



Representative Gail Pavliga

72<sup>nd</sup> District

Representative Lauren McNally

59<sup>th</sup> District

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Chair Swearingen, Vice Chair Santucci, Ranking Member Upchurch and members of the Economic and Workforce Development Committee. We appreciate the opportunity to address you all about our legislation, House Bill 3 which state's the General Assembly's intention to authorize a workforce and affordable housing tax credit.

Some of you may be aware a similar bill was introduced last general assembly, HB 560, which I was joint sponsor on with Representative Hoops. HB 3 will mirror much of the details in HB 560, with the addition of updated language designed to resolve implementation issues raised by the Department of Taxation.

Final language is being draft by LSC as we meet, and we expect it to be available very soon. At this point in time my joint sponsor and I are confident enough to begin the discussion of introducing a state tax credit for affordable or workforce housing and feel an immediate need to address this cause.

Ohio is in the midst of a severe shortage of affordable housing for working families, veterans on a fixed income, and seniors. In 2020, only three of the 10 most common jobs in Ohio paid an hourly rate necessary for a worker to afford a modest, two-bedroom apartment. This causes a significant rent burden not only among Ohio's lowest income but also moderate-income renters across the State. Due to the shortage of affordable housing, nearly 400,000 households in Ohio face a severe cost burden, spending over half their income on rent.

According to the Ohio Housing Finance Agency (OHFA), Ohio needs 250,000 more affordable housing units across the state right now. The largest driver of affordable housing development nationally is the federal Housing Credit, also known as “LIHTC.” This bipartisan program was created during the Reagan Administration to encourage the private sector to invest in and develop affordable housing.

The Federal Housing Credit comes in two forms: a 9% and 4% credit. The 9% credit is allocated through a highly competitive process. Projects utilizing the 4% credit are financed in part with federal tax-exempt bonds. Each year, Ohio is allocated about \$120 million of federal bond volume cap for multifamily development. Unfortunately, due to a lack of incentives for private sector investment in Ohio, much of this federal allocation has gone unused in our state since 2015. HB 3 does not reinvent the wheel but relies on proven models and pairing resources with an existing successful program.

Other states have made it more attractive to develop affordable housing units in their states rather than in Ohio. Twenty states have enacted a state housing tax credit as a mechanism to provide state-level funding to draw down federal LIHTC resources to meet workforce and affordable housing needs. Those states are getting more investment and development as a result, and Ohio is falling behind. HB 3 seeks to change this and make Ohio more competitive to incentivize more affordable housing development.

It’s important to point out that tax credit authorized through House Bill 3 is entirely performance based. If developers choose not to take advantage of this incentive program and no new housing units are built, there will be no tax credits to be claimed. Further, if developers awarded credits do not make good on their commitment, then the state has the ability to claw back the award.

Chair Swearingen and members of the committee, HB 3 will meet a critical need to address our growing workforce housing crisis. This proposal leverages more federal funds, increases the attractiveness to invest in Ohio, creates thousands of jobs, generates meaningful economic impact and tax revenue, and creates more affordable housing for our citizens. We thank you for your consideration of HB 3 and ask for your support. We are happy to answer your questions at this time.