds, Series 2015 (Mother Teresa Catholic Elementary School Project), dated June 17, 2015; financed improvements to elementary school project

By eliminating Private Activity Bonds, the ability of Ohio communities to finance these types of important projects will also be compromised, as governments and project sponsors will be forced to borrow at higher interest rates. Industry experts have estimated that interest rates for borrowers would increase by 1.5 – 2.5 percent for bond transactions of varying levels of credit quality if Private Activity Bonds are eliminated. Conservatively, such a rise in interest rates would cause the cost of borrowing for state and local governments to increase by as much as 25-35% percent according to the Council of Development Finance Agencies.

We understand the importance of streamlining the tax code and growing revenue. However, we believe any tax reform legislation that eliminates programs such as Private Activity Bonds would be devastating to economic development at both the state and local levels; undermining the purported economic gains of any tax reform. While low-cost capital access remains the primary strength of Private Activity Bonds, job creation is one of the most critical elements in the use of this important tool for economic development purposes. It would be shortsighted to eliminate the most reliable, affordable, and accessible means of low-cost financing for hundreds of projects in Ohio.

While we have focused much of this letter on Private Activity Bonds, we want to again urge you to preserve the New Market Tax Credit and the Historic Tax Credit programs. Neither of these have a large budgetary impact, but they do have a huge impact on local communities. The elimination of the New Market Tax Credit, a successful public-private partnership that attracts private capital to some of Ohio's most distressed communities, will hinder efforts to revitalize communities and promote economic opportunity.

It's important to note that the New Market Tax Credit and Historic Tax Credit are net positives for our economy. The National Park Service recently released the latest Historic Tax Credit report from Rutgers University, which found that since its inception in 1978, the federal Historic Tax Credit has:

- Attracted $131 billion in private investment to the rehabilitation of 42,293 historic buildings,
- Created more than 2.4 million jobs and
- Served as a net-revenue generator for the U.S. Treasury as the $29.8 billion in federal taxes generated by HTC projects exceeds the $25.2 billion in credits allocated.

As you can see, all three of these programs are critical to economic development in Ohio. We welcome the opportunity to share more about the importance of Private Activity Bonds, the New Market Tax Credit, and the Historic Tax Credit to economic development in Ohio. As such, we'd be happy to discuss our concerns with you or your staff and we can be reached via OEDA's Executive Director Jennifer Price at 614.506.1500 or jprice@ohioeda.com.

Thank you in advance for your consideration of our concerns and your support of economic development in Ohio.

Sincerely,

Dan Evers
President

Jennifer Price
Executive Director