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The Low-Income Housing Tax Credit Program: Community Bank Reaps More than Monetary Returns

By Hal Keller, *President, Ohio Capital Corporation*

Created by Congress in 1986, the Low-Income Housing Tax Credit program has been a premier program for encouraging big-name, national corporations, including national banks, to invest in the development of affordable housing. Benefits such as a solid return on investment, the dollar-for-dollar federal tax credit, and Community Reinvestment Act credit have made the housing tax credit a popular investment program. Since the program began, over \$4 billion in tax credits have been awarded to corporate investors.

The success of the program can be attributed to a “win-win” situation for the public sector investment and recipient. The corporate investor receives tax credits and related deductions. The community development partner is able to secure equity financing, resulting in the development of new and/or improved affordable housing stock in the community.

But when you are community-based bank investing in a local fund, you reap the benefits of both sides of the equation. Park National Bank, a \$1.2 billion asset community bank, located in Newark, Ohio, has invested in the Ohio Capital Corporation for Housing’s (OCCH) equity funds since the first fund was created in 1989. “We first invested in Ohio Capital because we were impressed with the people who started the company and the board of directors,” said John Kozak, chief financial officer for Park National Bank. “We also wanted to invest in affordable housing and liked the diversification and quality of underwriting Ohio Capital’s equity fund provided.” Since 1996, under its public welfare investment program (“Part 24”), the Office of the Comptroller of the Currency (“the OCC”) has approved national bank investments in approximately 50 state and regional tax credit funds similar to OCCH’s equity funds in Ohio.

As Ohio’s leading syndicator of federal low-income housing tax credits, OCCH has raised more than \$230 million in private capital and has assisted in the production of over 5,400 housing units. The approximately 100 developments in the fund are located in both urban and rural areas throughout the state of Ohio. Since Park National Bank’s initial \$500,000 investment in Ohio Equity Fund I, its shareholders have been able to experience, first-hand, the community benefits of helping in the development of quality, affordable housing. Park National Bank is one of seven affiliates of the Park National Company. The affiliates are primarily located in rural and

small city areas throughout central and eastern Ohio. Through the Ohio equity funds, about 800 housing units have been developed in these approximately 12 non-metro counties with a Park National-affiliate presence.

Park National Bank's investments in housing credits has increased steadily throughout its relationship with OCCH, culminating in a recent Ohio Equity Fund IX investment of \$4 million, making Park National Bank's total investment in the program \$16.5 million. "We continue to get the returns as promised, we receive CRA credit, and we get to see the money come back into our own communities," Kozak said. "We narrowly focus on Ohio Capital because we consistently see projects developed in our areas. Other investors may look at national or out-of-state equity funds, but that doesn't make sense to us."

Ohio Capital Corporation for Housing also sees a benefit to the Park National relationship. "When we work with Park National, we are working with the key decision makers that run the company, and that means a lot to us," said Hal Keller, president of OCCH. "They are very concerned with how these investments and projects affect their community, which blends well with our corporate mission, 'to cause the production, rehabilitation and preservation of affordable housing in Ohio.'"

It should also be noted that the OCC recently revised its Part 24 investment regulation, which eliminates any geographic restrictions on tax credit investment benefits. Keller applauds this Part 24 revision by the OCC since it may attract more bank investment in the tax credit funds initiated by OCCH.

"We want to invest in affordable housing opportunities in our communities, and we couldn't get the same results on our own," Kozak said. "The low-income housing tax credit program, and OCCH's equity funds, maximizes the returns to us and to the community."

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