# Advocates Worry Single Family Tax Credit Plan Could Exclude Distressed Cities

The Ohio Housing Finance Agency (OHFA) took comments Wednesday on a draft plan for administration of the new single family tax credit, one of the housing development policies included in the biennial budget. Advocates urged the agency to revise the plan to reflect realities in Ohio cities that have experienced disinvestment and population loss.

OHFA held a virtual public hearing Wednesday on the draft Single Family Tax Credit Allocation Plan for 2024, and plans a further virtual hearing on draft rules for the program at 1 p.m. Thursday, Nov. 2.

The budget bill, HB33 (Edwards), included Gov. Mike DeWine's proposal for a nonrefundable tax credit against insurance premium, financial institution or income taxes for investment in development and construction of affordable single family housing. The budget allows up to $50 million in credits to be reserved in a fiscal year through FY27. The estimated revenue loss, according to the Legislative Service Commission, is $5 million in FY24 and $10 million in FY25.

Under the plan, applications would open in February and be due Tuesday, March 5, 2024, with preliminary scores and underwriting issues determined that April and final results presented to the OHFA Board of Directors Wednesday, May 22, 2024. The completion deadline for projects would be the end of 2025.

The draft plan would allocate 35.4 percent, or up to $17.6 million in credits toward the $50 million cap, to central city projects; 33.3 percent or $16.6 million for metro/suburban; and 28.3 percent or $14.1 million to rural projects. OHFA would limit awards to two per county for central city and metro/suburban projects and one per county for rural projects.

An interactive map showing area designations as central city, metro/suburban and rural is at https://tinyurl.com/dhva2vjz.

The plan also includes set asides to ensure at least one project in an Appalachian county and one project within 20 miles of an approved "megaproject" with more than 2,000 permanent jobs committed, as designated by the Ohio Tax Credit authority.

The draft plan includes a scoring rubric of 115 possible points for project applications. Projects will be scored in the categories of readiness of proceed (20 points); development team experience (20); design features (10); geographic priority (10); site selection (25); extreme homeownership needs (10); marketing plan (10); and leveraging local and public resources (10).

In readiness to proceed, the rubric will consider factors including development team ownership of project sites, zoning approvals and infrastructure, among others.

In development team experience, factors include recent experience with comparable projects in the same county, participation by a land bank or Habitat for Humanity and participation of minority- or women-owned businesses, among others.

In design features, factors include Energy Star or LEED compliance, incorporation of accessible features like zero-step entrances and accessible first-floor bathrooms, among others.

For geographic priority, factors include scores on the Opportunity Index developed by OHFA and the Kirwan Institute, project placement in an OHFA Homebuyer Target area and alignment with locally designated priority areas for affordable housing.

For site selection, factors include proximity to a “concentrated job center” or 3,000 or more jobs, and to other amenities like groceries, clinics, pharmacies, libraries, parks and child care centers.

For extreme homeownership needs, scoring would look at whether projects are in a county with a median price-to-income ratio greater than 2.3.

For quality of marketing plan, applicants can get up to eight points for the quality of the plan, and another two points for incorporating outreach and marketing strategies for Black and first-generation homebuyers.

For leveraging local and public resources, factors will include commitments by city or county funded housing programs, land donations, fee waivers and private donations, among others.

During the public hearing, multiple commenters expressed concern about plan language stating that project development costs would be presumed to be lower than the appraisal cost.

“I would like to see that stricken,” said Ian Beniston, executive director of the Youngstown Neighborhood Development Corporation. “I would like to see the tax credit be able to be used either as a development subsidy or affordability subsidy. I believe that using it for either purpose achieves the same goal of creating quality, affordable homeownership opportunities.”

Beniston continued, “Our market values are very distressed regionally. The thought that a home is automatically worth more than the cost of construction does not reflect the reality of where I live, and where I know many millions of Ohioans live.”

“Simply because we have lower values does not mean that we have the necessary volume of quality, affordable homeownership opportunities,” he said.

His comments were seconded by others in the hearing, including Torey Hollingsworth from the Ohio Community Development Corporation Association, who submitted written comments. “Among our membership statewide, we have heard the same concern from nonprofit community developers operating in both strong and weak real estate markets. Even in stronger real estate markets, our membership has found development costs are higher than appraised values in distressed, historically disinvested neighborhoods. We ask you to reconsider allowing only affordability subsidy,” Hollingsworth wrote.

Tiffany Sokol, also from Youngstown, said without allowing the credit to be used as a development subsidy, she doubts OHFA would be able to achieve its goal of setting aside one project for an Appalachian county. “I do think there are a lot of concerns with the idea that all of these projects are going to have lower development costs than the appraised value,” she said.

Sokol and Alison Goebel, executive director of the Greater Ohio Policy Center, also expressed concern about minimum project sizes.

“Twenty units for the central city and suburban geographies feels fairly high given this is a brand new program … 20 units as a minimum is a pretty risky project for any for-profit or nonprofit developer having to use a brand new tool, having to figure out a tax credit for every one of those units,” Goebel said.

Sokol said that setting a lower minimum of five units for rural areas while keeping the credit cap the same will mean rural projects get a larger subsidy.

Beniston also raised concerns about differing distance thresholds by project geography in the scoring criteria for proximity to amenities. He said he applauds the intent of wanting to reward projects close to amenities but added that in smaller cities like Youngstown or Canton, suburban areas are as dense or even denser than the central city.

Ashlie Depinet, an attorney with OHFA, told hearing attendees that the agency would publish a second draft of the plan in November after considering feedback.

OHFA is taking comments on the plan through 5 p.m. Thursday, Oct. 26 at singlefamilytaxcredit@ohiohome.org. Comments on the draft rules will be taken until 5 p.m. Thursday, Nov. 2.

The draft plan and draft rules are at www.hannah.com>Important Documents & Notices>Library.

Information on submitting comments on the plan and attending the next hearing is at http://tinyurl.com/yr9kmxaj.