Request for Public Comment on Multifamily Program

March 28, 2025

The Missouri Housing Development Commission (MHDC) is soliciting feedback from interested parties on the below questions. These questions are with respect to MHDC's multifamily rental production program and properties that are in MHDC's current portfolio, which may include developments that have utilized federal and state Low-Income Housing Tax Credits (LIHTC), HUD's HOME program, and HUD's Housing Trust Fund (HTF) program. MHDC is seeking feedback from stakeholders which include but are not limited to development owners, property managers, multifamily lenders/investors, and tenants. MHDC is interested in feedback on the following questions:

1. **What steps would be necessary to allow for the alignment of rental pricing for vacant and new units with allowable program rents rather than continuing with MHDC's current internal pricing policies?**

2. **What would a transition plan look like for existing family and senior housing developments that (a) includes a phased approach to gradually allow the full implementation of allowable program rents and (b) incorporates a rental assistance program to support tenants impacted by potential rent increases due to operating cost increases and inflationary trends? Note: These two components—phased implementation and rental assistance—must be included in any proposed plan.**

3. **Comment on any housing policy in relation to MHDC.**

Written comments may be submitted directly to MHDC by email to public.comment@mhdc.com. Comments should be provided within the body of the email and not as an attached document. Public comments will be accepted until **5:00 p.m. CST on Friday, April 18, 2025.**

MHDC will host two (2) virtual public hearings to receive verbal comments on the above-listed questions on the following dates:

- **Tuesday, April 8, 2025 at 10:00 a.m.,** and
- **Monday, April 14, 2025 at 2:00 p.m.**

During each public hearing, MHDC staff will accept and record individual public comments pertaining to the above-listed questions. Each hearing will remain open for public comment for a minimum of 10 minutes and will remain open as comments are received for a maximum of two (2) hours. Any interested party may register for the hearing(s) to participate and provide verbal comments. Registration for the public hearing is required to participate. Please note that each hearing session requires a separate registration.

Webinar Registration Information:

- *Public Hearing #1 – Tuesday, April 8th at 10:00 a.m.:*

  https://attendee.gotowebinar.com/register/4125969506357360218

- *Public Hearing #2 – Monday, April 14th at 2:00 p.m.:*

  https://attendee.gotowebinar.com/register/8988666332824629846

Stakeholder Feedback on Multifamily Program

Verbal Comments Received

Missouri Inclusive Housing, received 4/8/2025

I am with Missouri Inclusive Housing, and we're a not-for-profit agency that works on the front line on these issues to affordable housing. I realize this is focused more on the MHDC developer and the processes, and we work with a lot of the MHDC developers. But I do want to stress that we're seeing now at the front end of all this serving the people that rents are becoming out of control for people that need LIHTC housing. It's no one's fault. LIHTC is a wonderful program. But we need to look at some way to support those people. More importantly, we're now seeing the loss of LIHTC properties at the end of their commitment period. I know that in the last awarded programs, it looks like you are starting to say you've got to commit to 30 years, not 15 then sell. But we, over the last six months, have seen people that have lived in affordable housing successfully for 15, 20 years that have lost their homes due to the fact these programs are going offline, properties are being sold or the properties are being put on market rate or even higher and we have no place for these people to go. We are totally at a standstill on affordable housing. So anything you can do. I really believe we need to look at also looking at developing LIHTC where the greatest need is rather than looking at it from the aspect of where LIHTC developers decide to build. We have areas of our state and we track this completely. We have areas of our state that are in tremendous need and then the properties that get approved are areas that have lower need. And then finally, we've just got to work together on this, because you all know the numbers. This is going to grow every year, and we're going to be in a mess.

Written Comments Received

Fairway Management, Inc., received 4/8/2025

We don't feel that any steps would be necessary outside of MHDC permanently waiving all rent increase reviews. HUD issues guidance on rent limits for a reason as they are deemed to be affordable to qualifying households in each of the income set aside cohorts. There should be no additional regulations keeping rents below rent limits while communities are exposed to unregulated operating expense risk and volatility, often leading to deferred maintenance and operating deficits as expenses soar. Taking up the MHDC staff's time and capacity to assess rents that are already in compliance with HUD guidelines is inefficient and not in the best interest of stabilized communities.

We don't feel that a soft roll out is necessary but if that is how MHDC would like to initiate a policy change, then we would support that. We feel that MHDC providing a rental assistance that would cover a portion of the rent increases over the next couple of years would be an equitable approach. This can be administered by MHDC, and the path of least resistance would be a simple form, allowing the residents to fill it out and send in to MHDC. This should not be an unlimited amount of money MHDC sets aside, but a cap amount over the next couple of years, similar to the Covid rent relief funds.

Golden Management, Inc., received 4/8/2025

In response to the MHDC request for public comments, I would like to offer the following:
The limitation on past rent increases, along with higher growth in expenses, has caused major cash issues for a significant number of MHDC communities. This increase simply did not keep up with the increased costs and the implementation of the annual increases takes over a year to fully take effect. Many properties are on a downward trend where there is no excess cash, operation reserves are being depleted and owners are struggling to pay the bills.

Some examples of increasing expenses:
Insurance: Premiums for property insurance 2023 v. 2024 shows an average increase of 89%. In addition, the deductible for wind and hail increase from $25,000 per occurrence to a 3% deductible. Our insurance nearly doubled and we received less coverage. Our 2024 and 2025 rent increases were often insufficient to cover this increase in insurance expense alone. The 2025 property insurance renewal premiums increased by an additional 5%.

Staffing: Retaining and hiring good staff is the most important factors in a properties success. With market properties' rents doubling over the last 3 years, retaining staff has become a challenge. My staff gets called weekly from market properties trying to steal my managers and maintenance personal. Added to this, hiring has become more challenging than ever, as there is a shortage of experienced maintenance staff, and their salary requirements have grown exponentially. Providing competitive compensation with health insurance is the only way to hire/keep good people. The costs of employee compensation (health insurance plus pay raises) is increasing close to 15% a year.

We are proposing the following solution:

- An automatic 7% rent increases on all properties that are in compliance with MHDC at each annual renewal
- For any vacant unit, the 7% increase could be immediately added to the unit rent for the next tenant.
- This increase should go into effect 30 days after policy approval for any unit that has not had an annual rent increase within the past 12 months, meaning that all expiring leases' rent go up by 7% at renewal. Timing is critical.

For Properties that rents are so low that they do not meet the minimum Expense to Rent Ratio:

- MHDC create a fund to assist struggling properties that do not meet the minimum 1.2 Expense to Rent Ratio.
- Each property would calculate their expense ratio annually with their audited financials, and calculate the shortfall
- The property would then request the shortfall from MHDC
- The need for this assistance fund would reduce every year, as the 7% automatic rent increase would start to create stability in which the property can meet this ratio without assistance.
- This initial assistance could be capped at $1500 per unit, and this cap can be reduced annually as the 7% automatic rent increase takes effect
- MHDC would establish a Maximum Unit Expense and would use the lesser of the actual or Maximum in calculating the Expense to Rent Ratio
- These assistance payments would be income to the properties and have no tax consequences to the tenants.

MBL Development Co., received 4/9/2025

Question 1, what steps would be necessary to allow alignment of rental pricing?
HUD in the spring of 2024 announced a 10% rental cap maximum increase in rents on all HUD related properties. My recommendation is to use that guidance allowing the developer to raise the rents up to that maximum of 10% per year, for a existing tenant for a period of three years consecutive (a phase in program for existing tenants). After the three year period, allow the owner the right to decide the rent increases within the IRS guidelines.
Vacant units that come up allow the owner to be able raise the rents within the IRS guidelines.

Question 2, what would a transition plan look like?
The above was my answer in question 1, a phase in program of 3 years for existing tenants, with a 10% rental cap annually, and vacant units allowing rents up to the IRS Guidelines.
Its my understanding that MHDC has some funds available for rental assistance. These funds could be used for the 3 year phase in program, if needed.

Question 3, comment on any housing policy within MHDC
The current operating reserves that are required for each new project by syndicators and lenders, a large amount of those funds are being held by MHDC. Currently the Limited Partnership only receives about 1% interest on those funds on a annually basis. Those funds have been given thru equity contributions from the syndicators etc., and the partnership needs a better return on those funds.

RCH Development, Inc., received 4/9/2025

Thank you for the opportunity to participate in the public hearing and provide comments in response to MHDC's request for stakeholder input on the multifamily rental production program. I appreciate MHDC's recognition of the need to re-evaluate rent policy in light of rising operating costs, economic shifts, and the long-term sustainability of Missouri's affordable housing portfolio. I offer the following recommendations in response to MHDC's three focus questions:

1. Alignment of Rental Pricing for Vacant and New Units
MHDC's current rent regulation policy for vacant and new units has created significant financial strain on developments, particularly those that experience long delays between award and lease-up. Under current practices, developments may lose multiple years of rental increases, causing initial operations to begin with built-in deficits and impairing long-term viability.
Recommendation:
MHDC should remove state-imposed rent restrictions for:

- Vacant units in existing developments, and
- All unclosed/new developments prior to lease-up.

Instead, MHDC should align rental pricing for these units with federal program limits (e.g., LIHTC, HOME, HTF), as is standard across Missouri's neighboring states. Importantly, removing these restrictions for vacant units does not result in rent increases for current residents but provides necessary flexibility to attract tenants and maintain financial sustainability.

2. Transition Plan for Existing Developments (Phased Implementation + Rental Assistance)
I support a thoughtful and equitable transition toward greater financial sustainability for occupied units. My proposed phased approach includes:

Phased Implementation:

- Allow all developments to increase rents by up to 7% annually without additional MHDC approval.
- Define at-risk properties as those with Debt Service or Expense Coverage Ratios below 1.20x, and permit them to phase in additional rent increases up to 10% over two years to restore financial health.
- Long-term, all occupied units should be permitted to charge rents up to federal AMI-based limits, as originally outlined in program agreements.

Financial Assistance Program:

To further relieve the financial shortfalls:

- I am urging MHDC to establish a Supplemental Operating Subsidy Program to provide gap funding to properties that cannot reach sustainability through a 7% rent increase alone.
- This program should be responsive and streamlined—reviewing prior-year financials (starting with 2024) and issuing funds within 60 days of application to avoid prolonged shortfalls.
- Assistance should be temporary and outcome-driven, supporting only those properties actively working toward a 1.20x DSCR or ECR benchmark.
- The funds should be disbursed directly to the development. Disbursing to the residents would create a hardship when the assistance ends.

3. Additional Housing Policy Comments

MHDC's long-standing rent policies—unique among Missouri's regional peers—have challenged the survival of many affordable developments. None of the eight neighboring states apply state-level rent restrictions beyond federally mandated limits. I strongly encourage MHDC to:

- Sunset MHDC-specific rent caps within three years, leaving only federal rent limits in place.
- Reduce the administrative burden on owners and align with national best practices.
- Focus policy not on artificially limiting income, but on preserving long-term affordability through asset stability.

Summary of Policy Recommendations:

1. Annual Rent Increase Flexibility: Allow automatic increases up to 7%.
2. Supplemental Operating Subsidy Program: Rapid, needs-based support for financially challenged properties.
3. Rent Flexibility for Vacant & Unclosed Units: Use federal limits only.
4. Financial Performance Target: 1.20x DSCR/ECR within two years.
5. Sunset MHDC-Specific Restrictions: Three-year phase-out.

These measures create a fair, market-informed, and sustainable path forward that protects both tenants and the long-term viability of Missouri's affordable housing stock. I welcome continued collaboration on how best to implement these reforms to ensure MHDC's programs remain resilient and effective.

RISE St. Louis, Received 4/11/2025

The Rise team would like to share thoughts with MHDC on the changes to its rent increase policy. Our thoughts on the matter are outlined below. We are more than happy to dive into more detail as would be helpful. Thanks for the consideration and opportunity to comment.

Creating appropriate guidelines for ‘operating cost assistance’ presents significant challenges. Each property has unique circumstances and reasons for failing to meet the 1.2 DSCR. Often, high vacancy rates are the primary culprit. While increasing rents could help improve DSCR, properties must first have the funds to turn vacant units. Without this, the DSCR gap cannot be resolved simply by raising rents.

The need and demand for affordable housing are consistently strong across all markets. However, when properties lack the resources to ‘make ready’ vacant units, this critical housing remains unavailable. For properties struggling with low occupancy, implementing rent increases for current residents might provide some help, but it also risks increasing vacancy rates if residents are unable to pay or decide to move out. Even with rent increases, the percentage change is unlikely to be enough to address the DSCR gap.

Properties need easier and less restrictive access to reserve funds. For those properties with little or no reserves, the most effective use of ‘operating cost assistance’ would be allocating funds specifically for turning vacant units. ‘Vacant Unit Turn Assistance’ would unlock much-needed affordable housing for low-income families and help bring more units back online. This would generate cash flow for properties, especially if rents are no longer regulated below the maximum allowable program limits.

Property owners should have the flexibility to assess their properties’ needs and set rents appropriately, provided they remain within program guidelines. Understandably, concerns may arise regarding significant rent increases for existing residents. However, a transitional approach can alleviate these concerns. For instance, if a cap on rent increases is implemented, it should apply only during the program’s first year. This would provide residents ample notice—allowing them time to budget and prepare for the adjustment. After the first year, the restrictions on rent increases would no longer be necessary, thereby simplifying policies and reducing administrative burdens on MHDC.

Gilworth Companies, LLC,. Received 4/14/2025

1. Aligning Rental Pricing with Allowable Program Rents

- Adopt a revised internal rent-setting policy aligned with HUD-published limits for LIHTC, HOME, and HTF programs.
- Implement data synchronization with HUD’s annual rent limits.
- Require at least 60 days’ notice for rent changes.
- Offer training for compliance and tenant protections.

2. Transition Plan for Existing Family and Senior Housing Developments

- Year 1 – Planning: Financial evaluation, stakeholder notifications, apply new rents to vacant units only.
- Year 2 – Adjustment: Cap existing tenant increases at 5–10% annually.
- Year 3 – Full Implementation: Full allowable rent alignment with hardship exemptions.
- Establish a Rental Stabilization Fund with income-based subsidies and emergency relief.

3. Tenant Protections, Housing Quality Monitoring & Economic Mobility

- Establish a Tenant Housing Quality & Rights Office to investigate complaints and enforce standards.
- Conduct annual audits; delay rent increases for noncompliance.
- Launch First Source Employment Program linking tenants to job opportunities through MHDC-funded partners.

4. Local Business Opportunity & Joint Venture Preference

- Enforce a Local Business Opportunity Policy for measurable inclusion of local and minority-owned businesses.
- Provide preference to joint ventures between national developers and local firms.
- Mandate regular compliance reporting and public accountability for participation goals.

Conclusion

- Policy changes must prioritize tenant protection, housing quality, economic access, and equity in development.
- Gilworth Companies stands ready to collaborate on policies that reflect these values.

Missouri Workforce Housing Association, received 4/14/2025

The following comment is offered on behalf of the Missouri Workforce Housing Association (MOWHA), an umbrella group of 180 organizations spanning the public, private, and nonprofit sector who are united by our advocacy for the construction or renovation of safe, decent, housing to increase Missouri's stock of quality affordable housing units.

MHDC's longstanding policy regarding rent regulation has unfortunately challenged the survival of existing developments as affordable properties. Specifically, some MOWHA tax credit syndicator partners report that up to 50% of their current MO LIHTC developments are on their watchlist, severely financially stressed and potentially headed to default. Accordingly, we are heartened to see that MHDC is considering alignment of its rent policies with those of other state Housing Finance Agencies in the eight surrounding states – and all other states where we have inquired – which do not impose rent caps lower than the stringent federal Section 42 regulations requiring that all rents must be affordable at or below 60% of the local Area Median Income (AMI).

For all developments not yet leased up for the first time, we recommend that MHDC not restrict rents beyond federal rules regarding the AMI income and rents agreed to at award (60% of AMI and additional restrictions on certain developments' units below 60%) – as is customary in other states. Under current MHDC policy, losing three or more years of adjustments between award and lease-up can lead to developments starting operations with annual deficits, as rents aren't allowed to keep up with operating expense inflation.

For all vacant units in operating developments, MHDC should adopt the same approach, since no resident would experience a rent increase exceeding any extant regulatory limitation.

For currently occupied units, to be consistent with current LURA requirements, MHDC should allow increases on rents up to 7% to 10% such that properties can meet at least a 1.20 Debt or Operating Expense coverage ratio. Long term, MHDC and industry professionals should work to eliminate all rent constraints under the existing AMI ceilings agreed to at project inception and protected in the restrictive covenants.

Acting within those constraints, MHDC should prevent stressed developments from going into default, defining those in jeopardy of default as properties with debt or expense coverage ratios below 1.20 for two consecutive years, per national underwriting standards. This aligns with the Affordable Housing Investors Council's underwriting guidelines, a standard widely recognized by those who finance LIHTC projects nationally (and in Missouri).

To prevent defaults, MHDC should immediately modify its process of approving rent increases for those developments with sub-1.20 ratios. To begin, all properties under the ratio should be allowed to immediately begin increasing rents within the 7-10% overall limitation noted above at each lease renewal with the plan resulting in the property achieving a minimum 1.20 ratio within 2 years. If such increases are infeasible in specific cases, MHDC should create a fund from which properties may seek assistance to achieve the ratio within a 2 year period by a combination of rent increases and MHDC assistance. This would avoid potential tax and legal ramifications for residents for whom additional assistance could count as income, pushing them above applicable AMI thresholds. It would also streamline the process for MHDC staff, which bore tremendous burdens implementing pandemic-era assistance programs such as ERAP and SAFHR.

<u>Beacon / SOCAYR, received 4/15/2025</u>

1. Alignment of Rental Pricing for Vacant Units

At the core of this discussion is the need to distinguish between vacant unit leasing and existing resident retention. A vacant unit represents an open-market transaction. Provided that the incoming household meets income qualifications and that the rent falls within LIHTC or program limits, there should be no additional restriction on that rent amount. New residents are making an informed, transparent decision at the time of lease, and we believe these transactions should be treated as what they are—standard real estate agreements within regulated affordability.

Allowing program rents for new move-ins helps stabilize operations without compromising affordability. It ensures properties can respond to inflationary pressures, adjust for rising costs (insurance, taxes, utilities, etc.), and avoid cutting services or underinvesting in maintenance and reinvestment.

2. Transition Plan for Existing Residents

We also recognize and strongly value the need to protect current residents from sudden and unsustainable rent increases. Over time, some long-term residents may be significantly below the current allowable rent, either due to internal caps or limited increases. While we don't believe every unit must be at the same rent level, we do believe rent increases for current residents should follow a measured, predictable structure.

Rather than tying increases to a fixed percentage, a dollar-based cap may offer a more equitable solution. For example, limiting annual increases to $50–$100 per year (based on unit size or other thresholds) allows a reasonable adjustment without creating financial shocks. This approach also acknowledges that a 5% increase on $2,000 is vastly different in impact than a 5% increase on $1,000.

Additionally, a natural phasing mechanism already exists in many projects. From award to construction start, to completion and stabilization, a typical timeline spans 30–36 months. During this period, phased rent increases (e.g., 10% annually) can be applied to gradually bring residents closer to program rent levels, if appropriate. When paired with turnover trends—where roughly 40% of units naturally turn over annually—this approach minimizes resident hardship while ensuring a property reaches sustainable rent levels by the time of conversion or permanent loan closing.

We support the idea of rental assistance for qualifying households during this transition, especially in cases where inflation, medical costs, or other hardships significantly affect a household's ability to absorb increases. However, such assistance should be temporary and targeted, not a long-term subsidy that replaces a well-structured rent policy.

3. Broader Policy Considerations

We encourage MHDC to place equal—if not greater—focus on the cost side of operations, not just on regulating revenue. Rising insurance premiums, real estate taxes, and utility costs are straining affordable housing providers across Missouri and the country. Rather than over-regulating rents, we would welcome MHDC's leadership in advocating for shared solutions—property tax abatements or caps, insurance pooling strategies, or state-supported risk mitigation funds, for example.

Ultimately, we believe the mission of affordable housing is best preserved through balanced, responsible rent policy and creative approaches to cost containment—not through suppressing income at the expense of long-term sustainability.

MACO Construction, received 4/16/2025

In recent years, property owners have experienced unprecedented increases in operating expenses for multifamily housing developments across the country. While essentially every aspect of daily operations has increased in cost, some costs such as staffing, repairs, and insurance have spiked to the point that rents simply can't keep pace. In all other states, owners and managers are allowed to raise rents (which are only restricted by federal rent limits) so that properties are able to absorb the rising costs. However with the more stringent rent limitations imposed by MHDC, many properties are now struggling to meet all financial obligations without deferring maintenance needs, thus creating compliance issues and ultimately creating a high degree of risk of default. When this happens, the entire program fails and we all lose, including MHDC, property owners, and the residents in which the housing was intended to serve.

Other state housing finance agencies don't restrict rents and defer to the federal limitations. MHDC should do the same.

As an industry, it is important that we always strive for long-term affordability, but achieving such result by artificially restricting income revenue will ultimately produce unintended consequences of a miserably failing statewide program.

Resident of Bancroft School Apartments, received 4/16/2025

What steps would be necessary to allow for the alignment of rental pricing for vacant and new units with allowable program rents rather than continuing with MHDC's current internal pricing policies?

As a resident in a LIHTC apartment (Bancroft School Apartments, KCMO) I have experienced and witnessed MHDC approval of ridiculous rent hikes, HUD AMI, ‘bait and switch’ practices, threats of eviction and disrespectful disregard for tenants, especially low-income seniors' complaints and concerns.

Unaffordable Rent: My rent has doubled since I moved in 10 years ago. As a Social Security recipient, I cannot afford next year’s rent hike to $1,010! There have been no improvements since I’ve moved in. When I inquire for a rationale for the rent hike, I’m told: “because MHDC approved it!”

HUD AMI: In Kansas City , MO. HUD has calculated residential Average Median Income incorrectly because it includes incomes of surrounding suburbs, i.e. Johnson County, KS. (the highest in the USA), Lee’s Summit, Mo., Grain Valley. This calculates to approximately $98,000 AMI average. While the AMI for Kansas City, MO by itself is only $34,000. Strongly recommend MHDC recalibrate KCMO’s AMI, making the average cost of rental housing would be around $450 - $500 instead of $1,200 for a one-bedroom unit!

“Bait & Switch”: Utility costs are sky-high, although residents were told, because of the million dollar solar panels installed on the roof of the Bancroft school, that our utilities would run about $28.00 per month, not the $200 I pay monthly. (see Bancroft’s original web-site - $28 is in writing).

What would a transition plan look like for existing family and senior housing developments that (a) includes a phased approach to gradually allow the full implementation of allowable program rents and (b) incorporates a rental assistance program to support tenants impacted by potential rent increases due to operating cost increases and inflationary trends? Note: These two components—phased implementation and rental assistance—must be included in any proposed plan.

I recommend a moratorium on rent increases! Senior apartment complexes, including Bancroft School Apartments’ rent is increased annually. To make bad matters worse, the degradation experienced, simply applying for rental assistance is beyond the pale. Then, some who are on the ‘waiting list’ for approval, get evicted anyway because the funding didn’t come in time!

While I understand operating costs increase, I am convinced that it’s only to increase the owners’ profit margin that makes the cost to rent my home such a blatant ‘money grab’!

Rosemann & Associates, received 4/16/2025

Please find my thoughts and comments for your consideration.

Challenges with Current Rent Increase Policies

- Complexity of Developing Rent Increase Proposals: Crafting a proposed rent increase is a labor-intensive process that requires detailed analysis and preparation to meet MHDC’s guidelines.
- Administrative Burden: The paperwork required for rent increase applications is substantial, diverting valuable resources from essential property management
- Confusion and Uncertainty for Residents: Informing residents about potential rent increases creates confusion

Proposed Changes

To address these challenges, we suggest the following changes:

- Adopt Federal Standards: Allow vacant units to adjust to the rent limits established by federal law for the LIHTC program.
- Transition Strategy:
  - Regulatory Agreement Modification: modify existing regulatory agreements to allow at least 10% rent increases instead of 7%
  - Gradual Adjustment: Incrementally increase rents to the allowable program limits over a specified period. This approach would provide clarity and stability for both property management and residents.
  - Tenant Support: Implement a rental assistance program from MHDC for a few years to help tenants manage rent increases. This support would ease the transition for residents and mitigate the impact of rent increases.

Streamlined Operations and Financial Health

By adopting federal rent standards, MHDC can streamline the approval process, reducing the time and resources spent on rent increase applications. This adjustment is essential as rising expenses have outpaced MHDC's current practices, leading to financial strain and deferred maintenance. Simplifying the rent increase process will help ensure the financial health and sustainability of LIHTC properties.

Increases of insurance policies rate increases are one of only many changes impacting our communities outside of our control.

In summary, these proposed changes will enhance operational efficiency, reduce administrative burdens, and support tenants through a structured transition plan. We urge MHDC to consider these steps to improve the efficiency and financial stability of LIHTC apartment developments.

<u>Ring Property Company, LLC, received 4/16/2025</u>

The purpose of this e-mail is to address the current policy regarding suggested changes in rental rates in Low-Income Housing Tax Credit (LIHTC) apartment developments, and to propose steps necessary to align rental pricing for vacant and new units with allowable program rents, rather than continuing with MHDC's current internal pricing policies.

Vacant Units and Federal Regulations

I suggest vacant unit rental rates should be allowed within the constraints already regulated by federal law in the LIHTC program. Thus, rental rates would be allowed to change consistent with federal guidelines together with current market and economic conditions, with the added benefit of reducing administrative burdens and inefficiencies.

Transition Plan for Existing Developments

To facilitate this transition, I propose a phased approach for existing family and senior housing developments. This plan would gradually implement allowable program rents while incorporating a rental assistance program to support tenants impacted by any potential rental rate increases driven by changes in operating costs and inflationary trends. The transition plan would include the following features:

1. Gradual Adjustment: A gradual change in rental rates within the allowable program limits over a specified period of time, perhaps one year, ensuring that tenants have adequate time to adjust to the changes. Additionally, rental rates on occupied units may be allowed to change at lease expiration by amounts within allowable program rents which reflect a balance between current market conditions and operating costs, and optimization of tenant retention efforts.
2. Rental Assistance Program: Provide rental assistance for a specified amount from MHDC over the next 2 to 3 years. Residents can apply for this assistance to help mitigate the impact of rent increases. Importantly, these subsidy payments should go directly to the residents to ensure they receive the necessary support. This support is above and beyond what the state should be doing but is essential to ease the transition for tenants while Missouri aligns with federal regulations.

Efficiency and Financial Health

The current practice of approving rent increases through MHDC channels has likely contributed to deferred maintenance and financial strain on properties. By aligning rental pricing with federal program rents, MHDC can reduce the time and resources spent on rental increase approval processes. This change is crucial as expenses have increased at a pace that far exceeds MHDC's current practices, causing unnecessary financial challenges for property management.

In conclusion, aligning rental pricing for vacant and new units with allowable program rents regulated by federal law will streamline operations, reduce administrative burdens, and support tenants through a well-structured transition plan. I urge MHDC to consider these steps to improve efficiency and financial stability in LIHTC apartment developments.

Sugar Creek Capital, received 4/16/2025

What steps would be necessary to allow for the alignment of rental pricing for vacant and new units with allowable program rents rather than continuing with MHDC's current internal pricing policies? Only step is necessary: A directive from the commission to follow existing federal law for vacant and new units. The LIHTC maximum rent formula is set out in IRC Section 42(g)(2).

What would a transition plan look like for existing family and senior housing developments that (a) includes a phased approach to gradually allow the full implementation of allowable program rents and (b) incorporates a rental assistance program to support tenants impacted by potential rent increases due to operating cost increases and inflationary trends? Note: These two components—phased implementation and rental assistance—must be included in any proposed plan.

Rents at projects should immediately be right sized to a minimum 1:15 debt service coverage ratio to ensure financial stability of endangered affordable housing, with the goal of achieving a 1.20 debt service coverage ratio inside of 2 years. Unfortunately, the recent trends of rising expenses combined with MHDC rent limitations have increased the number of properties that are experiencing or approaching financial infeasibility. Necessary repairs are being deferred to make numbers work, but projects and tenants will suffer over time as a result of deferred maintenance. Every year that goes by like this increases the likelihood for foreclosure of some deals, potentially wiping out affordability requirements in perpetuity, and causing reputational damage to the program. For less-troubled deals, a multi-year (e.g. 3 year) phase-in should be considered to minimize the burden on existing tenants. (b) An assistance program could be used to assist tenants in either scenario, though priority should be given to developments most in financial burdens as they will need to increase rents the most to ensure feasibility. If a rental assistance program is created, project sponsors should complete applications for assistance (as opposed to tenants having to apply), as LIHTC project sponsors routinely deal with MHDC and are more likely to have a successful outcome than unfamiliar and often overburdened tenants.

Beyond Housing, received 4/18/2025

Ensuring the preservation and sustainability of Missouri's affordable housing stock is essential for meeting the ongoing housing needs of low- and moderate-income residents. We've observed that rapidly increasing operating costs, insurance premiums, and capital expenditure requirements are outpacing the allowable rent adjustments under current MHDC policy.

To maintain the financial stability of the statewide portfolio and prevent the deterioration or financial distress of these valuable assets, we respectfully propose the following:

- MHDC's long-standing policy regarding rent regulation has unfortunately challenged the survival of existing developments as affordable properties, with many properties severely stressed and potentially headed to default. Accordingly, we recommend that MHDC align its processes with those of other state HFAs; none of Missouri's eight surrounding states conduct state-level rent regulation beyond what is federally mandated, namely, that all rents must be affordable at or below 60% of the local Area Median Income (AMI).

- For all unoccupied developments, we recommend that MHDC not regulate rents beyond federal rules restrictions regarding the AMI income and rents agreed to at award. Under current MHDC policy, losing three or more years of adjustments between award and lease-up often leads to developments operating with annual deficits, as rents often fall well behind the increase in operating expenses.

- For all vacant units in existing developments, MHDC should adopt the same approach, as no resident would experience a rent increase exceeding any extant regulatory limitation.

- For currently occupied units, we understand that some properties contain agreements limiting rent increases to 7%. Long term, these units, too, should be allowed rent levels limited by the overall federal AMI ceiling agreed to at project inception. For now, MHDC should act to prevent developments from going into default, defining those in jeopardy of default as properties with debt or expense coverage ratios below 1.20, in accordance with widely-accepted underwriting standards. To prevent defaults, MHDC should create a two-year schedule of rent increases for those developments with sub-1.20 ratios such that each can achieve an expense coverage ratio of 1.20 or higher for two consecutive years. Should that require rent increases above 7%, MHDC should create a fund from which properties may seek assistance to close the gap between the 7% increases and the amount necessary to reach the 1.20 ratio.

SilverTree Companies – Realty, received 4/18/2025

Thank you for the opportunity to respond to the questions below. Innovative solutions to address the unprecedented challenges of rental increases compared to expense increases is severely needed.

What steps would be necessary to allow for the alignment of rental pricing for vacant and new units with allowable program rents rather than continuing with MHDC's current internal pricing policies?

In short, MHDC is encouraged to end the current rent increase review and approval process. MHDC should adhere to the Federal HUD rent limits. Once established, Owners, Developers and Managers could operate properties within the Federal HUD rent limits as each particular market demands. With expenses outstripping currently allowed rents, the properties suffer which ultimately has negative impacts on tenants. It also puts extreme pressure on the long-term sustainability of the properties. Historical market driven pressure has shown that while expenses and operational risks increase, rents remain inherently sticky. Market demands will hold rents in check with Federal HUD limits as a backstop. In addition, allowing a 10% threshold increase would be appropriate as well. A modification of Regulatory Agreements would be necessary to effect this change.

What would a transition plan look like for existing family and senior housing developments that (a) includes a phased approach to gradually allow the full implementation of allowable program rents and (b) incorporates a rental assistance program to support tenants impacted by potential rent increases due to operating cost increases and inflationary trends? Note: These two components—phased implementation and rental assistance—must be included in any proposed plan.

A phased approach over a couple of rent cycles, say two (2) years, would be appropriate. Currently vacant and new units should immediately be allowed the aforementioned 10% increase within Federal HUD limits. After two (2) years, occupied units would be permitted to go to Federal HUD rent limits. For the occupied units, a rental assistance fund could be made available during the two (2) year ramp up period for MHDC to fund assistance directly to the residents.

Again, traditional market forces will be at play in all rent increase considerations. This will help govern the process.

Old Town Development, Inc, received 4/18/2025

Thank you for the opportunity to provide feedback on the proposed questions below. We look forward to adopting a more efficient and sustainable process for implementing rent increases.

What steps would be necessary to allow for the alignment of rental pricing for vacant and new units with allowable program rents rather than continuing with MHDC's current internal pricing policies?

Once MHDC makes a final determination on deferring to HUD rent limits, the only other necessary step would be a minor amendment to existing regulatory agreements allowing for rent increases beyond 7%. Otherwise, this policy change would be immediately effective for all new and vacant units. We understand that for occupied units any potential rent increases would be made in accordance with each lease agreement at a reasonable rate that is in accordance with MHDC policy, HUD limits, and in correlation to any rental assistance offered directly to the resident by MHDC for a 2-3 year ramp up period.

What would a transition plan look like for existing family and senior housing developments that (a) includes a phased approach to gradually allow the full implementation of allowable program rents and (b) incorporates a rental assistance program to support tenants impacted by potential rent increases due to operating cost increases and inflationary trends? Note: These two components—phased implementation and rental assistance—must be included in any proposed plan.

For all vacant and new units, we feel that rent increases at or below HUD rent limits would be appropriate at the management company's discretion. For occupied units, we understand that MHDC may prefer a slower approach over 2-3 years of at least 10% per year with rent increases subsidized by an MHDC rental assistance funded directly to the residents. We understand that rent increases create additional financial burden for residents, but it is important that our communities remain financially stable as operating expenses continue to increase exponentially. The elimination of the MHDC rent increase review and approval process should also help both MHDC and property management staff operate more efficiently.

Legal Services of Eastern Missouri, received 4/18/2025

We write on behalf of Legal Services of Eastern Missouri, Inc. (LSEM), to provide feedback on MHDC's multifamily rental production program and properties in MHDC's current portfolio. LSEM advances justice by providing legal representation and supportive services to low-income people and families in 21 Missouri counties. We represent clients facing a wide variety of challenges, including homelessness, loss of housing assistance, poor living conditions, discrimination and other housing issues. LSEM advocates for low-income tenants to defend them against evictions, and affirmatively to assert their rights to fair housing and habitable living conditions. Assisting our clients in obtaining access to safe, affordable housing is one of our key priorities and one of the reasons we are providing comments on MHDC's housing policies. We are grateful to MHDC for facilitating this comment period and have some suggestions that may be of use to improving conditions across Missouri.

211 and Coordinated Entry Systems Need Additional Funds

MHDC has asked for public comment on any housing policy in relation to MHDC. Maintaining a centralized, coordinated entry system is essential to provide an efficient and effective assessment of the housing and service needs of individuals and families experiencing homelessness. However, insufficiently funding coordinated entry access points, such as 211, creates barriers for clients and leads to the creation of secondary channels of communication between service providers, resulting in the average household taking longer (31 days on average) to access services than in prior years. Additionally, transparent coordinated entry data would help service providers understand gaps in care and mitigate the effects of these shortcomings.

The entire Balance of the State CoC experienced an increase in homelessness from 2022 to 2023. In the 2024 Gaps Analysis Report, the Balance of State CoC identified severe resource shortages, including shelter beds, supportive services, and adequate staffing. These shortages create barriers to successful exits from homelessness. To address this need, we encourage MHDC to allocate funds to bolster supportive services.

Rental Increases Harm Low-Income Tenants

MHDC has asked for a response to the following question: What steps would be necessary to allow for the alignment of rental pricing for vacant and new units with allowable program rents rather than continuing with MHDC's current internal pricing policies?

Given our knowledge and understanding of how current internal pricing policies impact clients across Eastern Missouri, LSEM believes that implementation of allowable program rents will create additional barriers to access below-market-rate housing, which already may be unaffordable for the intended beneficiaries. See Urban Wire article: Urban Institute. Such a shift is particularly concerning, given that MHDC's LIHTC manual expressly states that MDHC does not review rent increases annually. Allowing for increases, while neglecting to review them annually, creates a situation ripe for abuse.

Affordable Housing Shortage. Across Missouri, low-income tenants face a shortage of Affordable rental homes. Occupancy rates in many regions of Missouri, especially urban centers like St. Louis and Kansas City, remain high—often above 95%—indicating that nearly all available rental units are occupied. This is a sign of a tight rental market where demand far exceeds supply, particularly for affordable units. Rural areas in Missouri are also seeing growing demand for limited rental options, compounding the problem. Fair Market Rent (FMR) is in reality out of reach for many households in Missouri. In 2024, the FMR for a two-bedroom apartment was $1,083. To afford FMR—without paying more than 30% of income on housing—a household must earn $3,611 monthly or $43,330 annually. This level of income translates into an hourly wage of $20.83 which is greater than the average hourly earnings of 59 out of 115 counties in Missouri.

Cost Burdened Households. Many of these tenants are spending more than half of their income on housing, putting them at greater risk to sacrifice necessities like healthy food and healthcare to pay the rent, and experience unstable housing situations or even evictions. According to the National Low Income Housing Coalition's Missouri Housing Profile, 68% of Extremely Low-Income tenants (0-30% of Area Median Income (AMI)), 20% of Very Low-Income tenants (31-50% AMI), and 4% of Low Income (51-80% AMI) are severely cost burdened, spending more than half their income on housing and utility costs. Renters in urban and rural Missouri counties are similarly burdened.

Cost Shifting. Although we understand that potential rent increases are due to operating cost increases and inflationary trends, we do not support the cost burden being shifted to communities who are already in a contentious struggle for affordable housing in the state. While private landlord-tenant arrangements are beleaguered by landlord costs disproportionately shifted to tenants, we believe affordable housing programs are inherently designed to protect tenants from such shifts. Furthermore, LSEM believes that alignment of rental pricing with allowable program rents, rather than continuing with MHDC's current internal pricing policies, should only be considered if Area Median Income (AMI) of the impacted service area increases.

Development Costs. Developers face increasing costs for labor, materials, and insurance, making it financially difficult to build or maintain affordable housing. As a result, new developments tend to target higher-income renters to offset costs and ensure profitability. Affordable housing construction lags, further limiting options for low-income tenants. In MHDC's own listening sessions, developers have expressed that Missouri's "red tape" disincentivizes developers to bring projects to Missouri versus other states with fewer bureaucratic barriers. MHDC imposes strict cost containment and underwriting policies that limit the amount developers can spend per unit, and state-based LIHTC matching is capped and highly politicized, fluctuating with administration changes. Other states offer robust state housing tax credits, gap financing, and flexible funding pools. When developers can layer financing and rely on a strong housing finance agency and dedicated housing trust funds, such streamlined access to funding reduces uncertainty and reduces time in bringing new projects to fruition.

Shifting from MHDC's current internal pricing policies to allowable program rents without addressing underlying social and market forces is ineffective. Raising rents for low-income tenants is unsustainable. Asking tenants to absorb higher costs due to inflation and rising operating expenses is unjustifiable. To make low-income housing viable, we recommend MHDC focus on expanding access points for unhoused Missourians to obtain affordable housing, and on reducing its internal barriers for developers, rather than increasing burdens on already economically strained communities. MHDC must explore alternative ways to address these challenges without further harming Missouri's most vulnerable households.

<u>The Dalmark Group, received 4/20/2025</u>

Question 1 – The recommendation is to allow for a loosening of MHDC rent restrictions for vacant, new and existing units. Like-type units at MHDC LIHTC properties should have the same rents for existing and new tenants. The best way to create a situation in which MHDC LIHTC properties are allowed to generate adequate income would be to allow for the maximum rent to be the LIHTC limit and then allow ownership and management to make determinations as to amounts of feasible rent increases within that programmatic boundary. We currently work in the states of Kansas and Wisconsin which allow LIHTC properties to operate under the allowable program rent limits. This has been successful and very simple to manage as an owner / manager year over year. Allowing owners / manager to operate under the LIHTC rent limits means the property's market rents will reflect market conditions and the property's position in the market where it is located while still adhering to the spirit of the LIHTC program.

Question 2 – We have MHDC LIHTC properties in our development portfolio which are well built and managed but have little to no hope of having deferred developer's fees paid from surplus cash. This is primarily because MHDC allowable rental income has not kept up with expenses over time. With developers already facing the tax consequences of needing to pay themselves deferred developer fees by a certain date, it would not be fair to ask developers to fund a rental assistance program in order to bring up rents to the needed level. Though the recommendation is to allow for the maximum LIHTC rent at MHDC properties to be the programmatic limit, a MHDC funded rent lag escrow could work based upon the basic procedure below:

1. Have owner / manager submit annual budget and propose a rental income level that would support operations and generate surplus cash which would be the greater of an amount needed in order to pay deferred developer's fees within the window of time allowed by the LIHTC investor in the partnership agreement or the surplus cash amount on the cash flow pro forma that is an exhibit to the MHDC form 2013 (as allowed by MHDC Regulatory Agreements but not by MHDC staff).
2. Allow owner / manager to increase rents property-wide on the lease renewals to support the budget but cap the increased out of pocket rent paid by the existing residents at 7% per a lease addendum.
3. Calculate amount needed to support the budget with the 7% out of pocket increase limit on existing residents and deposit those funds into an owner held bank account.
4. Allow Owner / manager to pull down funds on a monthly basis in order to supplement the needed rental income per the budget.

5. Repeat the process until the out of pocket rent payment of the existing residents plus the rental income from new residents reaches the amount needed to support the needed rental income per the formula above.

We also believe there is a scenario where no rental assistance would be needed, and it should be up to the owner / manager to determine the appropriate market rent for a LIHTC community based on its position in the market and within the allowable program rent limits. Rent increases given to existing residents would also be based on market conditions and what each property is able to enforce based on its position in the market.

Question 3 – Owners / Manager should be able to provide documentation and justification for a major repair or replacement expense to be covered out of Reserve for Replacement account. It is a constant battle to get MHDC Asset Management staff to approve replacement reserve releases, which creates an unavailable source of funds for operations when large repairs and replacements come up that must be otherwise paid for with already stretched to the limit operating income.

MHDC routinely denies replacement reserve requests to replace broken appliances and mechanical units because the unit broke before the expiration of its estimated useful life schedule. The fact of the matter is that the item is broken and must be replaced, and estimated useful life schedules should not be treated as being more important than the reality of the failure of the unit.

MHDC also routinely denies replacement reserve releases for large repair costs because they are not replacing an entire system. There are many times when repairs of major systems make more sense than replacements, and MHDC should allow the owner / manager to make that argument without being faced with blanket denials for items since that aren't outright replacements but still a major component. Examples of repairs that should always be allowable replacement reserve expenses include masonry repairs, roof repairs, central boiler/chiller system components, central hot water components, etc – all items that are major building systems where repairs are still very costly and replacing the entire item would not be a fiscally responsible decision. A major repair to a boiler system could be $10,000 – 15,000, and MHDC expects standard operating funds to cover these, but would approve a full boiler replacement that is well over $100,000? It doesn't make sense to force a full replacement and drain the reserves, when a $10,000 repair could buy the system another 5+ years of useful life.