OHIO HOUSING COUNCIL

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OHC Economic Impact Testimony

Chairman Swearingen, Vice Chairman Santucci, Ranking Member Upchurch, and members of the House Workforce and Economic Development Committee, thank you for the opportunity to provide proponent testimony on House Bill 3.

My name is Steve Smith, Principal with The Model Group based out of Cincinnati and we have worked throughout Ohio, Kentucky and Indiana for over 40 years. The mission of our company is to Positively Transform Communities, and we do that through neighborhood revitalization and high impact affordable housing with non-profit owners and service providers.

In addition, Model Group has served on the Executive Committee of Ohio Housing Council (OHC) for many years.

The OHC is a statewide membership organization of housing professionals committed to increasing and preserving affordable housing throughout Ohio. We represent not-for-profit developers, for-profit developers, investors, and service providers throughout the housing industry.

In preparation for the discussion about a state workforce housing tax credit, OHC commissioned Elliott D. Pollack & Company, a well-respected economic consulting firm with deep experience in real estate and housing, to do an economic and fiscal impact analysis of the proposal.

Elliott D. Pollack & Company used data from the Ohio Housing Finance Authority, the US Census Bureau, and their vast knowledge of the impact of housing tax credits in other states for their study. Using the IMPLAN model, their analysis focused on the construction impacts as well as the ongoing operations including direct expenditures by the residents.

Before I share the summary of the workforce housing credit impacts for Ohio, let me share with you a very brief summary of how this tax credit would pair seamlessly with an existing federal tax credit program. Born out of the Reagan Administration Tax Reform of 1986, the federal affordable housing credit is an indirect federal subsidy used to finance the construction and rehabilitation of income-restricted affordable rental housing. The Reagan Administration created this as an incentive for private developers and private investors to provide more affordable housing to fill the gap existing in the market. Without the incentive, affordable rental housing projects do not generate sufficient profit to warrant the investment.

The tax credit gives investors (typically large banks and insurance companies) a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. The investors contribute equity into the housing development, thus allowing some units to rent at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over 10 years.

The figures in the study are based on Ohio's historical experience with low-income housing developments. Average construction costs, square footage and rents were gathered from Ohio industry data but align with experiences in other states.

I have included the full economic analysis as part of my written testimony, but I would like to highlight a few of the significant impacts that enacting HB 3 will produce:

- HB 3 is projected to yield approximately 4,325 new affordable housing units annually, for a total of 25,950 new units over the 6 years of the program.

- Construction of the new housing units will lead to the creation of 11,550 jobs in each and every year of the program, totaling 69,300 jobs over a 6-year period.

- These jobs will pay $4.8 billion in wages, and provide over $10 billion in construction-related economic activity throughout the state.

- Housing unit operations and new resident spending in the economy will also create 2,365 permanent jobs and over $108 million in annual wages.

- In total, new construction, property operations, and additional resident spending will create over $24.7 billion in economic activity over the course of construction and 30 years of operations.

- Most significantly, HB 3 would produce a net plus in generating tax revenues in Ohio. In total, construction and operating tax revenues of the program to be created by HB 3 would total nearly $3.9 billion in tax revenue to state, county, and local governments.

Twenty-two other states have some version of a state affordable housing tax credit. We know from direct experience in those states that workforce housing is a proven driver of economic development, job creation, and tax revenue. Successful outcomes in other states clearly demonstrate that state credit programs make good policy and business sense.

Passage of HB 3 would not only stabilize vulnerable households, and thereby relieve pressure on other social systems, but would also open the door to significant federal resources and allow leveraging of substantial private equity investment to meet Ohio's unmet housing needs. Not only that, but as our economic study outlines, housing development creates jobs, stimulates economic growth, and boosts state and local tax revenues.

Thank you, Chairman Swearingen, Vice Chairman Santucci, Ranking Member Upchurch, and members of the committee for the opportunity to provide testimony on House Bill 3 and I urge your swift passage of this important legislation.

I am happy to answer any questions.

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