

Ohio's Affordable Housing Tax Credit

Increasing the Supply of Housing for Ohio's Workforce, Seniors, and Veterans



The Challenge

In 2023, **Ohio took a powerful first step** by adopting a housing tax credit to boost affordable housing. Yet, the shortage persists, affecting our workforce, seniors, and veterans across all communities—rural, suburban, and urban.

Severely rent-burdened Ohioans—those spending more than half their income on housing—face higher eviction rates and growing homelessness. This impacts our children's health, disrupts their education, limits our families' ability to fully participate in the economy, and undermines our seniors' ability to age with dignity.

A lack of affordable housing also imposes an economic penalty on Ohio. Businesses struggle to attract and retain workers. Ohio risks forfeiting valuable growth opportunities if we don't **act on this issue now**.

The Solution

The Ohio Housing Council advocates to **increase the state low-income housing tax credit to \$500 million annually** and to **make the program permanent**. These measures will leverage federal resources, spur private sector investment, and create thousands more affordable housing units.

Expanding the state credit isn't just about housing—it's an **investment in Ohio's future** that ensures tax dollars are used wisely and leverages public funds to generate significant **private investment and economic growth**.

It's clear **Ohio has the capacity to meet the demand**: OHFA was only able to fund about one-third of the units that developers could have built if the program was big enough to support all of the applications. We need the political will to meet the moment if we are going to **make Ohio the best place to live, work, and raise a family**.

The Numbers

Current Proposed

FY2024-FY2027 **FY2024-FY2031**

4-year authorization **8-year authorization**

\$100 million **\$500 million**

Reserved each year Reserved each year

(1/10th claimed each year for ten years) (1/10th claimed each year for ten years)

4,000 **28,000**

Affordable housing units Affordable housing units

The Journey

In his FY2024-2025 Executive Budget, Governor Mike DeWine recognized the urgency of addressing Ohio's shortage of affordable housing by proposing to create a state tax credit to develop and rehabilitate multifamily rental housing for the state's workforce, seniors, and veterans.

Agreeing with the Governor, the Ohio House of Representatives included a provision in House Bill 33 (HB33) authorizing a state low-income housing tax credit. The House-passed version of HB33 **allocated \$500 million per year** for the program, with the **potential to create nearly 26,000 new affordable housing units** over six years.

As part of a compromise package, the tax credit was authorized for four years at \$100 million per year. On July 4, 2023, Governor DeWine signed the tax credit into law as part of the state's operating budget.

The First Two Years

The Ohio Housing Finance Agency (OHFA) is responsible for allocating both the federal and state tax credits. In the first two years, OHFA received **57 applications** for **\$501.2 million** in state tax credits, which **could have created 5,681 new affordable housing units**.

However, OLIHTC could only support 26 of these projects, so Ohio will see the creation of just 2,149 affordable housing units—a fraction of what we need.



Ryan Gleason | Executive Director

gleason@ohiohousingcouncil.com

ohiohousingcouncil.com

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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.

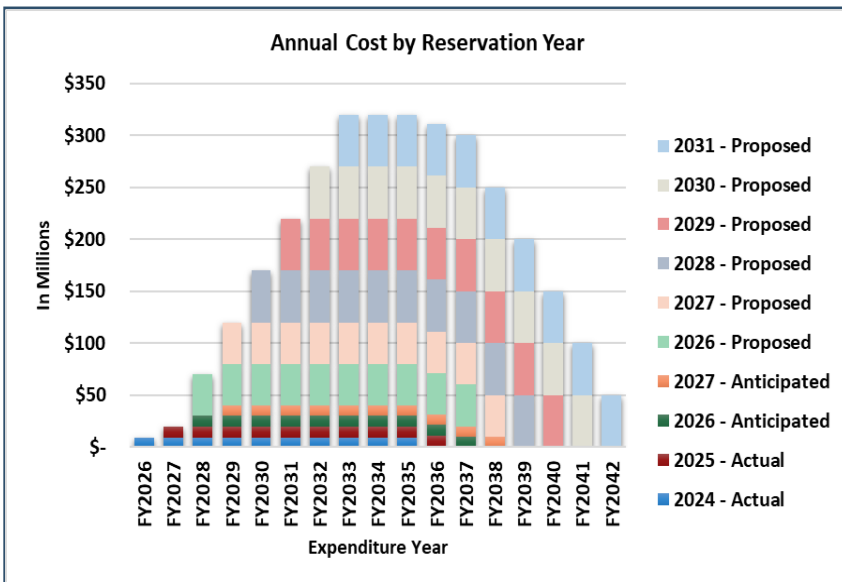
Developers must then build a "capital stack"—a mix of different funding sources. Tax credits, like the Low-Income Housing Tax Credit (LIHTC), are an essential part of the capital stack. They **attract private investment**, bringing the projects closer to financial viability. This is rarely enough, however, 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.



Because the tax credits are paid out over 10 years, Ohio's foregone revenue would be **capped at just \$320 million** in even the highest years.

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.

Expanding OLIHTC to \$500 million per year and **extending it through FY2031** is a fiscally responsible way to house Ohio's workforce, seniors, and veterans, making it a prudent policy choice for Ohio's future.

