To: Friends and Supporters of Affordable Housing

From: Phil Steinhaus, CEO

Date: November 28, 2017

RE: Missouri Housing Development Commission Meeting In Columbia on Friday, December 1

As you know the Missouri Housing Development Commission (MHDC) recently voted not to allocate state Low-Income Housing Tax Credits (LIHTC) that were appropriated by the Missouri Legislature. The MHDC voted to issue a Qualified Allocation Plan (QAP) without state LIHTC funding. (The QAP is the application process for LIHTC funding.) News articles about the meeting are posted to our web site at:

http://www.columbiaha.com/in_the_news/the-latest-news-stories-about-the-cha

A draft QAP was approved and now MHDC staff are holding public hearings across the state to gather public input before the final QAP is approved in December. Some Commissioners may also be present.

There will be a public hearing in Columbia, this Friday as follows:

Date: Friday, December 1, 2017

Time: 11:00 a.m.

Place: Stoney Creek Inn

A good showing of supporters of affordable housing would help send a message to the MHDC about the importance of the state LIHTC funding in creating affordable housing across the state and in our community.

For the Columbia Housing Authority, the loss of the state LIHTC funding puts our plan to complete the renovation of our aging public housing properties in jeopardy. To date we have renovated 360 public housing units and constructed the Patriot Place Apartments. Oak Towers is currently under construction (147 units) and we are getting ready to renovate the Bryant Walkway Apartments (54 units) and Bryant Walkway II Apartments (36 units) in January. Once these are complete the CHA will have renovated 597 public housing units and created 25 new apartments for homeless Veterans. All of these projects would not have been possible without state and federal LIHTC funding. Removing the state LIHTC funding from the equation will result in less affordable housing in our community and across the state.

The following pages contain some talking points from the Missouri Workforce Housing Association (MOWHA). I have also included a chart of our public housing renovation phases.

Housing Authority of the City of Columbia, Missouri ♦ 201 Switzler Street, Columbia, MO 65203
Office: (573) 443-2556 ♦ TTY Relay 800.735.2966 ♦ Fax Line: (573) 443-0051 ♦ www.ColumbiaHA.com

Please consider attending the MHDC meeting this Friday and speak in favor of restoring the state low-income housing tax credit funding and share your support for affordable housing.

If you can't attend, I would be happy to deliver a letter of support from you. ~Thanks, Phil

Public Housing Renovation Phases							
Phase	**Public Housing Sites**	**Type & # of Units**	**Rehab Level**	**LIHTC**	**Submission Date(s)**	**Construct Start**	**Complete Date**
1	Stuart Parker Apartments	84 Townhomes	Major	4%	09-2013 05-2014*	01-2016	10-2017
	Paquin Tower	200 High Rise Units	Minor				
2	Bear Creek Apartments	76 Townhomes	Modest	4%	05-2014 09-2014*	06-2016	10-2017
3	Oak Towers	147 High Rise Units	Modest	4%	09-2015*	01-2017	05-2018**
4	Bryant Walkway Apartments	54 Townhomes	Major	9%	09-2014 09-2015 09-2016*	01-2018	07-2019**
5	Bryant Walkway II Apartments	36 Townhomes	Major	4%	09-2016*	01-2018	07-2019**
6	Providence Walkway Apartments	50 Townhomes	Major	9%	03-2018	01-2019	07-2020
7	East Park Avenue Apartments	40 Townhomes	Major	9%	09-2019	01-2021	07-2021
8	Fisher Walkway Apartments	30 Townhomes	Major	9%	09-2020	01-2022	07-2023

* Proposals were funded.

** Estimated completion date.

Please consider drafting a single page of comments for submission to MHDC. Key points to complement your story:

1. **The federal government's old way of financing affordable housing was broken; Missouri has helped fill the gap for decades…until now.**

   LIHTCs are preferable to the old public housing system which suffered from tremendous waste and mismanagement, and which saw taxpayers spending money to tear down structures just 2-3 decades after they were built. Compared to that, a tax credit with private market oversight, as originally crafted and enacted by Ronald Reagan and Jack Kemp, is a very efficient alternative.

   Missouri has long assisted seniors, veterans, low-income families and the disabled secure safe, quality affordable housing to remain productive and independent. For 25 years, we have achieved this policy goal via the state low-income housing tax credit. As the population ages, our veteran community grows, and the disabled face serious challenges, the need for affordable housing will continue to increase. Gov. Greitens' MHDC has now eliminated the state's

LIHTC, which will leave tens of thousands of vulnerable Missouri seniors and veterans out in the cold.

2. **The need for affordable housing is more acute than ever**

A recent study found that 1/4 of all renters spend over half their income on rent. Less than 20% of them receive aid, because resources are scarce – waitlists for rental assistance in Missouri are years long. Today, the St. Louis City, St. Louis County, and Kansas City Housing Authorities waitlists range from 4,000-15,000 people; lists in smaller counties often exceed 1,000. Nearly all of the state’s waitlists are so full that they are closed to new applicants.

A recent state study counted 16,000 homeless schoolchildren, excluding kids age 0-5. Research shows that homeless children are less likely to complete high school and more likely to cost the state money throughout their lives.

3. **Missouri’s program isn’t unusually large – we just meet housing needs differently**

Our LIHTC program is larger than that of many states, but other states spend far more money to subsidize affordable housing using programs Missouri lacks. For instance, while Missouri spent $144 million on state LIHTCs last year, New York City alone spends $1 billion annually to subsidize rents, and requires developers to set aside 20% of all new units as affordable. During the past decade, California has spent an average of a half million dollars a year on state housing bonds.

And LIHTC spending is not, as opponents claim, out of control. LIHTC spending has grown by $144M since 1992. Since 1992, K-12 education spending has risen over $2B from $1.3 billion to $3.5B; Medicaid spending has increased similarly. **Thus, the actual spending increase on education and Medicaid has been 15-20 times as large as that on affordable housing.**

2. **A recent audit of the state LIHTC program contains significant errors; LIHTC is the most efficient way to inject capital into affordable housing development**.

The audit suggests using state grants as a more efficient way to build affordable housing. But tax credits are more efficient as they're less taxable than grants. Grants or forgivable loans would cost the state up-front, creating a huge short term fiscal note. Also, the state would incur 100% of the risk. Currently, the state incurs no risk b/c investors provide up-front money and additional capital if the project becomes distressed. Credits don't flow until units are leased according to stringent guidelines, and are recaptured if projects fall out of compliance. Since roughly 40% of approved projects are not built or fall out of compliance, the state would lose a lot of money - **a risk currently borne by investors** who provide private oversight, ensuring compliance so they don’t lose their stake. Because of this market discipline, 1/3 of all LIHTCs awarded are never redeemed.

It’s inaccurate to say that 42 cents goes into project and the rest is profit. This excludes 1) federal taxes; and 2) decreased value of credits in years 2-10 due to inflation (i.e., time value of money). That is, before investors receive a return, typically concluding 13-14 years after the award, inflation has eaten up about 30-35 cents of the dollar.

Put simply: if you asked a bank for $1000 and offered to pay back $100/yr for 10 years, starting in 3 years and ending in 13 years, would they accept? No, but they may loan you $600 in exchange for that promise. That's the time value of money.

5. **LIHTC developments create cost savings elsewhere in the budget.**

LIHTC developments are a hand up, not a handout. They are not free but do reduce rents by an average of $288 month for elderly and disabled people who would otherwise be unable to afford an apartment. Given local governments' cost providing emergency care for feeble seniors and disabled people in dilapidated homes, many expenses are never incurred, and lives are saved, when emergencies are spotted earlier in a large community with on-site support services.

Senior projects are an especially wise use of tax dollars because of Medicaid savings from reduced nursing home use. Over the past decade, LIHTCs have helped build 800+ new senior units annually. Of those, 43% of residents are detoured from nursing homes thanks to special services provided in tax credit units. An average of 332 units annually utilize LIHTC vs. a Medicaid-funded nursing home unit. The average annual nursing home costs the state $29,871 per unit, while the annual LIHTC allocation per elderly resident is $7,773, which multiplied by 332 units costs the state $2.5M. Thus, tax-credit senior housing brings $7.4M of annual savings to the state, and a 10-year savings of $74M.

Homeless vets are another key constituency LIHTC supports. Returning vets - who may suffer from PTSD and substance abuse issues - face challenges finding affordable housing. LIHTC allows groups like The Salvation Army to build affordable housing that includes on-site support, sparing government from delivering costly mental health and medical services. Non-profit organizations provide services at veteran-focused developments in St. Louis, Kansas City, Columbia, Mexico, and elsewhere across Missouri.

6. **LIHTC developments create substantial economic activity.**

Use pie chart to show wide distribution of economic benefits – and relatively small percentage going to developers. REMI model says LIHTC creates just 54 permanent jobs; how does it explain an entire industry with thousands of jobs?