

TAX CREDIT ANALYSIS

Program Name: Missouri Low Income Housing Tax Credit Program		
Department: Missouri Housing Development Commission	Contact Name & No.: Jennifer Tidwell 816-759-6890	Date: October 2012
Program Category: Housing		Type: Tax Credit <input checked="" type="checkbox"/> Other (specify) _____
Statutory Authority: Sections 135.350 - 135.363, RSMo		Applicable Taxes: Income Tax; Corporate Franchise Tax; Insurance Company Annual Tax on Gross Premium Receipts; Other Financial Institutions Tax; Express Company Annual Tax on Gross Premium Receipts

Program Description and Eligibility Requirements:
 The Missouri Low Income Housing Tax Credit Program (LIHTC) is a ten-year state tax credit to qualified owners and investors in affordable rental housing. The LIHTC generates equity investments from the private sector for the development of new or rehabilitated rental housing in order to lower rents to affordable levels for low-income families. A qualified development is one that rents at least 20% of its units to families earning 50% of the median family income or at least 40% of its units to families earning 60% of median family income, adjusted for family size. The development must: meet a demonstrated need for affordable rental housing in the community; be economically feasible; leverage tax credits with other financing; demonstrate local support; and provide affordable rental housing for qualified low-income Missourians for an extended period of time, typically 30 years.

Explanation of How Award is Computed: Entitlement Discretionary
 The amount of the Missouri LIHTC allocated to a given housing development is directly related to the percentage of low-income housing units made available to qualified low-income families and the acquisition, construction or rehabilitation expenditures to create the development, less land and non-depreciable costs. There are two types of Missouri LIHTC: 9% and 4%. Developments compete annually for the 9% Missouri LIHTC, which enables them to receive tax credits equal to 9% of the total eligible development costs. Developments receiving an allocation of tax-exempt bond-financing from the Dept. of Economic Development may apply to receive the 4% Missouri LIHTC in an amount equal to roughly 4% of the total eligible development costs. The maximum amount of Missouri LIHTC that may be issued for any development is 100% of the federal LIHTC issued for the development.

Program Cap: Cumulative \$ _____ (remainder of cumulative cap) \$ _____ Annual 100% of federal LIHTC for 9% and \$6 million for 4% None _____
Explanation of cap: The 9% Missouri LIHTC issued through the competitive application cycle is capped at 100% of the federal LIHTC or approx. \$2.20 per capita for 2012. Per HB 191 (2009), the annual amount of new 4% Missouri LIHTC to be authorized is capped at \$6 million. The MOLIHTC is taken annually over a ten year period. There are a five year carry forward and three year back provisions.

Explanation of Expiration of Authority: N/A

Specific Provisions: (if applicable)
 Carry forward 5 years Carry Back 3 years Refundable No Sellable/Assignable No Additional Federal Deductions Available Yes

Comments on Specific Provisions:

	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 (current year)	FY 2014 (budget year)
Certificates Issued (#)	303	212	457	452	452
Projects (#)	35	26	42	50	50
Amount Authorized (10 yr) ¹	\$149,068,200	\$102,960,000	\$171,894,310	\$192,000,000	\$192,000,000
Amount Issued (10 yr) ²	\$155,703,625	\$156,016,305	\$164,956,766	\$172,474,683	\$176,237,256
Amount Redeemed ³	\$142,141,458	\$143,055,387	\$164,208,547	\$189,747,580	\$219,258,650
EST. Amount Outstanding ⁴	N/A	N/A	\$283,094,271	N/A	N/A
EST. Amount Authorized but Unissued ⁵	N/A	N/A	\$1,225,538,595	N/A	N/A

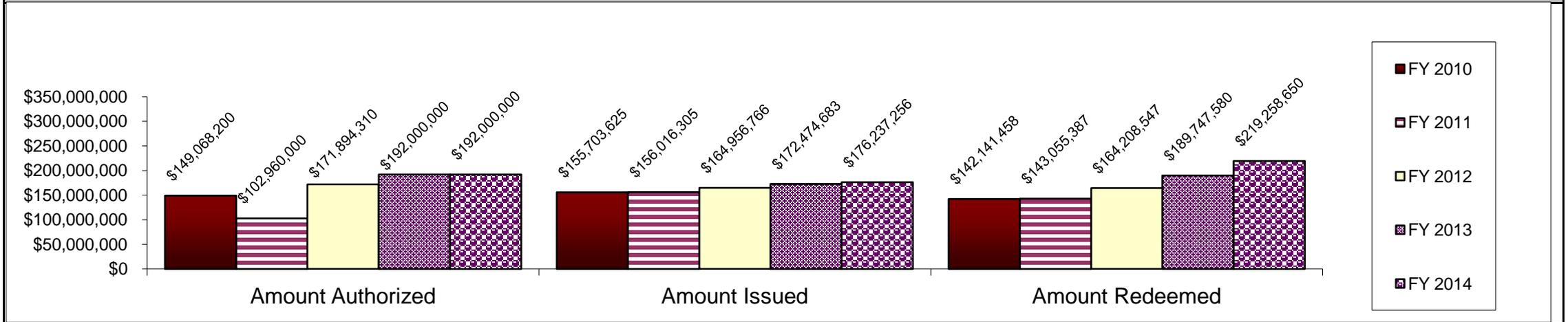
Notes: 1) The FY12 Actual Amount Authorized reflects new MOLIHTC authorizations. 2.) FY 12 issued amounts represent credits of developments that have been completed and issued, therefore eligible to be redeemed. This amount represents the cumulative issued amount eligible to be redeemed in FY 12. Because of the way tax credits are tracked and reported, redeemed credits cannot be tied to a particular year out of the 10-year credit stream. This makes it impossible to account for expired credits and the effect of the carry forward and carry back period. The figure provided is considered the maximum potential outstanding amount. 3) The redeemed amount in FY 2013 and FY2014 reflects an estimated five year trend for redemption of the MOLIHTC. 4.) The amount outstanding represents the cumulative issued minus the cumulative redeemed MOLIHTC. 5.)The Amount Authorized but Unissued includes amount remaining to be issued over the ten year stream.



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HISTORICAL AND PROJECTED INFORMATION



Comments on Historical and Projected Information: 1) Historically, the amount of authorized and issued LIHTC has fluctuated based upon the number and size of developments receiving an allocation of tax-exempt bond financing from the Department of Economic Development and therefore receiving 4% LIHTC. HB 191 (2009) capped the number of new annual 4% MO LIHTC authorizations at \$6 million and projections for FY13 and FY14 reflect the new cap. 2) The projections of redeemed credits for FY13 and FY14 are estimates based on the amount of credits issued and the historical trend of credits redeemed. This projection cannot precisely account for carry forward and carry back provisions nor the individual credit holder's decision on when to claim a particular credit. 3) For FY10 and forward, authorizations reflect projects granted initial commission approval and authorization within the same fiscal year.

BENEFIT: COST ANALYSIS (includes only state revenue impacts)

	FY 2012 ACTUAL	Other Fiscal Period (15 years)	Derivation of Benefits: Investment: (a) \$335,599,743 in Construction Demand in 2012-2013. Employment: (a) 63 FTE employees (0 displaced) in Rental/Leasing and Repair/Maintenance industries in 2014-2026; (b) \$972,544 in annual maintenance contracting between 2014-2026. Other Assumptions: (a) 2,121 low income households with reductions of household expenditures by \$4,133,659 per annum (\$162 monthly per unit) between 2014-2026 based on the difference in LIHTC rent compared with the area's market rent. Incentives/Credits: (a) \$171,711,720 in Authorized LIHTC between 2012-2024. Impacts estimated using the REMI model for the Specified State Regions. Assumptions provided by DED. The multi-year fiscal Benefit-Cost Ratio is 0.08 when other program incentives are included.
BENEFITS			
Direct Fiscal Benefits	\$4,054,344	\$8,515,738	
Indirect Fiscal Benefits	\$1,634,295	\$3,432,670	
Total	\$5,688,639	\$11,948,408	
COSTS			
Direct Fiscal Costs	\$0	\$151,799,353	
Indirect Fiscal Costs	\$0	\$0	
Total	\$0	\$151,799,353	
BENEFIT: COST	N/A	0.08	

Other Benefits: The Missouri LIHTC increases the availability of rental housing that is affordable to low-income families and seniors. It also reduces blight and improves communities through the new construction and rehabilitation of affordable rental housing in Missouri. The additional project equity raised by the state LIHTC allows more projects to be built and makes project rents more affordable. In approximately 60% of projects authorized in FY11, the projects would not be feasible as Low Income Housing Tax Credit units without the state tax credit equity, resulting in a loss of approximately 700 affordable rental units in the state. In addition, the rents would increase an average of **\$162/month** without the state tax credit equity. The reduced rents brought about by the state tax credit increases households' disposable income and allows low-income families and seniors to meet more of their other basic necessities such as food, clothing, education and health care. The Missouri LIHTC increases the quality of construction and provides additional amenities in developments such as community rooms for seniors and learning centers for children living in affordable multi-family housing developments in Missouri. The subsidy provided by the Missouri LIHTC also makes it economically feasible to develop new or rehabilitated affordable rental housing in many very low-income rural communities in Missouri. Lastly, the Missouri LIHTC helps preserve affordable rental housing that is in danger of being lost from the affordable housing stock and it leverages millions of dollars of federal rental assistance for many low-income families and seniors in Missouri.

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Other Benefits (cont'd):

In FY-2012, every dollar of authorized program tax credits returns

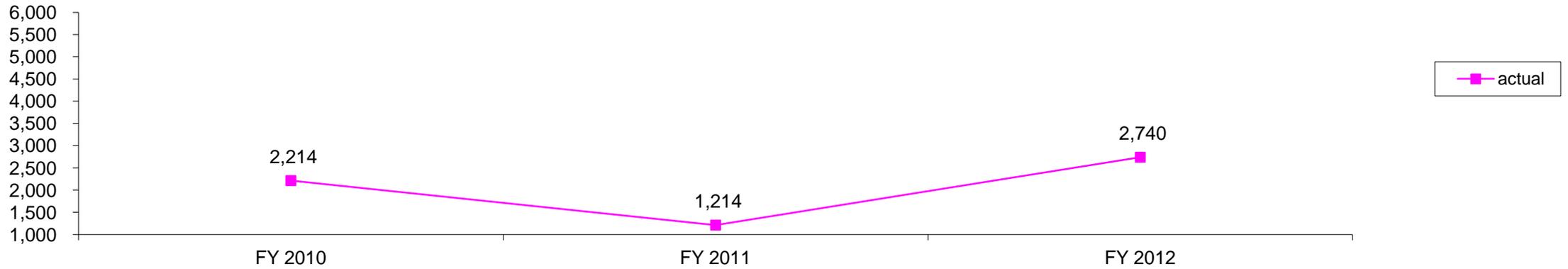
N/A in new personal income totaling	\$66.31 million
N/A in new value-added/GSP totaling	\$115.08 million
N/A in new economic output totaling	\$199.07 million

Over 15 YEARS, every dollar of authorized program tax credits returns

\$2.38 in new personal income totaling	\$360.95 million
\$3.15 in new value-added/GSP totaling	\$478.67 million
\$4.90 in new economic output totaling	\$744.51 million

PERFORMANCE MEASURE(S)

Number of Housing Units Produced or Preserved



Comments on Performance Measure: This performance measure is the total number of LIHTC housing units placed in service each year from FY 2010-FY 2012. The reduction in units placed in service during FY 2011 is largely due to previously approved projects that stalled and/or fell apart due to turmoil in the credit investor market and housing market over the past 18-24 months.