



2021 REPORT OF THE MISSOURI ACCELERATED REDEMPTION STUDY COMMITTEE

JUNE 22, 2021

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I. Background

Historically, for every dollar of Missouri Low Income Housing Tax Credits (LIHTC) issued by the state of Missouri, the amount realized for the construction of low-income housing has been as low as \$0.25, although this amount has increased over time.¹

One of the sources of this inefficiency is the time value of money, the concept that money you have now is worth more than an identical sum in the future. Like the federal LIHTC credits they mirror, state LIHTC credits are issued over a period of 10 years once a project is approved. When developers sell state LIHTC credits to fund construction of low income housing projects, this 10-year timeframe lowers the price syndicators and investors are willing to pay for the credits. Logically, the sooner a syndicator or investor is able to redeem a tax credit, the higher the price they will be willing to pay for said tax credit.

Currently, of the 19 states that have state LIHTC programs, at least 10 states have credit periods less than 10 years.² Three states have six-year periods, three states have five-year periods, one state has a four-year period, one state has a two-year period, and two states have a one-year credit period.³

Over the last ten years, a shorter credit period has been recommended by numerous Missouri statewide elected officials of both political parties including: Governor Jeremiah W. “Jay” Nixon’s Missouri Tax Credit Review Commission, *Report of the Missouri Tax Credit Review Commission*⁴, Missouri State Auditor Thomas A. Schweich, Report No. 2014-14, *Economic Development – Low Income Housing Tax Credit Program*⁵, and Missouri State Auditor Nicole Galloway, CPA, Report No. 2017-051, *Tax Credit Programs*⁶.

¹ See THE OFFICE OF THE MO. STATE AUDITOR, ANALYSIS OF LOW INCOME HOUSING TAX CREDIT PROGRAM at 17 (April 2008), available at <https://auditor.mo.gov/press/2008-23.pdf>.

² NOVOGRADAC, *State LIHTC PROGRAM DESCRIPTIONS* [website], novoco.com/resource-centers/affordable-housing-tax-credits/application-allocation/state-lihtc-program-descriptions, (accessed June 2, 2021).

³ *Id.*

⁴ See MISSOURI TAX CREDIT REVIEW COMMISSION, 2010 REPORT at 39 (November 2010), available at <https://www.semissourian.com/files/tcrfinalreport113010.pdf>.

⁵ See THE OFFICE OF THE MO. STATE AUDITOR, LOW INCOME HOUSING TAX CREDIT PROGRAM REPORT at 15 (March 2014), available at <https://auditor.mo.gov/AuditReport/ViewReport?report=2014014>.

⁶ See THE OFFICE OF THE MO. STATE AUDITOR, TAX CREDIT PROGRAMS REPORT at 15 (June 2017), available at <https://auditor.mo.gov/Repository/Press/2017051896073.pdf>.

For the FY 2020 state LIHTC, the Missouri Housing Development Commission (MHDC) implemented a State LIHTC Accelerated Redemption Pilot Program with the goal of improving the pricing for state LIHTC credits and thereby obtaining more low-income housing per state tax credit dollar.

The pilot program was limited to 20% of total approved developments. All applications were eligible for consideration for the accelerated pilot program and developers were allowed to submit two separate applications for each project, one based on the equal distribution of the tax credits over the 10-year credit period and one based on the accelerated redemption period. While the traditional and pilot program projects will both receive credits over a 10-year period, pilot program projects will receive credits on an accelerated schedule. Projects selected for the pilot program will be issued credits equal to the federal LIHTC credits for the first five years of the redemption period, with the remainder of state LIHTC credits equally distributed over years 6-10. Accelerated redemption pilot program projects will receive approximately 71% of project credits within the first five years compared to 50% for the traditional 10-year program.

The State LIHTC Accelerated Redemption Pilot Program creates a valuable opportunity to examine empirical evidence, which can lead to policy changes that will positively impact pricing of the state LIHTC and thus provide more affordable housing with the same investment from the state. Pricing for the pilot program LIHTC projects can now be compared with pricing for projects funded using the standard redemption of credits.

II. FY 2020 State LIHTC Credit Pricing Information

A. Standard Redemption Model and Pricing

Using the standard redemption model, state LIHTC may be awarded in an amount as MHDC determines is necessary to ensure the feasibility of a project up to an amount equal to the federal low-income housing tax credit, for a federal tax period.⁷ The Internal Revenue Code defines a federal LIHTC tax credit period as the period of ten (10) taxable years beginning with either: 1) the taxable year in which the building is placed in service; or 2) at the election of the taxpayer, the succeeding taxable year, but only if the building is a qualified low-income building as of the close of the first year of such period.⁸

For those FY 2020 developments that were ultimately approved by the MHDC Board, Table 1 shows the price per credit initially specified by the developers in their application materials. That average price per standard credit redemption was \$0.58.

TABLE 1.

Application #	Development Name	State LIHTC Syndicator	Standard Pricing
20-001	Lindenwood Senior Apartments	Sugar Creek Capital	\$0.61
20-002	The Meadows of Fredericktown	Sugar Creek Capital	\$0.61
20-013	Preservation Square Phase IIA	Bank of America ML	\$0.60
20-014	Logan Villas, LP	Sugar Creek Capital	\$0.61
20-026	Springridge Highlands	AEP	\$0.52*
20-041	Woodlands II	Guaranty Bank/LJC	\$0.58
20-045	Sunridge Meadows	AEP	\$0.51*
20-050	Alumnus Gardens	Sugar Creek Capital	\$0.63
20-051	Bodhi Kansas City	Sugar Creek Capital	\$0.63

⁷ Section 135.352.2, RSMo.

⁸ 26 U.S.C. §42(f)(1).

20-052	Libertad Grandview	Sugar Creek Capital	\$0.63
20-064	Sinclair Estates II	AEP	\$0.51*
20-075	Scott Manor II Senior Apartments	Sugar Creek Capital	\$0.63
20-083	Elm Ridge Senior Apartments	Sugar Creek Capital	\$0.63
20-084	Scenic Meadows	AEP	\$0.51*
20-085	Parkview Terrace	AEP	\$0.51*
20-087	Memorial Hills II	AEP	\$0.51*
20-088	Frisco Senior Village II	AEP	\$0.51*
20-092	Weatherby Ridge	AEP	\$0.51*
20-095	Vernon Heights	Sugar Creek Capital	\$0.62
20-098	Vandeventer Place II	AEP	\$0.51*
20-402	Winter Garden Apartments	Sugar Creek Capital	\$0.64
20-404	Parker Square Apartments	RBC Capital Markets	\$0.55
20-407	Freedom House I	Monarch Private Capital	\$0.60
20-408	Covenant Place III	Sugar Creek Capital	\$0.63
20-410	Deerfield Village	Preservation of Affordable Housing, LLC	\$0.64
20-413	Etzel Place VI Apartments	Sugar Creek Realty	\$0.63
20-419	Palestine Gardens _ Palestine Gardens North	Sugar Creek Capital	\$0.62

*Submitted price below the FY 2020 established pricing floor of \$0.56.

Starting in 2007, MHDC implemented a pricing floor for state LIHTC awards.⁹ MHDC calculates a new pricing floor each year, grouping the projects by geographic area first (St. Louis/KC/MSA-Rural/Rural) and then removing the pricing outliers, such as pricing that is too low or too high. MHDC then calculates the pricing average for each region, and uses these calculations to establish the pricing floor, as described in the Developer's Guide produced for each funding year. For FY 2020, MHDC established a pricing floor of \$0.56 per credit for projects utilizing standard redemption, following the procedure outlined to applicants prior to

⁹ See 2008 ANALYSIS OF LOW INCOME HOUSING TAX CREDIT PROGRAM, *supra* note 1, at 18.

submission of LIHTC applications.¹⁰ Pricing information for FY 2020 awards is summarized on Exhibit "A" attached hereto and by this reference incorporated herein. In determining the FY 2020 pricing floor, MHDC believed that the economic uncertainty concerning interest rates, inflation and other influences should be factored into the minimum pricing floor and MHDC should take a conservative approach to assure the viability of recommended developments. As shown in Table 1, ten (10) separate developments recommended for approval submitted a price per credit below the mandatory pricing floor established by MHDC. Each development was required to agree to increase their credit pricing up to the floor of \$0.56 in order to be eligible for a credit award. Revising the credit pricing for developments whose pricing fell below the floor up to the mandatory floor pricing of \$0.56, the final average price per credit for the standard redemption credits the MHDC Board approved was \$0.597.

B. Accelerated Redemption Model and Pricing

The State LIHTC Accelerated Redemption Pilot Program authorized up to twenty (20) percent of the total developments recommended by staff and approved by the MHDC Board to participate in the pilot program.¹¹ State LIHTC for developments selected for this pilot program were issued so the annual state LIHTC amount available for redemption in the first five (5) years of the federal tax credit redemption period would be equal to the annual issuance amount of the allocated Federal LIHTC. The remainder of State LIHTC would be issued such that the remaining balance of state LIHTC would be equally distributed annually over the remaining years of the tax credit redemption period.

Projects that applied for and were approved for participation in the State LIHTC Accelerated Redemption Pilot Program are set forth in Table 2. As demonstrated by the table, the average price per credit for those developments that participated in the State LIHTC Accelerated Redemption Pilot Program was \$0.675 per credit.

¹⁰ MHDC DEVELOPER'S GUIDE FOR MULTIFAMILY PROGRAMS at 33, available at http://www.mhdc.com/rental_production/2020-fy-items/Documents/FY2020%20Developer%20Guide%20Final%20Clean.pdf.

¹¹ MHDC 2020 QUALIFIED ALLOCATION PLAN at 2 (September 2020), available at http://www.mhdc.com/rental_production/2020-fy-items/Documents/2020%20Final%20QAP.pdf.

TABLE 2.

Application #	Development Name	State LIHTC Syndicator	Accelerated Pricing
20-019	Woodridge Apartments	CRA Investments	\$0.68
20-021	Martin Groves	CRA Investments	\$0.68
20-024	Arden Groves	CRA Investments	\$0.68
20-046	Tennehill Apartments	Sugar Creek Capital	\$0.67
20-077	The Cleveland	Sugar Creek Capital	\$0.67
20-100	Sam Rodgers Place	Sugar Creek Capital	\$0.67
20-403	Diamond Apartments	CRA Investments	\$0.68

C. Pricing Summary

Using the pricing information from the 4% and 9% rental production recommended application materials approved by the MHDC Board, the data shows a 7.8 cent difference between the average price of an accelerated credit vs. the average price of a standard redemption credit. When reviewing the pricing submitted by the developers, and not using the mandatory floor established by MDHC, the data reflects an even larger increase - a 9.5 cent difference between the average price of an accelerated credit vs. the average price of a standard credit.

Prior to 2005, pricing for the state LIHTC was typically \$0.25 per credit.¹² A 2014 audit of the state LIHTC found at that time Missouri only realized \$0.42 of affordable housing for each dollar of state LIHTC awarded.¹³ For 2017 developments, the last time the state LIHTC was awarded prior to the program being suspended later that fall, the final pricing at firm commitment averaged out to \$0.57 per credit.¹⁴ The list of 2017 approved developments and the

¹² See ANALYSIS OF LOW INCOME HOUSING TAX CREDIT PROGRAM, *supra* note 1, at 17.

¹³ See LOW INCOME HOUSING TAX CREDIT PROGRAM REPORT, *supra* note 5, at 11.

¹⁴ For 2017, MHDC established a pricing floor for KC and St Louis at \$0.51 and for Rural at \$0.50 pursuant to the procedure outlined at Page 53 of the MHDC DEVELOPER'S GUIDE FOR MULTIFAMILY PROGRAMS (2017) available at http://www.mhdc.com/rental_production/2017_fy_items/FY2017_Developers_Guide.pdf

applicable LIHTC pricing is detailed on Exhibit "B" attached hereto and by this reference incorporated herein.

Regardless of the use of the submitted pricing or the mandatory floor, the average price per *standard redemption credit* did not show a significant increase from 2017, when it was last issued, to 2020 when the state LIHTC was reinstated (average of \$0.57 in 2017 vs. average of \$0.58 in 2020). The data from the first year of the pilot program however, shows a considerable increase in the average price per credit using the accelerated redemption model, with an average price per credit of \$0.675. This represents an increase of over \$0.10 from the 2017 standard redemption pricing. This \$0.10 difference represents an increase of over 18%. To put this increase in context, at an average per unit cost of approximately \$181,867 (all FY 2020 approved projects), the accelerated pilot program increase in pricing alone represents a potential increase of over 63 units of additional housing. When considering the effect of other sources on production of housing, the number of additional units rises to almost 86 units, or 1-2 additional LIHTC developments.

III. FY 2021 Draft QAP Stakeholder Comments

MHDC received comments, suggestions, and questions from stakeholders prior to the stakeholder meeting regarding the FY 2021 Draft QAP. The following are comments submitted that pertain to the State LIHTC Accelerated Redemption Pilot Program:

- *Does MHDC intend to extend the Pilot Program in the same form where 20% of applicants have access to it? In discussions with industry leaders since awards this past December, all indications are the Pilot program was universally successful in driving more equity per state tax credit dollar issued. I suggest the staff recommend to the commission the Pilot Program become permanent, and every project is given the option to opt in or out at time of application.*
- *I am reaching out to provide a comment of support of the accelerated state tax credit pilot program. We received an award under the accelerated program and saw a significant increase in pricing compared to the traditional model.*
- *I encourage that the commission expand the pilot program for the accelerated redemption of the state credit and make that option available to all who wish to take advantage of the provision.*
- *We would support making the state LIHTC acceleration pilot program permanent and optional for all applicants, due to the meaningful increase in pricing among participating deals.*

IV. Recommendation

The Study Committee prepared the following recommendation to increase the efficiency of the credit, based on the insight derived from the FY 2020 Accelerated Redemption Pilot Program pricing results and the comments and suggestions submitted by stakeholders.

RECOMMENDATION

Currently, up to twenty (20) percent of the total developments recommended by staff and approved by the MHDC Board may be selected for the pilot program. The Study Committee recommends that up to fifty (50) percent of the total credits recommended by staff and approved by the MHDC Board be accelerated redemption credits. The Study Committee recommends the MHDC 2021 Qualified Allocation Plan Draft be amended to reflect this change.

EXHIBIT "A"
2020 State LIHTC Pricing

ApplicationNumber	DevelopmentName	Region	StateLIHTCPricing
20-004	Sunset Acres	KC	\$ 0.59
20-014	Logan Villas, LP	KC	\$ 0.61
20-017	Grant Park Villas, LP	KC	\$ 0.67
20-030	Park Villas (Primary application)	KC	\$ 0.61
20-033	Harrisonville Villas, Phase II	KC	\$ 0.58
20-038	EPEC Apartments	KC	\$ 0.64
20-042	Aspen Trails Senior Living	KC	\$ 0.66
20-049	NewView Place II	KC	\$ 0.62
20-051	Bodhi Kansas City	KC	\$ 0.63
20-052	Libertad Grandview	KC	\$ 0.63
20-065	Wilshire Hills III	KC	\$ 0.51
20-069	Parker Senior Residences	KC	\$ 0.64
20-071	Tudor Heights Phase 1	KC	\$ 0.64
20-072	St. Michael's Housing Phase III	KC	\$ 0.62
20-073	Oak Grove Manor	KC	\$ 0.60
20-074	Marlborough Lofts & Townhomes	KC	\$ 0.60
20-077	The Cleveland	KC	\$ 0.64
20-086	Remington Place	KC	\$ 0.51
20-089	The Villages	KC	\$ 0.63
20-096	MorningStar Senior Apartments Phase II	KC	\$ 0.63
20-099	Crescendo	KC	\$ 0.63
20-100	Sam Rodgers Place	KC	\$ 0.63
20-106	Legacy at Parade Park Phase I	KC	\$ 0.62
20-404	Parker Square Apartments	KC	\$ 0.55
20-412	Heritage Lofts _ Berkley Riverfront	KC	\$ 0.57
20-414	Cloverleaf Apartments	KC	\$ 0.60
20-415	Ridgeview Heights Apartments	KC	\$ 0.60
20-417	Linwood Lofts	KC	\$ 0.60
20-418	20 Walrond Development	KC	\$ 0.61
20-419	Palestine Gardens Palestine Gardens North	KC	\$ 0.62
			\$ 0.61

ApplicationNumber	DevelopmentName	Region	StateLIHTCPricing
20-010	Crossroads Senior Living at Bevo Mill	STL	0.6
20-013	Preservation Square Phase IIA	STL	0.6
20-015	Reserve at Spencer	STL	0.63
20-018	Festus Senior Villas	STL	0.68
20-034	South Jennings Homes	STL	0.58
20-035	Hawk Ridge Senior Living	STL	0.64
20-036	Queensbrooke Village Senior Living Phase 2	STL	0.64
20-044	Benton Park Place	STL	0.61
20-045	Sunridge Meadows	STL	0.51
20-048	Normandie Hall	STL	0.64
20-050	Alumnus Gardens	STL	0.63
20-056	Diamond Senior Apartments of University City	STL	0.74
20-063	Meadowood Estates II	STL	0.51
20-066	Baden School Apartments	STL	0.63
20-067	Fairview Village II	STL	0.64
20-068	Marquette Homes	STL	0.63
20-075	Scott Manor II Senior Apartments	STL	0.63
20-081	Riverbend Estates III	STL	0.51
20-083	Elm Ridge Senior Apartments	STL	0.63
20-093	Village at Delmar Place Phase II	STL	0.61
20-097	The Residences at Jennings Place IV	STL	0.51
20-098	Vandeventer Place II	STL	0.51
20-101	Arbor Hill Apartments	STL	0.64
20-105	Lincoln Square	STL	0.71
20-401	Park Place Apartments	STL	0.64
20-402	Winter Garden Apartments	STL	0.64
20-406	City Place Tower Apartments	STL	0.8
20-408	Covenant Place III	STL	0.63
20-413	Etzel Place VI Apartments	STL	0.63
20-416	Northside Heights	STL	0.64
20-420	Standard Stamping Company	STL	0.61
20-421	Banneker School Apartments	STL	0.62
			0.6209375

ApplicationNumber	DevelopmentName	Region	StateLIHTC Pricing
20-001	Lindenwood Senior Apartments	OSM	0.605
20-003	Silver Springs II Apartments	OSM	0.59
20-007	Carthage Marble Heights Apartments	OSM	0.58
20-023	Frisco Highlands at Edgewater	OSM	0.68
20-031	Maplewood Villas	OSM	0.58
20-032	Eagle Park Estates	OSM	0.58
20-039	Freedom Ridge Homes, LP	OSM	0.5
20-040	Kinney Point Apartments	OSM	0.64
20-047	Cheyenne Trace	OSM	0.51
20-054	Dogwood Hills Villas	OSM	0.63
20-055	Olivia Apartments	OSM	0.64
20-057	Terraces on Cresthaven	OSM	0.63
20-058	Miller Court Senior Villas	OSM	0.63
20-060	Cottages at Generations Village	OSM	0.6
20-061	Ashford Place	OSM	0.6
20-064	Sinclair Estates II	OSM	0.51
20-076	The Chadwick	OSM	0.63
20-084	Scenic Meadows	OSM	0.51
20-087	Memorial Hills II	OSM	0.51
20-088	Frisco Senior Village II	OSM	0.51
20-094	Pioneer Lofts	OSM	0.51
20-104	Lakeview Estates	OSM	0.62
20-407	Freedom House I	OSM	0.6
20-409	Highland Acres and Meadows	OSM	0.64
20-410	Deerfield Village	OSM	0.64
20-411	Pinnacle on the Park, LP	OSM	0.6
			0.588

ApplicationNumber	DevelopmentName	Region	StateLIHTCPricing
20-002	The Meadows Of Fredericktown	OSR	0.605
20-005	Monett Homes, LP	OSR	0.55
20-006	Butler Meadows, LP	OSR	0.55
20-008	McCanse Place of Mt. Vernon	OSR	0.58
20-009	Seminole Apartments	OSR	0.58
20-011	Branson Manor Apartments	OSR	0.61
20-012	Pioneer House Apartments	OSR	0.61
20-016	Bluff View at Fall Creek, LP	OSR	0.63
20-019	Woodridge Apartments	OSR	0.68
20-020	Carter Groves	OSR	0.68
20-021	Martin Groves	OSR	0.68
20-022	Aurora Senior Villas	OSR	0.68
20-024	Arden Groves	OSR	0.68
20-025	Senior Villas of St. Robert	OSR	0.68
20-026	Springridge Highlands	OSR	0.52
20-028	Jemphrey Apartments	OSR	0.68
20-029	Country Villas Phase II (Primary)	OSR	0.61
20-037	Cottages at Oak Creek	OSR	0.64
20-041	Woodlands II	OSR	0.575
20-043	Villas at Cedar Ridge	OSR	0.63
20-046	Tannehill Apartments	OSR	0.64
20-053	The Brunswick	OSR	0.64
20-059	Allison Apartments	OSR	0.58
20-062	Ridgeview Apartments	OSR	0.6
20-070	Hilltop Senior Residences	OSR	0.64
20-078	Tower Village East	OSR	0.62
20-080	Mountaintop Homes	OSR	0.62
20-082	Timber Creek Estates II	OSR	0.51
20-085	Parkview Terrace	OSR	0.51
20-090	Stone Creek Manor	OSR	0.62
20-091	Halls of Brookfield	OSR	0.51
20-092	Weatherby Ridge	OSR	0.51
20-095	Vernon Heights	OSR	0.62
20-102	Alice Place of Warrensburg	OSR	0.62
20-103	Harbor East Villas	OSR	0.62
20-403	Diamond Apartments (formerly Oak Tree Apartments)	OSR	0.68
			0.610833333

EXHIBIT "B"

2017 Average State LIHTC Pricing

App. #	Development Name	Firm State LIHTC Pricing
2017		
17-001	Blair Homes	\$ 0.57
17-003	North Creek Estates	\$ 0.520
17-005	Tower Village	\$ 0.55
17-008	Pine Lawn Manor	\$ 0.76
17-011	Villas at Myers Park	\$ 0.55
17-017	The Villas of Smithville	\$ 0.55
17-020	Plymouth Landing	\$ 0.54
17-027	Garden Estates of Webb City	\$ 0.55
17-030	Emmanuel Cleaver II Sr. Living Community	\$ 0.74
17-031	Popular Bluff Villas	\$ 0.58
17-039	Hyde Park Village	\$ 0.54
17-046	Teal Lake Village	\$ 0.55
17-048	Village Meadow	\$ 0.543
17-053	Sinclair Estates	\$ 0.515
17-059	Aspen Trails II	\$ 0.54
17-067	Woodbridge Apts	\$ 0.55
17-069	Bryant Walkway	\$ 0.60
17-071	Hampshire Landing II	\$ 0.60
17-073	St. Ferdinand Homes II	\$ 0.55
17-075	Finney Place	\$ 0.53
17-076	Scott Manor	\$ 0.56
17-081	Heritage Place Apts	\$ 0.55
17-082	Green Willow Homes	
17-083	Baltimore Meadows	\$ 0.515
17-084	Memorial Hills	\$ 0.515
17-088	Villas at Lark Pointe	\$ 0.59
17-091	Blenheim School Apts	\$ 0.55
17-106	River Bluff Manor	\$ 0.515
17-109	Fox River Estates II	\$ 0.55
17-114	Pendleton ArtsBlock	\$ 0.715
17-403	St. Regis Apts	\$ 0.60
17-404	Meramec Place Aparataments	\$ 0.55
17-405	Bryant Walkway II	\$ 0.58
17-407	Gotham Apts	\$ 0.59
17-408	Quinlan Place fka Century Apts	\$ 0.715
17-409	Century Townhomes	\$ 0.715
		\$ 0.578