

**Testimony of Shawn Smith, Executive Director
Ohio Housing Finance Agency****Senate Agriculture and Natural Resources Committee
April 25, 2023**

Chairman Schaffer, Ranking Member Hicks-Hudson, and members of the Senate Agriculture and Natural Resources Committee. My name is Shawn Smith, and I am the Executive Director of the Ohio Housing Finance Agency (OHFA). Thank you for the opportunity to present the Agency's state Fiscal Year 2024-2025 budget request as well as the opportunity to discuss a few of the housing initiatives outlined in Governor DeWine's Executive Budget.

As they work to attract new investment to Ohio, Governor DeWine and Lt. Governor Husted know that having a safe, affordable place to call home is essential to our communities. Strong, vibrant neighborhoods along with Ohio's abundant natural resources, reliable utility service, and reliable infrastructure support the growth of Ohio businesses and help attract additional investment to Ohio. The new initiatives in the Executive Budget will help increase the availability of quality housing and better position Ohioans for homeownership opportunities and economic mobility.

OHFA Overview

For 40 years, OHFA has been the state's affordable housing leader, ensuring that Ohioans with low-to-moderate incomes have access to safe, quality, and affordable housing. OHFA uses federal and state resources to provide affordable loans for first-time homebuyers; offer competitive mortgage opportunities for those who are not first-time homebuyers; finance rental housing through Housing Tax Credits, loans, and grants; and administer programs that address the significant housing needs of the state. Our mission is "to open the doors to an affordable place to call home." We take this seriously and strive to fulfill it each day.

An 11-member board, appointed by the Governor, approves, and oversees the non-payroll budget, operations, and programs of the OHFA. Nine of these members represent various stakeholder groups and are appointed by the governor to staggered six-year terms, subject to Senate confirmation. The two remaining seats are reserved for the directors of the Department of Commerce and the Department of Development. Governor DeWine selects the board chair, who is currently Commerce Director Sheryl Maxfield.

Working with partners across the state, OHFA continues to address access to safe and affordable housing throughout Ohio. In the last state fiscal year, OHFA has:

- Financed 3,888 mortgages, exceeding the annual target by 11%.
- Allocated \$84.7 million in 9% and 4% federal Low-Income Housing Tax Credits (or \$847 million claimed over 10 years), which resulted in the development or rehabilitation of 6,474 rental units.
 - This includes units of affordable rental housing for individuals, families, older Ohioans, veterans, as well as rehabilitation of existing subsidized developments, and permanent supportive housing for persons with special needs or facing homelessness.

OHFA also established and launched the federally funded Save the Dream Ohio program to help homeowners financially impacted by the pandemic with delinquent mortgages, utility bills, property taxes, and other housing-related costs to prevent foreclosures and homelessness. From July 1, 2021, to December 31, 2022, the program has assisted more than 15,987 households, totaling nearly \$100 million in assistance.

The work we do produces \$4.5 billion in economic output for the state every year. That means that for every dollar of input, OHFA creates \$1.69 in economic activity. And our work creates and sustains nearly 30,000 Ohio jobs annually.

These results are due to the outstanding contributions from all OHFA team members. Maintaining optimal staffing levels and hiring talented staff are critical to enhancing OHFA's ability to meet the state's growing housing needs.

Payroll is one of two-line items in the Operating Budget and is funded entirely by user fees, administrative reimbursements, and federal program support. No General Revenue Funds are used for OHFA operations, and all other elements of the Agency's budget are subject to review and approval by the OHFA Board.

For state fiscal years 2024 and 2025, OHFA is requesting an appropriation of \$16,861,741 million for FY 2024 and \$17,433,489 million for FY 2025, solely for payroll and benefits costs that will support staffing for 145 FTEs. These numbers represent the minimal amount of funding needed to efficiently and effectively achieve the Agency's mission and goals in the next biennium.

Preparing Ohioans for Homeownership

Landlord Credit Score Cost Assistance Program

Rent is the largest and most consistent payment a renting household makes each month. Capturing the on-time rental payments would help Ohioans build and/or improve their credit scores. The Landlord Credit Score Cost Assistance program provides OHFA with \$1.5 million in funding each fiscal year to establish a pilot program to offset a

landlord's costs for reporting positive rent payments to third-party credit monitoring services for residents in OHFA-funded rental properties.

A positive credit score provides financial benefits when applying for an apartment, a credit card, or a car loan. And, over the long term it can help Ohioans realize their dream of homeownership. All of which contribute to a family's economic mobility and building generational wealth.

Homeownership Savings Accounts

The first step to homeownership is saving for a down payment, which takes dedication and financial discipline. While OHFA can help first-time homebuyers through its down payment assistance program, the Executive Budget outlines a new tool for Ohioans, the Ohio Home Ownership Savings Account. This partnership between the Department of Taxation and the Treasurer of State would provide tax benefits to Ohioans saving for a down payment on their primary home.

We see this as another tool to help first-time homebuyers, whether they are a family that is currently renting a home or a college student that has just graduated and is starting their first job. For Ohioans that currently own a home, the program will allow them to save for future home repairs, which will help maintain the quality of a community's housing stock. Quality housing is essential to our communities' growth. This will be a resource to help all Ohioans achieve and maintain their dream of homeownership.

Strong communities with safe and affordable housing for Ohio's growing workforce will be part of our long-term success. Ford will assemble its new commercial electric vehicle in Avon Lake; Honda will be building a new EV battery plant in Fayette County; and Abbott chose Bowling Green for a new powder formula facility. Medpace is expanding health care research work in Cincinnati, and Intel is building the largest semiconductor plant in the world in Licking County. Housing will be needed to attract and retain this workforce.

Addressing Our Housing Needs

Right now, we see a shortage of single-family housing due to limited inventory, high market costs, and low vacancy rates for rental housing. This has a significant impact on low-to moderate income Ohioans. In 2021, Ohio only had 135,562 rental units that were both affordable and available to the state's 413,187 extremely low-income renters, those making less than 30% of the area median income, leaving a deficit of 277,625 units. Similarly, there were 614,274 rental units available to the 801,414 low-income renters, those earning less than 60% of the area median income, leaving a deficit of 187,140 units.

We need to ensure that our families and workforce have access to a safe, affordable place to rest their head at night. The Executive Budget outlines initiatives that will help us address these housing needs. The Housing Technical Assistance Grants, through the Department of Development, and OHFA's State Low-Income Housing Tax Credit

and the Single-Family Housing Development Tax Credit provide additional resources to generate more housing units.

A new program at the Department of Development, the Housing Technical Assistance Grant, will provide \$1.5 million a year to help local governments modernize regulations and processes tied to local housing efforts such as housing-related zoning regulations or updating building permit processes. This will be a great resource for the local communities as they identify their housing needs and solutions to address them.

State Low-Income Housing Tax Credit

Modeled after the federal Low-Income Housing Tax Credit, the State Low-Income Housing Tax Credit will provide OHFA with \$100 million a year in tax credits, for the next four years, to support the development or rehabilitation of low-income multifamily rental housing in Ohio. Administered in partnership with the Ohio Department of Taxation, OHFA will utilize the criteria outlined in the Qualified Allocation Plan to evaluate and award the state low-income housing tax credit.

Developers would apply to OHFA for an allocation of tax credits, which may be claimed over a ten-year period, and applied to the Insurance Company Premiums Tax, Financial Institutions Tax, and State Income Tax. Currently, there are 24 states with State Low-Income Housing Tax Credits, including Indiana, Pennsylvania, and New York. Adding this resource would make Ohio the 25th state, increasing our competitiveness in housing investments. It also will allow us to produce rental housing that would not otherwise have been created.

Single-Family Housing Tax Credit

To address the shortages in the single-family housing market, the Executive Budget outlines the new Single-Family Housing Development Tax Credit. Based on the proposed federal Neighborhood Homes Investment Act, the State Single-Family Housing Development Tax Credit would provide OHFA with \$50 million a year in tax credits, for four years, to support the development of newly constructed, single-family housing for Ohioans.

Established as a public-private partnership, local governments will work with a project development team (a group of entities that will develop, construct, finance the project) to identify the location and scope of the project. The proposed projects will then be evaluated and scored based program guidelines, which will include income limits for the Ohioan purchasing the home.

The amount of the tax credits made available to the project development team will be the difference between the qualified cost of construction and the evaluated market-rate price of the home. The tax credits can then be claimed over a ten-year period.

The home will then be sold at the construction cost, creating homeownership opportunities for Ohio's workforce, Ohioans at or below 120% of the area median

income. For southeast Ohio, that could be a plumber making \$57,000 or in northeast Ohio, a truck driver or daycare administrator making \$50,000 a year.

For the homebuyer there will be a sliding scale of equity that can be claimed over the ten-year period should they need to or decide to move. This deed restriction will prevent homes from being sold for short-term profit.

OHFA is committed to providing quality customer service to Ohioans, and Ohio communities looking to develop safe, affordable housing. Currently, we are working on a toolkit to guide community leaders as they address their housing needs. It will include key resources, such as how to access OHFA funding for their projects and success stories from other communities. Together, we can identify innovative solutions to Ohio's housing needs.

OHFA is committed to delivering our programs with a high standard of excellence and customer service that make a difference in the lives of Ohio residents. We look forward to working with Governor DeWine, Lt. Governor Husted, and the General Assembly to continue to make Ohio a great place to live, work and raise a family.

I would be happy to address any questions you may have.