Ohio's Affordable Housing Tax Credit

Proposed Legislative Changes – Summary

OHIO HOUSING COUNCIL

The Background

Ohio's Affordable Housing Tax Credit (OLIHTC) provides state tax credits that match federal Low-Income Housing Tax Credits, making affordable housing projects financially viable. The program is currently limited to new construction and expires June 30, 2027.

The Challenge

Rural Ohio communities face a preservation crisis. Many affordable housing properties built 20+ years ago are approaching the end of their useful life with no clear path to preservation. Without intervention, these units will convert to market-rate housing or deteriorate, and Ohio will lose affordable housing in communities where replacement would be prohibitively expensive.

Rural areas also struggle with new construction due to higher per-unit costs, smaller project scale, and limited contractor availability in thin capital markets.

The Proposal

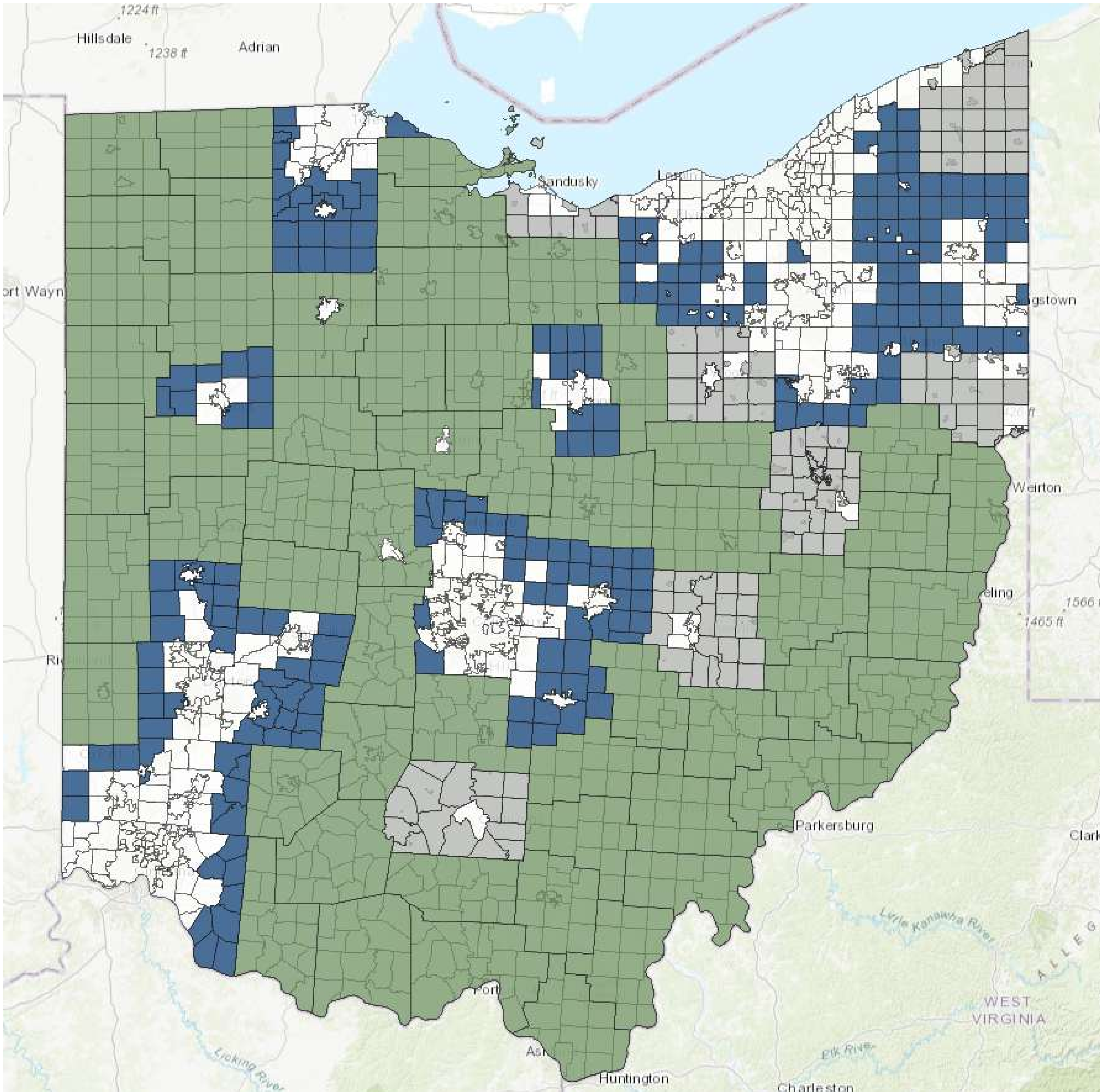
Our proposed legislation makes four targeted changes:

1. **Allow Preservation in Rural Communities:** Extend OLIHTC eligibility to preservation projects (20+ years old) located in rural areas, where private market alternatives are most limited.
2. **Enhanced Credits for Rural New Construction:** Allow OHFA to award up to 130% of federal credits for new construction in rural communities, addressing structural cost disadvantages while maintaining standard 100% matching for all other projects.
3. **Precise Rural Definition:** Create an objective, three-tier definition based on county population and metropolitan statistical area status that can be mapped using GIS software:
   - Small counties (<75,000 population): Presumptively rural except municipalities over 25,000
   - Large counties in MSAs: Only townships under 250 persons per square mile qualify
   - Large counties outside MSAs: Townships under 250 persons per square mile AND municipalities under 20,000 qualify
4. **Make the Program Permanent:** Eliminate the 2027 sunset to provide long-term certainty for developers, investors, and communities.

The Strategic Approach

The rural definition targets state resources where market gaps are greatest while avoiding false positives. All criteria use objective Census data with no subjective determinations required.

Map of Rural Communities



- Rural – Small Counties (<75,000): everywhere except municipalities >25,000
- Rural – Large Counties (>75,000) in MSA: only townships <250 persons/mi^2
- Rural – Large Counties (>75,000) not in MSA: only townships <250 persons/mi^2 and municipalities <20,000
- Not Rural

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