

Chris Austin

From: Councilman Keith Miller <kmiller@cityofkm.com>
Sent: Friday, September 02, 2016 1:09 PM
To: rentalhelp
Subject: Comments for the 2017 Qualified Allocation Plan

The current QAP aligns developer incentives to build 100% of the units at rents/incomes \leq 60% of AMI to maximize tax credits. This may further concentrate poverty which means children growing up in these units will have less opportunity for interaction with children from families that are not poverty disadvantaged thus prolonging the generational cycle of poverty; may cash flow starve developments leading to an inability to sink/reserve funds for redevelopment and exterior updating every 7-15 years creating a development and property value drag on the surrounding properties; politically, some, perhaps overly cynically believe, the current skew to only low income rents/incomes increases the democratic electoral footprint of a permanent class of dependent and under-educated voters. Ignoring the political allegations, if we are truly motivated to achieve social justice, compassion and break the generational dependency cycle then we might offer a 4x bonus of tax credits for mixed-income developments will have 80% or the units at rents/incomes greater than 80% of AMI. If the developer gets a 4x bonus on 20% of the units they receive same total amount of tax credits as if they built 100% of the units at rents/incomes \leq 60% of AMI. However, the property will now have a significantly higher free cash flow, perhaps 50% or more in some of my models, and may increase free cash flow by 500% or more. This will give developers an incentive to build mixed income projects with only 20% of the units at low rents/incomes and 80% of the units at higher rents/incomes. This, in turn, will give the children in the mixed income properties extensive opportunity to interact with and develop relationships with children from families without extreme income disadvantages. This should help instill aspiration and foster lifelong values and contacts the children may utilize to help lift each other to higher socioeconomic outcomes. Seniors in mixed income properties will benefit from the extra assistance and fellowship that can be provided to them by the market rate and $>$ 80% AMI residents. The 50% increase in revenue and 500% increase in free cash flow will afford the managers the ability to sink/reserve funds for redevelopment and exterior elevation upgrades and further amenities and programs. The additional free cash flow will also reduce financial risk to lenders. The increased disposable income will improve the retail demographics which will better support area businesses and spur additional economic development. If we add a bonus for properties that will wire and equip a computer lab for after school homework assistance and coordinate with the local schools and community agencies to provide either on-site and/or virtual classroom tutoring, homework assistance and access to Khan academy we will further accelerate ending the generational poverty cycle. The mixed income skew should also lessen the political divide, both at the policy level and at the community level. The mixed-income skew should have a significantly more positive impact on property values which would in turn increase income, property and sales tax revenues making for a faster payback on the social investment of the tax credits.

I am pretty sure the current legislature and current governor would allocate some additional funds to support a mixed income skew to the programs instead of the current low end skew because the mixed-income skew will increase property values and economic development throughout the state at a faster rate than the current low income skew.

I apologize for any incorrect, ignorant or off-putting comments above. I am a lay person and am sharing thoughts arising from 10 years of council and planning/zoning board experience.

Please let me know if I can converse with staff and stakeholders about some of the proposed initiatives.

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