Ohio's Affordable Housing Tax Credit

Extending a Proven Solution for Ohio's Workforce, Seniors, and Veterans

The Success Story

In 2023, **Ohio took a decisive step** by adopting a housing tax credit to expand affordable housing. The program is working, but it's running out of time.

Ohio's affordable housing tax credit is currently authorized through **June 30, 2027**. Without action, this **proven tool** will expire just as it's **demonstrating results**.

In just four years, the program has proven **exceptional demand**:

- OHFA received 149 applications requesting over $1.4 billion in state tax credits
- These applications represented 16,738 potential affordable housing units
- **Demand is 3-4 times the available funding**

The Challenge

The shortage of affordable housing persists, affecting our workforce, seniors, and veterans across all communities—rural, suburban, and urban.

Ohioans spending more than half their income on housing face instability that disrupts our children's education, limits our families' economic participation, and undermines our seniors' ability to age with dignity.

The housing shortage also imposes an economic penalty on Ohio. Businesses struggle to attract and retain workers. Ohio risks losing valuable growth opportunities if we don't **act on this issue now**.

The Solution

The Ohio Housing Council advocates to **make OLIHTC permanent.**

This will **provide stability and predictability for private-sector developers, leverage federal resources, spur private sector investment, and create thousands more housing units**.

Why an Extension Makes Fiscal Sense

- **Market-Driven Demand**: Private sector developers are ready to build. There have been 160 applications over the four years. The market is responding—we need the program extended to maintain momentum.
- **Fiscal Responsibility**: Tax credits are paid out over 10 years, maintaining predictable, capped costs while maximizing economic impact.
- **Federal Leverage**: This program unlocks Ohio's underutilized federal bond allocation, bringing more federal dollars into Ohio. Every state dollar invested attracts significant federal and private capital.
- **Private Sector Oversight**: The program is subject to intense oversight by private financial institutions that purchase the credits, ensuring accountability and proper use of public resources.

The Bottom Line

Ohio's affordable housing tax credit is a **fiscally responsible, market-driven solution**. It unlocks federal resources, attracts private investment, and stabilizes Ohio households, all while **maintaining predictable costs**.

Extending the program ensures this proven tool can continue delivering results for Ohio's workforce, seniors, and veterans. The private sector is ready to invest. We need the political will to extend this program and capitalize on the momentum.

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The Background

Developing affordable housing is a balancing act. Developers must keep rents low to ensure affordability while adhering to high construction standards. Low rents mean limited revenue. Limited revenue reduces the amount of debt a development can support.

Developers must then build a "capital stack"—a mix of different funding sources. Tax credits, like the Low-Income Housing Tax Credit (LIHTC), are an essential part of the capital stack. They **attract private investment**, bringing the projects closer to financial viability. This is rarely enough, however, and developers often secure other federal, state, and local funds to fill the gap. This multi-layered approach leverages private capital while ensuring that **public resources are used efficiently**.

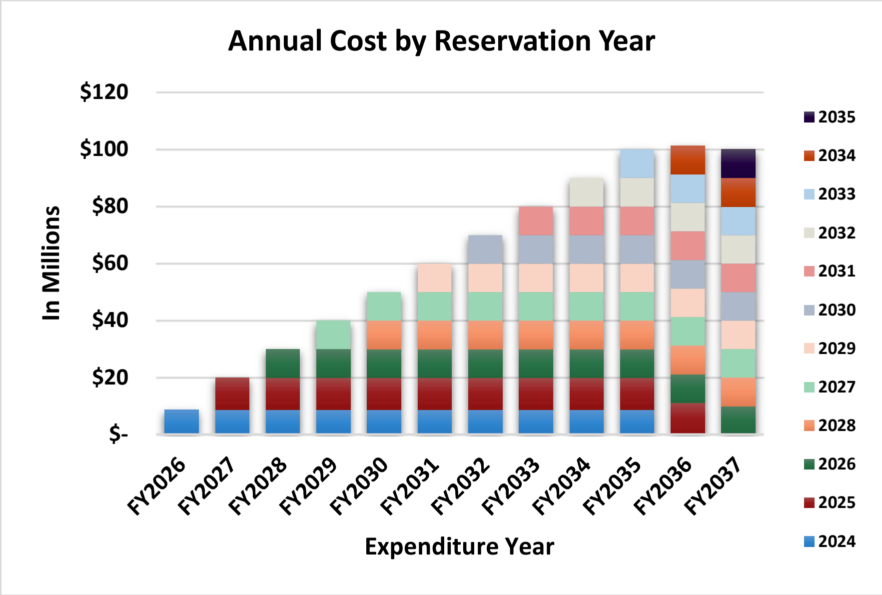
The federal LIHTC program is a cornerstone of affordable housing development. This bipartisan policy works. By incentivizing **private sector investment**, LIHTC has led to the **creation of over 100,000 affordable housing units in Ohio** and it has dramatically increased the quality of Ohio's affordable housing stock. It is overseen by the IRS and—as importantly—it is **subject to intense oversight by private sector financial institutions** that purchase the credits.

The federal LIHTC consists of two credits, which are known as the 9% credits and the 4% credits. The legislation authorizing the state tax credit (OLIHTC) allows it to be paired with either.

In rural communities, where building a capital stack can be especially challenging, pairing OLIHTC with some of Ohio's $35 million allocation of 9% credits can increase the viability of these developments.

The 4% credit, which supports projects through tax-exempt bonds, has been underutilized. Ohio receives $120 million in federal bond volume cap for multifamily development, but much of this remains untapped due to limited additional resources. OLIHTC, when paired with the 4% credit, has begun to unlock more of this bond cap allocation, but we have yet to fully capitalize on this potential. This presents a significant opportunity to expand affordable housing using market-driven solutions.

The Conclusion



OLIHTC is a **fiscally responsible solution** to the state's housing crisis. It stabilizes vulnerable Ohio households, unlocks significant federal resources, and attracts substantial private investment.

The program is also **a powerful economic engine**, creating jobs, stimulating economic growth, and improving the quality of life of Ohio's workforce, seniors, and veterans.

Making the tax credit a permanent housing program is a fiscally responsible way to house Ohio's workforce, seniors, and veterans, making it a prudent policy choice for Ohio's future.

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