



Missouri Low-Income Housing Tax Credit Outlook – 2019 Legislative Update

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The Missouri Housing Development Commission Board (“MHDC Board”) failed to authorize state low-income housing tax credits (“MO LIHTC”) in 2018 due in large part to the political position and maneuverings of former Missouri Governor Eric Greitens. The MHDC Board is composed of the Governor, Lt. Governor, Treasurer, Attorney General, and six commissioners appointed by the Governor. For much of 2018 the MHDC Board lacked a quorum which led to the delay in issuing a Qualified Allocation Plan (“QAP”). While current Missouri Governor Mike Parsons voted against not allocating MO LIHTC in 2018 he also acknowledged a position supporting reforms and has been consistent on that message though specifics have not been publicly provided.

The optimistic outlook is that some type of legislative reform will likely occur in 2019 allowing the MHDC Board to once again authorize MO LIHTC though that must be tempered somewhat by the realization that the program is likely to be more fiscally limited in the short-term. The Missouri legislature currently has three bills proposed that address the MO LIHTC program:

1. **Senate Bill 28** – Introduced by Daniel Hegeman (R). The bill has gone through its second reading and has just undergone hearings with the Economic Development Committee. The bill proposes an aggregate cap on MO LIHTC issuances in any calendar year to 50% of the federal LIHTC allocated to the state.
2. **Senate Bill 269** – Introduced by William Eigel (R). The bill has gone through its first reading but has not yet progressed to committee. The bill proposes an aggregate cap on MO LIHTC authorized in any fiscal year to \$130 Million.
3. **House Bill 665** – Introduced by David Gregory (R). The bill has gone through a second reading in the House but has not progressed to committee. The bill proposes a 90% cap on MO LIHTC to the federal LIHTC issued to the state. This cap would be increased by the amount of any recaptured credits and exempt tax credits authorized for projects financed through tax-exempt bond issuances (limited to \$5 Million dollars).

All three of these bills deal directly with the amount of MO LIHTC potentially available to developers and does not address the manner in which they are awarded or utilized. Senate Bill 28 recently went through hearings and the 50% cap was met with objection by many interested parties. The flexibility of that cap percentage is not yet known but there were indications that the percentage may be negotiable. Senate Bill 28 also limits “issuances” but that is likely to change to “authorizations” in future versions if the Bill progresses.

Additionally, the Governor has begun to reorganize several departments and agencies within state government, most notably the Department of Economic Development. One reason cited for the reorganization has been to increase efficiencies throughout state government. MHDC operates under the Department of Economic Development’s Code of State Regulations (“CSRs”) and the annually approved QAP. While MHDC is by statute only a quasi-state agency, the MHDC Board, which now has a quorum that likely reflects the views and influence of Governor Parsons, would be responsible for any changes to the process of allocating, awarding, and overseeing the MO LIHTC beyond the fiscal limits that would be set in place by any approved legislation. Process changes, if any, will likely be made to the CSRs and/or set forth in the policies and procedures of the QAP when it is next issued and may ultimately prove to be more impactful on the amount, place, value, and manner in which projects are chosen and affordable housing actually developed than the proposed legislation. Process changes will not be known for certain until the next QAP is issued, but if the Missouri legislature adopts proposed reform, the MO LIHTC is likely to be back as a tool for developers in 2019, in some form, to assist in meeting the need for affordable housing throughout the state of Missouri.

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