

2.6.2025

State LIHTC Testimony



If people make too much money, are they kicked out of the program?

No. I will say, when Ronald Reagan implemented this program in the Tax Reform Act of 1986, it was intended to be a stepping stone program and not a permanent housing solution for individuals and families. The majority of the time, we see our once affordable tenants move on to home ownership or market rate living once they break the affordable housing threshold.

Do developers make/take all the money?

No. Every state issues a Qualified Allocation Plan (QAP), which essentially serves as the RFP for affordable housing. The developer fees are capped by each state. On average, the profit percentage compared to total project costs a development firm will make on a development is in the 7-9% range. I have brought two examples of my projects if you would like to look at as a case study.

The tax credit equity is used for gap financing. Without this financing, the projects would not be feasible.

What is the cost or return on investment to the tax payers in the State of Kansas?

I apologize I didn't have this information on Tuesday but on average it appears there is over a 500% return to State's who have a state tax credit. I am not versed to take this further and I believe Tommy will be discussing this shortly. However, I am not surprised as the majority of general and sub-contractors are Kansas based companies and comprised of Kansas Residents.

Are these developments automatically tax exempt?

The vast majority of these developments pay property taxes. Some developments need property tax relief in high taxes counties and usually go through the Neighborhood Revitalization Plan, however this is not commonplace. Keep in mind, all residential developments in the state of Kansas are exempt from sales tax on labor.

How many “unique development firms” are involved in this program?

I believe this question was in regards to “does one or two firms get all the deals?” The answer is absolutely not. In fact, a developer cannot have more than 4 deals going on at the same time (which often equates to less than 2 per year as projects often take 3+ years from start to finish).

Further, the award of credits is based on an objective point criteria as listed in the Qualified Allocation Plan.

Lastly, there are urban, rural, and preservation set-asides ensuring all areas of the state are benefitted by this program.

As discussed on Tuesday, how did we get here?

In 2022, the bipartisan consensus was we were drastically short on affordable housing across the state, in rural and urban areas. While not all urban counties are short, all urban Cities such as Wichita, Topeka, Kansas City, Lawrence are.

At that time, in 2022 there were only 462 affordable units being built a year without the State LIHTC program. In comparing how many units would be built in 2023 and 2024 without the State LIHTC program, we would have actually built 35-45% less units due to inflation and higher interest rates.

Here’s the estimates.

2023 with State LIHTC:

Estimated 2,138 units and \$540,390,663 in development revenue

2023 without State LIHTC:

Estimated 280 units (87% reduction) and \$75,741,640 in revenue (86% reduction)

2024 with State LIHTC:

Estimated 2,596 units and \$557,259,795 in development revenue

2024 without State LIHTC:

Estimated 324 units (87.5% reduction) and \$99,260,150 in revenue (82.2% reduction)

2025 Estimates are right in line with 2023 and 2024. In all cases, we would see a drastic decrease in the amount of affordable housing built before we even had the State LIHTC program.

The 2023, 2024, and 2025 Qualified Allocation Plans, have been signed by the Governor, just as they have been by every Republican and Democrat Governor since the inception of the program. There's talk of altering the 2025 QAP. I believe this would be disastrous and litigious. This plan was signed by the Governor on October 17th, 2024, applications have been submitted, millions of dollars have been expended or incurred.

I appreciate the invitation to speak today and the affordable housing development community, banking community, contractors community and many others look forward to the continued discussion and clarification of the program. I believe our goals are aligned in co-authoring a program which meets the needs of everyone in the state of Kansas.

Thank you,

Tony Krsnich

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