Ohio Housing Council

Interested Party Testimony on HB 96

Ohio House Development Committee

February 26, 2025

Chairman Hoops, Vice Chair Lorenz, Ranking Member Abdullahi, and Members of the House Development Committee, thank you for the opportunity to testify before you this morning. My name is Ryan Gleason, and I am the Executive Director of the Ohio Housing Council. OHC is a statewide nonprofit comprised of more than sixty organizations in the affordable housing industry, including developers, owners, property managers, investors, market analysts, attorneys, accountants, and architects committed to creating and preserving affordable housing throughout Ohio.

I'm here this morning to talk about the Ohio Low-Income Housing Tax Credit, or as we affectionately refer to it in the industry, OLIHTC. In order to do that, I think it's important to provide some background and context.

Ohio's tax credit is modeled on the federal LIHTC, which was created in 1986 when President Reagan worked to drastically reform our nation's approach to providing a home for those in need. No longer would Housing and Urban Development build, own, and operate projects with reputations for being drug-infested and crime-ridden, nor would they dictate where these projects should be located. Instead, the federal government partnered with states—who would decide what kind of housing to provide and where it should be provided—and with private sector companies that had the expertise and innovative spirit to deliver a superior product.

There are two aspects of this arrangement that I think are particularly clever, rarely discussed, and significantly underappreciated. The first is the funding mechanism. The federal government could have provided the incentive as grants awarded to states, which would then pass the funds on to the private companies building, owning, and operating the properties. However, that would have required the government to provide all of the money up front. By structuring it as a tax credit that is paid out over ten years, the government only takes one-tenth of the hit each year—minimizing the annual fiscal impact.

The second aspect is the leveraging of another segment of the private sector. Because those developing the property need the money up front and rarely have sufficient tax liability to fully utilize the credit, they almost always sell those credits to investors who do. These investors are then highly motivated to ensure that the developments meet all necessary requirements to continue claiming the credits, thereby providing significant oversight of property owners and managers while reducing the need for extensive government compliance expenditures.

With all of that as background and context, it is also important to understand that while this credit is highly effective at producing housing for a segment of our population that struggles to find safe, decent, and affordable housing, the federal government has not provided enough credits to meet nationwide demand. Several years ago, some states began creating their own versions to supplement the federal credit, and two years ago, Governor DeWine included the creation of a state tax credit to develop and rehabilitate multifamily housing for the state's workforce, seniors, and veterans in his Executive Budget. At the end of the legislative process, House Bill 33 authorized the Ohio Housing Finance Agency to award $100 million worth of tax credits per year for four years, placing Ohio among the more than half of states with some version of a state tax credit.

We are exceedingly grateful that the legislature and governor recognize that we are in the midst of a full-fledged housing crisis. There is a tremendous need for increased housing at every income level, and we support a number of initiatives proposed to address various aspects of this crisis—even if they do not directly impact affordable housing as it is defined. In partnership with a diverse coalition—including the Ohio Chamber of Commerce, the Ohio Community Development Corporation Association, Habitat for Humanity of Ohio, the Coalition on Homelessness and Housing in Ohio, Enterprise Community Partners, the Local Initiatives Support Corporation, the Ohio Land Bank Association, and the NeighborWorks Collaborative of Ohio—we created Home Matters to Ohio. This platform not only addresses all aspects of the housing crisis but also underscores the bipartisan benefits of supporting affordable housing, which contributes to economic growth, workforce stability, and community revitalization.

One key component of that platform is increasing OLIHTC. There is a pipeline of properties that could be developed in short order if OLIHTC were expanded. We believe this pipeline could support an increase to $500 million per year in awards (which, again, is claimed in one-tenth increments, making this an increase to $50 million per year in actual foregone revenue). We believe this for two reasons. First, in the first two years of the program, there were over $500 million in applications even with the relatively restrictive competitive criteria the prior leadership at OHFA included in its guidelines. There should be no doubt that there is demand for the tax credits and that we have an industry ready to utilize them for the production and preservation of housing across Ohio. Second, developers invest substantial resources to prepare an application and often encounter promising projects that never advanced beyond the preliminary stage because the scoring criteria were so stringent. With more credits to allocate, OHFA could broaden its criteria, giving these projects a chance to contribute to our affordable housing efforts.

As significant as an increase in tax credits is, it is at least as important that we extend the life of the program. It is currently scheduled to sunset at the end of fiscal year 2027. It will not come as a surprise that property development is a time and resource intensive endeavor. Without certainty that the program will exist past fiscal year 2027, it becomes increasingly difficult for developers to invest the necessary time and resources in projects that could make a real difference but that have little chance of scoring well and receiving tax credits. Extending the program will provide developers with the certainty they need to commit to long-term investments that drive local economic development.

Because of all of this, there are two requests we make of you: 1) increase the amount of tax credits OHFA is authorized to award each year, and 2) extend the duration of the program. In an ideal world, we would request that you increase it to $500 million per year and make it a permanent program by removing the sunset. However, recognizing that we must work within practical constraints, our recommendation is that the House increase the tax credit authorization to $200 million per year and extend the sunset to 2031. This adjustment will allow us to tap into the robust pipeline, enable OHFA to broaden the competitive criteria, and give developers the confidence to invest in projects that address our pressing housing needs.

Thank you for your time today. I look forward to working with you on this most pressing issue facing Ohio and welcome any questions.