Ohio Senate
Ways and Means Committee
SB36 Federally Subsidized Rental Property Valuation
Testimony of Peggy Rice, President
Ohio Housing Authorities Conference
April 2, 2019

WRITTEN TESTIMONY of the Ohio Housing Authorities Conference (OHAC) opposing S.B. 36, a bill to amend Sections 5713.03 and 5715.01 of the Revised Code to prescribe how federally subsidized rental property must be valued for tax purposes.

The Ohio Housing Authorities Conference (OHAC) is a statewide trade association of Ohio’s seventy-five (75) Metropolitan Housing Authorities (MHAs). MHAs are political subdivisions of the State of Ohio originally created to administer federal funds received from the U.S Department of Housing and Urban Development (HUD) through Annual Contribution Contracts (ACCs) and other housing initiatives. Our mission is to foster and promote affordable housing in the State of Ohio through the education and training of its membership and public, the exchange of information and concerns, mutual support, and collaborative efforts.

OHAC, established in 1939, has a long history of professional service to the affordable housing industry. Our members have been a catalyst for the development of quality affordable housing throughout Ohio. As the largest provider of federally subsidized housing in the State of Ohio, OHAC appreciates the opportunity to provide testimony on S.B. No. 36, and respectfully submits the following comments in opposition.

The United States Department of Housing and Urban Development (HUD) has been encouraging public housing authorities to reposition their portfolio of federally subsidized units utilizing such tools as the Low Income Housing Tax Credit (LIHTC) and the Rental Assistance Demonstration (RAD) programs. HUD, while urging public housing authorities to leverage private investment, has for many years underfunded its public housing program.

Many public housing authorities create non-profit affiliates and instrumentalities that own the Single Asset Entity (SAE) required to participate in the LIHTC and RAD programs. S.B. No. 36 would place at risk properties owned by units of government (MHA's and their affiliates), a model which has been adopted by many OHAC members for the administration of public and federally subsidized housing. MHAs as political subdivisions of the State of Ohio are exempt from property taxes, but make Payment in Lieu of Taxes (PILOT) as prescribed by the United States Housing Act of 1937 as amended.

Through use of LIHTC, funds are available to cover the cost of development of the properties, but LIHTC does not provide for operating costs after the development is completed. S.B. No. 36 assumes that affordable housing properties built with federal grants, etc. are operationally sustainable and able to absorb an increase in property taxes. While government grants and other funding may be available to construct or rehabilitate affordable housing, they do not provide operation dollars for the property once complete. Available capital dollars to construct or rehabilitate affordable housing properties does not ensure sustained operational success.

An owner of a rent-restricted property does not have the ability to raise rents to offset increases in operating costs and taxes. Rents at properties involved in affordable housing programs are not based on the market value, but on the County or Metropolitan Statistical Area (MSA) Fair Market Rent (FMR) which is established by HUD annually. Although some affordable housing properties have units at varying rent levels, very few and most often no units are set at a "true" market rent. FMRs are set at the 40^{th} percentile of the rents charged for all unassisted units in the County or MSA.

MHA owned tax credit properties simply cannot survive any material increases in property tax obligations, due to the rigid rent restrictions of the LIHTC program, which is administered by the Ohio Housing Finance Agency (OHFA). Such increases in cost could lead to the inability to pay debt service to lenders resulting in the potential loss of existing affordable housing.

It should be noted that many, if not most, of these properties are developed on land that is either underdeveloped or blighted to address a housing need while improving the neighborhood. All LIHTC and RAD projects have been approved by local municipalities or county commissions.

In conclusion, it is crucial to not only preserve existing affordable housing but to allow Metropolitan Housing Authorities the ability, as political subdivisions of the State of Ohio, to increase, not take away, the financial resources and tools needed to accomplish their statutory requirement to provide decent, safe, and sanitary dwellings.