



METROPOLITAN ST. LOUIS EQUAL HOUSING AND OPPORTUNITY COUNCIL

Working to ensure equal access to housing and places of public accommodation for all people

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July 1, 2016

Kip Stetzler
Executive Director
Missouri Housing Development Commission
920 Main Street, Suite 1400
Kansas City, MO 64105

Re: Public Comments on Draft National Housing Trust Fund Allocation Plan

Dear Mr. Stetzler:

The Metropolitan St. Louis Equal Housing and Opportunity Council (EHOC) wishes to provide public comments on the Missouri Housing Development Commission (MHDC) Draft Allocation Plan for the National Housing Trust Fund (NHTF). The NHTF is the newest source of federal funding to support affordable housing for low-income households, and we thank you for the opportunity to provide input in how this important source of funds will be allocated in the state of Missouri.

We strongly believe that Missouri's NHTF must be used to realize the purpose of the NHTF and fulfill its obligation to affirmatively further fair housing. The NHTF is designed to address the severe shortage of affordable housing for the lowest income households in the country. The particular purpose of the funds are to increase and preserve the rental housing supply for extremely low income (ELI) households with incomes 30 percent or less of the area median income and very low-income (VLI) households with incomes 50 percent or less of the area median income.

Additionally, the NHTF must also fulfill the statutory obligation to affirmatively further fair housing. HUD's final rule on Affirmatively Furthering Fair Housing defines this as "taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws."¹

We commend MHDC for addressing these goals in the draft Allocation Plan, especially regarding the efforts to encourage development in high opportunity areas. However, we have a few recommendations in order to ensure the NHTF fully realizes the goals of increasing the affordable rental supply and

¹ 24 C.F.R. § 5.152



affirmatively furthering fair housing.

1. Incentivize Developments in High Opportunity Areas.

As part of the obligation to affirmatively further fair housing, it is important to foster residential racial integration and reduce concentrated areas of poverty. MHDC can practically do this by incentivizing housing developments funded through the NHTF, along with the Low Income Housing Tax Credits, in high opportunity areas that feature low poverty rates, high performing schools, access to employment, and other amenities.

MHDC does include a Priority Factor for projects that are located in opportunity areas. The draft Allocation Plan specifies this criteria for family developments that are located in areas with poverty rates of 15% or lower, high performing schools, access to transportation, and employment opportunities. It appears that the draft Allocation Plan includes same criteria under the Opportunity Area priority as detailed in the 2017 Qualified Allocation Plan (QAP) for Low Income Housing Tax Credit (LIHTC) projects.

We applaud MHDC's efforts in including this priority in the draft Allocation Plan for the NHTF. However, we are concerned with the lack of clarity in the measures used to define opportunity areas. The Allocation Plan states the Market Study Guidelines specifies how data is to be collected, but there does not appear to be any quantitative criteria used to determine thresholds for areas of opportunity.

2. Apply Development Location Requirements to All Developments

The Draft Allocation Plan includes requirements for development locations so that projects are not concentrated in areas that have high percentage of subsidized housing (top of page 12). The Allocation Plan states that new construction and conversion projects must be in census tracts where total public subsidized housing units do not exceed 20 percent of all housing units, and projects in Kansas City and St. Louis must not be located within a one-mile radius of other MHDC funded projects. These requirements appear the same as requirements in the 2017 QAP.

We support the inclusion of these requirements, but we believe they need to apply to all projects funded with NHTF. The current format of the draft Allocation Plan makes it appear that these requirements only apply to projects applying under the Opportunity Areas and Development Location preference (number 6 on page 11). Considering the parameters of the opportunity areas, this requirement is unnecessary and redundant. The development location criteria needs to apply to all projects, and thus needs to be a separate and distinct point of consideration in the Allocation Plan.

Additionally, we are concerned with the open-ended list of exceptions that can be applied to the development location requirements. The draft Allocation Plan states a long list of exceptions to the restrictions on percentage of subsidized units in a tract and the spatial requirements,



including developments with 25 percent special needs housing, service-enriched housing, preservation projects, and developments that are part of redevelopment plans. This is concerning and risks losing the primary purpose of deconcentrating affordable housing.

3. Require Strong Affirmative Marketing Provisions

It is not enough encourage affordable housing developments in high opportunity areas, but MHDC needs to also ensure those developments are accessible to families in low-income and underserved communities. This can be done through strong affirmative marketing requirements for all projects that proactively reach out to families living in highly segregated areas of concentrated poverty. Marketing plans should include strategies to reach underserved communities, including strategies beyond word of mouth or newspaper advertisements. Additionally, nondiscriminatory tenant selection procedures also ensure access to low-income and underserved households. Developments must not use local residency preferences, or use screening criteria that perpetuate automatic or overly broad exclusions in the tenant selection process that may be discriminatory.

4. Ensure Affordability for Rental Units

Rent levels must be truly affordable to extremely ELI and VLI households. Expanding affordable housing options for this population is the number one goal of the NHTF, and we must ensure that units utilizing NHTF subsidies are not creating more rent-burdened households and are truly affordable. Affordable is defined as families not paying more than 30 percent of their household income for housing costs, including utilities. We want the deepest possible affordability for rents and the longest possible period of affordability for these units.

5. Provide Funds as Grants or No Interest Loans

The purpose of the NHTF is to expand ELI rental housing and have maximum impact on affordable housing for low-income households. One way to maximize this is to refer projects with no debt service or as little debt service as possible. We prefer NHTF to be distributed in the form of grants or no interest loans in order to ensure projects will have the maximum impact on affordability of rental units.

The NHTF, as well as the LIHTC, are vital programs for affordable housing in the state of Missouri and in the St. Louis region. The allocation process of these funds can play a powerful role in leveraging these programs to truly increase access to opportunities and foster residential segregation. We ask MHDC to consider this in the final development of the Allocations Plan, and how to best meet the goal of providing affordable housing to extremely low income households and to affirmatively further fair housing.



We thank you for the opportunity to provide input in this important process.

Sincerely,

Will Jordan
Executive Director