



*Nothing is politically right
that is morally wrong.*

MISSOURI SENATE
JEFFERSON CITY

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MHDC Audit Confirms Legislators’ Concerns About Tax Credit Program

Legislation Would Remove Conflict of Interest

JEFFERSON CITY – A state audit of the Missouri Housing Development Commission released Thursday confirms the concerns some legislators have raised regarding the performance of the commission and reinforces the need for legislation they filed to begin reforming the commission’s operations.

Sen. Joan Bray, D-University City, and Rep. Jeanette Mott Oxford, D-St. Louis, made the comments in reaction to a report by State Auditor Susan Montee. Montee found the Missouri Low Income Housing Tax Credit Program administered by the commission to be “costly and inefficient.” The audit found that just 35 cents of each state dollar spent for low-income housing through the tax credit program was actually used for housing construction. Missouri ranks second in the nation in its per capita funding for this program. Missouri’s per capita rate of more than \$20 compares with a rate of less than \$4 for most other states.

Montee’s audit also raises questions about the perception of a conflict of interest between members of the Housing Development Commission and developers, echoing concerns expressed by Sen. Bray and Rep. Oxford.

“MHDC does not provide the public with adequate detail of the project selection process, leading to perceptions of political influence over project selections,” Montee wrote in a letter to the governor accompanying the MHDC audit.

Senate Bill 1183, sponsored by Sen. Bray, would change the membership on the Missouri Housing Development Commission to eliminate potential conflicts of interest. The legislation increases the size of the commission from 10 to 13 members, and it requires the governor to appoint nine members to the commission instead of six, with one member coming from each of Missouri's nine congressional districts. Membership must also include a diverse set of skills and expertise relating to low-income housing.

SB 1183 also prohibits any statewide office holder from serving as an officer on the commission. Currently, the governor, the lieutenant governor, the state treasurer and the attorney general serve as voting members of the commission. The bill also requires the MHDC to adopt a code of conduct dealing with conflict of interest issues and to establish rules requiring public disclosure of all financial arrangements between the commissioners and housing developers.

Rep. Oxford has filed a companion bill in the House, HB 2466.

"Housing developers compete heavily for these state tax credits," Sen. Bray said. "This audit simply confirms what many of us have been saying for years now – that there seems to be a cozy relationship between some members of the commission and developers."

SB 1183 also bars any employee of the MHDC from employment, consultation or representation with a developer or anyone else with business before the commission for three years, and it imposes a similar five-year ban for the executive director of the commission.

Last year the state redeemed close to \$82 million in low-income housing tax credits.

"Most of the low-income housing tax credit dollars seem to be going to developers, tax credit dealers and investors instead of being used to build homes for seniors and low-income Missourians," Rep. Oxford said. "The lack of affordable housing in Missouri is a major issue for people struggling to get by in these tough economic times, and it is shameful that this money is apparently lining the pockets of politically-connected developers instead of providing housing for needy Missourians."

A Senate Committee Substitute for SB 1183, sponsored by Sen. Bray, received committee approval and awaits debate in the full Senate.

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