Chairman Schaffer, Vice Chair Landis, Ranking Member Hicks-Hudson and members of the Senate Agriculture and Natural Resources Committee, thank you for the opportunity to present testimony on the low-income housing tax credit provisions included in the House-passed version of the state operating budget.

My name is Alexandra Denney and I am the Vice President of Government Relations and Communications for the Ohio Business Roundtable, a statewide business association of CEOs and Presidents of the top companies in the state. We currently have just over 100 members and the companies collectively employ over a half a million Ohioans and generate a revenue of more than $1.5 trillion, which helps support Ohio's economy.

Our membership is inclusive of industry leading companies representing over 20 Ohio industries which includes—but is not limited to—companies such as KeyBank and Huntington representing the banking sector; Cincinnati Financial and Nationwide in the insurance sector; Kokosing representing construction; CareSource, Cleveland Clinic, and many of Ohio's children's hospitals representing healthcare; Bowling Green and Miami University in the higher education space; Owens Corning, RPM International, Inc, and Cleveland Cliffs in the manufacturing sector; AEP and Marathon in energy and utilities; and many more.

I am here in support of provisions included in House Bill 33 that authorize a nonrefundable state tax credit that can pair with the federal low-income housing tax credit (LIHTC) for workforce housing projects. These provisions have been incorporated based on the language of House Bill 3, which has received four hearings in the House Economic and Workforce Development Committee.

Currently, Ohio is experiencing a dire lack of housing at every price point in various regions throughout state. We have seen a significant increase in the cost of housing because of increased demand in parts of our state, which will only continue with the economic development projects that our state has recently won.

While outlook has improved in our state economic development-wise over the last 8 years, we still lost a Congressional seat—again—last year. We may have added quite a few economic development wins throughout the state recently, but only a third of Ohio counties gained population according to the 2020 census data. However, within those 32 counties, the crunch is on to find housing, and that demand will only grow as the projects such as Honda, Intel, GM, Abbott, and more become operational.

Why does OBRT care about housing? We care about economic development. You cannot care about that without caring about workforce and ensuring we have the capacity in our state to house the workforce. We do not right now. Employers are concerned by this trend, and realize this shortage will make Ohio less competitive if it continues.

History of the Tax Credit

In 1986, a landmark tax bill was passed in bipartisan fashion at the federal level with a Democrat House and Republican President, Ronald Reagan. The Reagan Administration came up with a brilliant idea to deal with affordable housing, which at that point was a federally regulated and owned program, with the exception of the Section 8 voucher program. President Reagan's idea was to unleash the private sector in support of competition with state government oversight in all 50 states, but with a federally supported tax credit.

This was a significant change in how housing would be built and operated across the country. In this new proposal, private developers and nonprofit developers compete for federal tax credits issued by each state. Banks would lend to those developers for the project. Private investors would invest. Developers would receive a fee up front, but their profit would be capped and not guaranteed. As a result, private market forces put pressure on the developer from the investors, from the banks, and from the state, which would result in a much more market-based development being built, but it was still able to provide housing at an affordable rate. In fact, so much so, that these projects were no longer the substandard housing complexes we had come to associate with affordable housing.

The program became so successful that many state legislatures, both Republican and Democrat, passed their own state tax credit for workforce housing that can be combined with the federal credit to attract for-profit and non-profit developers and investors.

Unfortunately, in our state today, while demand has created a lack of supply at all levels, the economics to build affordable housing are not market based. Land prices are often inflated and climbing in areas where housing is in most demand. Both issues cause housing to be more expensive and harder to build in areas that need it most. Having an additional tax credit will help solve at least part of that problem.

OHFA Role in Ohio's Tax Credit

The LIHTC provisions in House Bill 33 represent the only housing program that the state can play a role in and does so through the Ohio Housing Finance Agency (OHFA).

The Ohio Housing Finance Agency plays a critical role, providing financing for the development and rehabilitation of affordable housing through the LIHTC program. They also maintain comprehensive data and information about every tax credit project across the state, including the amount of the credit, profits, and rent. You may hear that developers are making money off this program, but the reality is, there is a cap on what exactly an affordable rate developer can earn.

For most, this is not free housing—residents can be gainfully employed, yet their salary does not accommodate the rapidly increasing housing prices.

OHFA also maintains information on the income limits to qualify for the program in each county, which are higher than you may think. Workforce housing properties that utilize this tax credit can house anyone within 30 to 80 percent of the county AMI, however the average income for all residents within the property combined cannot exceed 60 percent.

For example, the top end of the 2022 income limit in Franklin County was $52,500 annually for an individual (~$25/hr) and $74,950 annually for a family of four (~$37/hr), which represents 80 percent of the county's average median income (AMI). Sixty percent of the AMI in Franklin County is $39,360 annually for an individual and $56,220 annually for a family of four. In contrast, in Belmont County the top qualifying income level (80% of AMI) is $41,040 annually for an individual and $58,560 for a family of four.

When applying for the workforce housing, an individual's rent is calculated to be 30 percent of their income. If they were to receive a raise, their rent would continue to be 30 percent of their income and they can continue living within the complex so long as their income does not exceed 80 percent of the area median income (AMI). This helps prevent a tenant from turning down raises or from losing their housing based on a promotion.

I want to acknowledge that the program offers tremendous flexibility for communities. The Catholic Diocese of Columbus is a large organization using these tax credits to provide affordable housing to seniors, ensuring they have a good quality of housing to accommodate their needs as they age. Additionally, the National Church Residencies has used these credits with the Veterans Administration to establish veteran housing.

During Pat Tiberi's time as a Congressman—now serving as OBRT's President and CEO—he worked with the National Church Residencies to establish a facility that provided veterans a place to live for up to a year, giving them the opportunity to get sober, find employment and get back on their feet. In order for a property to offer this type of accommodation, however, it has to be subsidized by an outside entity, not the state. Furthermore, these examples are the exceptions, not the rule.

Local Involvement

It is important to note that this LIHTC language does not change the current zoning statutes. Local governments still maintain their authority to adopt and enforce zoning regulations and can decide whether to permit these workforce housing projects in their areas. This will only continue to incentivize developers to offer high quality projects to communities.

Businesses Grapple with Housing Shortage

Ohio businesses of all kinds are leaning in on this housing issue in innovative ways. There are real examples of Ohio businesses purchasing homes or building homes for their workforce.

In Licking County, Bechtel, an international construction firm that is building the fabs for Intel, is taking an all-of-the-above approach to housing their workforce. From purchasing homes, to building apartments, to renting hotels, and anything else they can think of, they are working tirelessly to find solutions to house thousands of workers.

Conclusion

The low-income housing tax credit will serve as another essential tool in the toolbox to help communities attract investment and assure that the construction workers, service industry workers, and others will have the housing needed to support these economic development projects across the state. This will not solve every problem in the housing world in Ohio, but it is certainly a step toward addressing the shortage.

I respectfully urge your support of this important legislation. Thank you for the opportunity to testify. I am happy to answer any questions.