Affordable Housing Under Attack in Ohio Senate Budget Bill

Issue: On Tuesday, June 1st an amendment was added to the Ohio Senate substitute budget bill that would have a significant negative impact on tens of thousands of affordable apartments occupied by low-income tenants. (Sub. HB 110 proposed changes to O.R.C. 5715.01 and 5713.03.)

The amendment would require county auditors to value Low Income Housing Tax Credit (LIHTC) properties and other properties receiving federal subsidies to be valued as market rate properties without regard to governmental use restrictions. Currently county auditors consider the contractual and land use agreements with federal, state and local governments that limit the rents that can be charged and require occupancy by low-income families.

The result of this bill would be to unfairly and dramatically raise property taxes on affordable housing which would have a variety of significant negative effects. These include higher rents for tenants and stressed project finances that may result in deferred maintenance, loan defaults and eventual foreclosure and potential displacement of vulnerable families. The collateral damage would involve the tenants, nonprofit and for-profit owners and management companies, financial institutions that are lenders and tax credit investors and governmental agencies charged with the oversight of properties they have financed through various programs. If these public-private partnerships fail, low-income seniors, single-parent working families, and people with disabilities will lose their homes.

Example: Take two identical apartment projects side by side, one with unrestricted market rents of $1,600 per month and the second with government program restricted rents of $800 per month, plus the requirement that only families with incomes at or below 60% of the area median are eligible to live there. Currently county auditors use the income approach in valuing the second property based on the $800 actual rents charged and taking governmental restriction into account. The proposed amendment would require auditors to value the property based on the $1,600 market rents of the first property effectively doubling the second property's taxes. Worse, the second property was underwritten by lenders, investors and government agencies based on actual income and lower real estate taxes so that project now becomes financially unviable with the increased taxes.

Background: In 2019, S.B. 36 was introduced containing language similar to the amendment in the current budget bill. There was significant opposition with over 75 local and statewide organizations signing letters opposing the bill, with many testifying before the Senate Ways & Means Committee. There was limited proponent testimony. The committee Chair at the time instructed interested parties to meet and since then there has been ongoing and positive discussion between affordable housing advocates and owners and the County Auditors Association Ohio (CAAO) to develop a standard method for the valuation of affordable housing. CAAO never supported S.B. 36 but sought clarity on a methodology their members could use. Several Ohio court cases have clearly recognized the need to take governmental rent and occupancy restrictions into account when determining value, but gave no clear guidance on how calculations were to be made. The discussions with CAAO were progressing and a pilot program giving county auditors a clear method for valuing affordable housing properties had already launched when this controversial amendment was added to the budget bill, essentially undercutting this collaborative approach.

Summary: Given the severe need for affordable housing in Ohio and the increasingly clear understanding of housing as a social justice issue and the foundation for successful families and a stable workforce, this amendment needs to be stripped from the budget bill as soon as possible.