



December 4, 2023

Dear Councilmember Favor and members of the Housing Committee,

Thank you for the opportunity to write in support of adjustments to the City's Residential Community Reinvestment Areas and review of the role of wholesale buyers in our market. I agree in this moment, where a perfect storm of conditions is increasing housing cost and burden, local and regional leaders need to pull every possible lever to improve access to housing and stabilize the affordable housing we have. In addition to these important policy initiatives, I hope this committee will consider direct support for those particularly burdened by the historic property value increases we are currently experiencing.

City-Wide Expansion of the Community Reinvestment Area

Community Reinvestment Areas are a critical tool in directing the location and type of development, especially residential development. I agree with and appreciate the desire to eliminate silos or artificial geographic boundaries for where this incentivized development can occur. Like so many aspects of housing and economic development, there are ripple effects from these decisions that must be carefully considered. It has been a priority for my administration to add transparency and oversight to tax abatements countywide and review some of the keyways they impact our communities through our tax incentive hub¹ and annual Tax Incentive Review Council Report.

In 2021 and 2023 we commissioned a report from specialists at the Ohio State University to review data on how abatements impact housing costs for the abated homes and those in surrounding areas. In 2021, they concluded that values of a property increase when there is an abatement with "spillover" impacts the value for other homes near the abated property and even within the CRA as a whole.² In 2023, when examining the impact of the end of abatements, the work further explored how buyers essentially pay upfront for the value of an abatement or for the possibility of a future abatement within the CRA, but that the sale price of a home will decrease after the end of the abatement.³

It is important to note that this analysis all included time periods prior to last year's addition of affordability criteria to renovation and construction of single-family homes throughout the City's CRAs. I applaud the addition of that criteria and the decision to move to census-track-level analysis, which aligns with recommendations from our report to target the scale of the benefit on as small an area as possible. Since these new affordability criteria only began with permits issued after September of this year, they are not included in our research to date but we

¹ <https://franklin-county-tax-incentives-fca.hub.arcgis.com/>

² "Supplemental Economic Study for the Tax Incentive Review Council An Analysis of the Impact and Costs of Tax Abatements in Franklin County." Partridge & Messenger, September 29, 2021.

<https://gis.franklincountyohio.gov/Assets/tirc/2021TY2020/Franklin%20County%20Abatement%20Report.pdf> page 4. They found that buyers would pay approximately 4% more for each year of an abatement remaining.

³ "Economic and Demographic Impacts of Tax Abatement Zones on Franklin County Communities" Partridge & Messenger, October 30, 2023, <https://franklincountyauditor.com/AUDR-website/media/Documents/Real%20Estate/TIRC%20TOOL/2022/EconomistReportFinal2023.pdf> Page 9.



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look forward to tracking this development. Similarly, I hope the city will seriously consider deepening affordability requirements, especially for single-family homes and renovations in the future, as our research shows the benefit of these abatements accrues more to the seller of the property than the purchasing resident or community as a whole.

In addition, I ask that future review of CRA policy include conversion of the pre-1994 CRAs, which the city refers to as “legacy CRAs” to standard current law. The legislative changes to CRA law from 1994 enhance transparency and accountability, particularly for commercial and industrial projects. In addition, maintaining these areas apart makes it impossible for them to be fully integrated into the housing development strategy in this proposal.

I look forward to being able to share our findings and collaborate on these matters in the future. I recognize that Columbus is leading the region in evaluating what levers can be used to increase our housing supply and affordable housing supply. My hope is that these efforts will continue in refining and deepening the community benefit from a well-crafted abatement policy.

Wholesale buyers are a largely unregulated portion of the real estate market that contributes to increases in investor and corporate ownership.

Wholesale buyers largely serve as a conduit and can be a little seen and high-pressure part of housing sales. When a wholesale buyer secures and then assigns a contract it does not get captured by the transfer and conveyance process that records every aspect of a traditional real property sale. These buyers would not show up on conveyances and would not be in any information reported by licensed real estate professionals. But we do know they operate in Central Ohio because they are the “cash for houses” entities and those doing the high-volume phone calls and texts soliciting to buy property. When there is housing cost pressure or an economic downturn, they are able to take advantage of homeowners unsure of their options.

We see the result of wholesale buyers when tracking the movement of traditionally owner-occupied homes to corporate/investor ownership entities. This is a national trend that in many ways took off in the wake of the great recession and has continued. As Columbus becomes a center of population and job growth there is more pressure on the market and more opportunity for profit-driven real estate purchases. A national report by Redfin in 2022 found that in the Columbus Metropolitan Area (which includes Delaware, Fairfield, Franklin, Hocking, Licking, Madison, Morrow, Perry, Pickaway, and Union counties) investor/corporate involvement in transfers of property was up to 14% from 6% in 2015.⁴ The type of owner of property also matters – a detailed study of this issue in Cuyahoga County by their local Vacant and Abandoned Property Action Council showed that the percentage of homes outside companies bought in the county grew from 7.17% in 2004 to 21.1% in 2020.⁵

This same trend is apparent in Franklin County. There are currently 17 entities that own at least 100 parcels of residential property (excluding large apartment complexes) up from 11 such entities in April 2022. The ability to shield ownership and transactions via LLC ownership further complicates this issue. For example, we believe that VineBrook Homes, a major national corporate landlord, owns the most of these properties but their ownership of 1,494 homes is split between 6 LLCs. American Homes For Rent comes in second with 1,089 parcels owned between 7 LLCs. We can only track joint LLC ownership via naming conventions in the LLC or overlaps in the owner or tax address, so these numbers may under report how many homes these entities control.

Landlords and rental property play a critical role in our overall housing environment. Additional findings of the Vacant and Abandoned Property Action Council also highlighted increased problems such owners can bring to property maintenance and code enforcement and eviction proceedings. Increasing transparency and oversight on the pipeline of property to this type of ownership is an important way to understand this issue and provide homeowners protection to sell their home only when they want to and at a fair price.

Historic increases in property values warrant support for local property tax relief.

⁴ <https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/>

⁵ <https://www.cleveland.com/realestate-news/2022/03/out-of-town-homeowners-make-strides-in-cuyahoga-county-with-big-gains-on-clevelands-east-side.html>

This year homes in Franklin County experienced a historic 41% average increase in value. This resulted from the reappraisal alone in almost 28,000 owner occupied homes, including 12,360 in the City of Columbus receiving at least a \$1,000 increase in their property taxes. Including the impact of levies passed in 2023, that number goes up to more than 61,000 countywide and 37,739 in Columbus. Both the impact of abatements and the possible pressure from wholesale buyers are linked to this issue.

This sudden increase in taxes as a result of value are felt by our long-term residents in neighborhoods currently in a CRA. A low-income homeowner can see their taxes increase while the abated home next door is largely protected from this change. Similarly, someone struggling with how to pay a new property tax bill—resulting from the function of the market alone – is at risk to make a rushed decision to sell without understanding possible lost equity or having a firm plan of where to go.

We know there are many demands on local government budgets and attention, but entities that receive inside millage like the City of Columbus do receive some revenue increase as a function of the reappraisal. I hope this body will consider in the new year how to stabilize and protect those homeowners who have long been the anchors of communities experiencing sudden change. I would be happy to continue to discuss this issue with the committee or administration in the new year as you make budgeting decisions.

Conclusion

I thank the committee for the opportunity to share these thoughts and concerns. I hope to be a partner in using the information and experience our team brings in monitoring sales, abatements, and property values to the city's ongoing effort on this critical issue. As you move forward with the CRA reform and review options on wholesale buyers I ask that you also consider direct support to residence facing new housing challenges in this market.

I would be happy to discuss this matter or any aspect of our current housing environment further. Never hesitate to reach me directly at AuditorStinziano@franklincountyohio.gov or 614-525-5700.

Sincerely,

Michael Stinziano
Franklin County Auditor