



May 12, 2014

Dear Colleagues,

Over the past several weeks, the Louisiana Housing Corporation has received numerous inquiries from stakeholders about our upcoming appearance before the Joint Legislative Committee on the Budget and what an increase in our fees means for our partners. I am writing to you today to attempt to provide some basic information about this issue.

As you may be aware, when our fee schedule is presented to JLCB on Wednesday, it will include an increase in our compliance fee from \$5 per unit to the national average of \$33 per unit, only on new projects that are not currently being funded under an LHC program.

To give you some background, this \$5 fee is the same amount that was charged by the Louisiana Housing Finance Agency at the very start of the Low Income Housing Tax Credit program in 1989. While most states adjust their compliance fees annually to compensate for increases in direct costs, in Louisiana this fee has not been adjusted in almost 25 years. In today's dollars, this fee now represents only \$2.66 per unit of housing, which is not enough to cover the costs associated with ensuring program compliance. The next lowest compliance fee in the nation is the \$20 per unit fee charged in Rhode Island, which is still four times what we charge in Louisiana, despite the fact that Rhode Island is only about the size of Calcasieu parish.

The proposed compliance fee increase will directly impact the efficiency and effectiveness of the LHC's compliance process, which will ultimately lead to improved statewide housing by allowing the LHC to:

- Better assess, and thereby reduce, the risk of properties entering a state of disrepair or neglect;
- Create a community of developers, owners and managers with a more unified sense of community development and common goals through increased communication;
- Mitigate against the increase of blighted properties in the state;
- Help to increase property values for low/moderate income properties and the surrounding neighborhoods;
- Build a working relationship with owners through technical assistance activities

that ensure that owners and managers are properly trained to carry out their compliance obligations;

- Provide enhanced monitoring to identify early warnings that the property may be encountering financial, physical, and/or managerial problems that could lead to future noncompliance or even project failure;
- Identify bad partners in the housing market before they can create compliance issues;
- Identify good partners in the housing market who might make the best possible use of future allocated funds;
- Improve the overall public perception of low/moderate income housing; and
- Contribute to building and preserving healthy neighborhoods and communities.

This compliance function is critical to allowing the corporation to fulfill our mission and to continue to be good partners to the towns and cities in which we finance projects and with the development community. Since 2006, the LHC has provided more than \$1.6 billion in financing through its programs, which contributed more the more than \$4.6 billion in statewide multi-family housing development. Our programs have created or rehabbed nearly 30,000 multi-family rental units. This activity is a significant economic driver, both in local communities and statewide. It is estimated that our investment had an economic impact of more than \$2.5 billion while projects were under construction, with a post-construction impact of more than \$820 million annually.

The Joint Legislative Committee on the Budget will take up this issue at 8:30 a.m. on Wednesday, May 14, in Room 5 of the State Capitol. Thank you for taking the time to read the information about our proposed fee increase and for everything you do to support housing each day in Louisiana.

Sincerely,

Frederick Tombar, III
LHC Executive Director

