From:	J. Kevin Hunt
To:	david.erickson@missoulian.com
Cc:	Grp. City Council and City Web Site
Subject:	"...but some animals are more equal than others."
Date:	Friday, April 16, 2021 3:11:36 PM

TO: Mr. David Erickson
Business Reporter
The Missoulian

INFO COPY: Missoula Mayor John Engen and City Council

FROM: J. Kevin Hunt — Ward 1 Resident

DATE: April 16, 2021

RE: Discrepancies, Omissions, Contradictions; Misleading Claims; Unasked Questions re. Ravara Northside Housing Development Project

MENTIONED: David Erickson; Mayor John Engen; Alderman Bryan von Lossberg; Alderwoman Heidi West; Eran Pehan; Kiah Hockstetler; Rob Brewster; Scott Hawk; Brandon Bridge; Estelle Sommeiller; Mark Price; Bureau of Business and Economic Research, University of Montana; Ravara Development Group; Missoula Office of Housing, Community Development and Innovation; Missoula Organization of Realtors; Missoula Redevelopment Authority; U.S. Census Bureau; Bureau of Labor Statistics; U.S. Dept. of Labor; InterUrban; Federal Reserve Bank of St. Louis; Economic Policy Institute; The Missoulian

Dear Mr. Erickson:

I write to find out why glaring contradictions between what you reported on February 3, 2021 and what you reported yesterday (April 15, 2021) as being the targeted population for "up to as many as" 70 TIF-subsidized "affordable" townhouses on the Northside, were neither noted nor explained in yesterday's story; why you accepted and reported, without verification, misleading data provided to you by City Housing director Eran Pehan, in February's story, and why you did not question developers' claims regarding "market-rate workforce" apartments (an oxymoron if ever there was one).

I am copying the Mayor and City Council, in the hope that one or more of them may be able to shed light on these discrepancies. In particular, I hope that answers may be forthcoming from Ward 1 Alderpersons Heidi West and Bryan von Lossberg, who live in the same Ward as the project, who have been strong advocates for it, and who have been consistent supporters of actions they sincerely believe will ameliorate Missoula's egregious affordable housing crisis (which I applaud even though I find the chosen strategy counterproductive, as will be developed here. As will be shown here, the subsidized supply-side strategies celebrated in your February and April stories not only fail to ameliorate the crisis, they actually exacerbate it.

Unfortunately, these unexplained errors and contradictions in and between your February 3 and April 15 stories tend to cast this project, two developers, the urban renewal agency, Tax

Increment Financing, and city officials both elected and unelected, in an unfavorable light. As a result of this (very regrettably so characterized) uncharacteristically ambiguous journalism on your part, it now falls to this citizen to ask (and where possible, find the answers to) the questions you did not ask.

In February, your story about this development stated that 70 of the 270 homes are being permanently reserved for people making "at or below 120% of the Area Median Income." (I did not miss your subtle modification in yesterday's story that "up to as many as" 70 units may be in the "permanently affordable" category).

Your February story also quoted Eran Pehan, director of the City's Office of Housing, Community Development and Innovation, as saying that a couple making about $16 or $17 an hour would qualify for one of the "affordable" homes because that would be 120% or less of area median income. "We're not talking about high-income earners," you directly quote her as saying. (Perhaps Ms. Pehan either was unaware of the price range at which the developer says the "affordable" homes will be sold – see below – or, perhaps Mr. Hockstetler's predicted price range is merely a personal opinion and does not reflect intentions of MRA, but the parroting of these remarks without even a modicum of analysis or fact-checking leaves only the alternative conclusions that: (a) the public project partner is being disingenuous; (b) the Master private partner (a group of investors and developers) is recklessly stating speculation as fact; or (3) the proverbial right and left hands know not what the other does).

Having thus reported Ms. Pehan's claims regarding affordability in your February 3, story, you inexplicably fail in yesterday's story to explain the Orwellian inversion of this claim, manifested by your indirect quote attributed to Kiah Hockstetler of project Master Developer Ravara Development, who "said the goal would be to sell the homes to people making between 100% and 120% of Area Median Income." You then report him as saying:

"We'll be doing some number-crunching to determine what the sales prices look like, but they'll sell for between $250,000 and $340,000, within that range."

You then go on to write in yesterday's story that the median household income in Missoula County between 2015 and 2019 was about "$54,000 per year, according to the U.S. Census Bureau." You further cite to Missoula Organization of Realtors data giving the median home price in Missoula between January 1 and March 31, 2021 as being $425,000, a $100,000 increase over that during the same period last year.

Eran Pehan's assertions to you in February regarding hourly wages that would qualify applicants for the 70 "affordable" units are misleading – which you could have readily pointed out by consulting current U.S.Census data, the data collected by the University of Montana Bureau of Business and Economic Research, and figures from the U.S. Bureau of Labor Statistics, sources you turned to in your excellent July, 2018/December, 2019 story about the shocking Economic Policy Institute report on Missoula's remarkable income & wealth inequality (see, below).

More disturbing, however is the glaring discrepancy between Ms. Pehan's February identification of the targeted buyers of the "affordable" homes, and the targeted buyers identified by Mr. Hockstetler in yesterday's story.

That you neither noticed this radical difference between what Ms. Pehan told you in February,

and what Mr. Hockstetler told you in April, nor explained that difference to readers (either by finding out the reason for the change, or by determining that either city housing official Pehan or developer Hockstetler was mistaken or initially misquoted), is, frankly, inexplicable because back in July, 2018, and in an updated version in December of 2019, you wrote well-researched stories, citing fairly up-to-date statistics, exposing the shocking wealth inequality between Missoula's top 1% (with $1.36 million average 2015 per capita income) and the other 99% (with average 2015 per capita income of $44,234), and quoted experts who stressed that the shocking percentage — now 41% – of very wealthy Missoula residents whose incomes are derived 100% from non-employment sources (e.g. stock dividends, interest and rents) who can afford to pay any price for a home, is largely responsible for this stupefying inequality and the glut of housing most Missoulians cannot afford to either rent or buy.

By contrast, both your February and April stories amplify the official line that our affordable housing crisis is ameliorated by building 270 TIF-subsidized homes,* at least 200 of which are for sale to that cohort of independently wealthy transplants. (The exact number is unknown; as you report, the density could be a very dense 24 homes per acre, or up to a decidedly claustrophobigenic 48 homes per acre. I note also, that you quote one of the developers who envisions at least 200 apartments, with lots of park-like "open space," another set of contradictions you do not pursue, preferring instead to trumpet, unchallenged, Mayor Engen's pronouncement of a "game-changer for Missoula" and the claim by city officials that the now unknown number of "affordable units" nonetheless attains "70%" of the City Council's "A Place Called Home" goal of adding 100 units of affordable housing in one year).

In yesterday's story, Rob Brewster of Seattle development group InterUrban – one of this project's development partners – incredibly applies this supply-side rhetoric to the very serious problem of our city's struggling renter cohort, reportedly telling you:

"If we get more market-rate apartments, we'd have more affordable apartments. And market-rate is a spectrum of rates." He says he'd like to see 240 "market rate" apartments on the site.

In your July, 2018/December 2019 story, you extensively quoted from the Economic Policy Institute study report that highlighted Missoula's extreme wealth inequality. That included this quote from the study:

"The gains of those at the top have come at the expense of the vast majority of working families."

That directly contradicts the rhetoric of Messrs. Hockstetler and Brewster — and Mayor Engen — that investing millions in TIF dollars to subsidize market-rate housing for the rich has a "game-changing" ameliorative impact on Missoula's affordable housing crisis. Yet, you did not challenge them with the contradiction, instead writing what was tantamount to a press release akin to what a public relations firm would generate.

Let's look at how blatant the disparity is between the targeted population for the "up to as many as" 70 "affordable" homes as given to you in February, vs. what you were told recently, according to yesterday's story. This necessitates an accurate definition of "median."

The median household income is the point that divides the household income distributions into two halves: one-half with income above the median and the other with income below the median. The median is based on the income distribution of all households, including those

with no income.

Here is a more up-to-date figure, looked up two days after your February 3 story gave a two-year-old, five-year average (this figure has undoubtedly drastically plummeted since, due to the COVID-19 induced economic collapse):

The Estimated Median Household Income in Missoula, MT (MSA), updated December 20, 2020 (PRE-PANDEMIC) was $57,289/yr. [Source: U.S. Census Bureau, Estimate of Median Household Income for Missoula County, MT [MHIMT30063A052NCEN], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MHIMT30063A052NCEN, February 5, 2021.]

Targeting those with incomes "at or below 120% of the Median Area Income" takes in a large percentage of Missoula's population, whereas targeting those with annual incomes of "between 100% and 120%" of the median excludes the vast majority of those unable to afford housing.

This is reminiscent of libertarian socialist George Orwell's parody of Stalin's Soviet Union, 'Animal Farm,' in which the elite ruling pigs, having initially declared when overthrowing the farmer that "all animals are equal," later modified the maxim to accommodate their stratification of animals, by adding "but some animals are more equal than others."

Now, let's turn to Ms. Pehan's assertions to you back in February about who would be able to afford the less than 10% of project homes earmarked for permanent affordability. Then, she reportedly told you that "a couple making about $16 or $17 an hour would still qualify as making $120% of median income or less. We're not talking about high-wage earners."

At the same time, let's also examine the statement in yesterday's story that Master Developer Ravara Development plans to build up to 200 units of "market-rate, workforce housing" apartment units on its six acres, "along with a 6,000-square-foot day-care center and perhaps local retail facilities."

Ms. Pehan's February claims to you (repeated without your independent verification) concerning what constitutes a "low wage" in Missoula, and her assertions about who would fall within the qualifying criteria for one of the "affordable units," are demonstrably misleading, and one can only speculate what an unidentified Ravara Development source meant by "market-rate, workforce housing."

The Bureau of Labor Statistics provides the following pre-pandemic information about our city's work force (I have added the values for 120% of these incomes):

The median Firefighter/EMT salary in Missoula, MT was $39,470 as of January 29, 2021. Median hourly wage = $18.97. (120% of that is $47,364/yr / $22.77/hr).

The median Registered Nurse (RN), Level 1 salary in Missoula, MT was $53,390 as of January 29, 2021. Median hourly wage = $25.76. (120% of that is $64,068/yr / $30.80/hr).

The median pre-pandemic teacher salary in Missoula, MT was $48,667. Median hourly wage = $23.40. (120% of that is $58,400/yr / $28.08/hr).

A "living wage" is generally defined as the hourly rate that an individual in a household must

earn to support his or herself and their family. An assumption is made that a sole provider is working full-time (2080 hours per year). Based on the figures available as of February, the income required in Missoula for subsistence for individuals, and for households with one or two working adults and zero to three children, is as follows (for households having two working adults, all figures are per working adult, whether single or in a family):

Missoula Living wage (hour/annual) for:

One Adult Household with

0 Children = $11.47/$23,858
1 Child = $24.96/$51,917
2 Children = $31.10/$64,688
3 Children = $40.17/$83,554

Two Adults, one working, with

0 Children = $18.93/$39,374
1 Child = $23.57/$49,026
2 Children = $26.26/$59,426
3 Children = $30.70/$63,856

Two Adults, both working, with

0 Children = $9.47/$19,698
1 Child = $13.91/$28,933
2 Children = $16.96/$35,277
3 Children = $20.88/$43,430

Just as yesterday's story promoted premature declaration of attainment of 70% of the City's goal of 100 affordable units in 365 days – despite it still not being known how many "affordable" units will actually be built – so did both stories promote the official line that typical Missoula working class people will be able to afford those units even though their price has yet to be determined, though Ravara's Hockstetler was quoted in yesterday's story as saying "they'll sell for between $250,000 and $340,000, within that range."

As stated by UM Bureau of Business and Research's Scott Hawk and Brandon Bridge, quoted in your July, 2018/December, 2019 articles, 49% of the renters who comprise 41% of Missoula County's population, are cost-burdened by housing, meaning that they spend more than 30% of monthly income on rent (the typical Missoula renter spends 32%), and consequently have little left for savings, health care, emergencies, college or transportation. They are one medical or other emergency away from homelessness. (Source: Bureau of Business and Economic Research at the University of Montana; see, End Note 1).

These figures expose the misleading and in some cases clearly disingenuous nature of the claims by Ms. Pehan, Mr. Hockstetler, Mr. Brewster, and Mayor Engen that you repeated without fact-checking, in both your February 3 and April 15 story.

Ms. Pehan's suggestion that low-wage earners in Missoula are represented by those earning

$16/hr is patently false, as shall now be proven.

In your 2018/2019 piece, you reported:

"Housing affordability remains a critical issue in Missoula, as wages have not kept up with rising housing costs. The median sales price of homes in Missoula has risen by roughly 30 percent since 2010 to a record of $268,250 in 2017." (As you reported yesterday, the median market-rate price of a Missoula home as of March 31, 2021 is $425,000).

Developer Hockstetler 's statement that the "affordable" homes would be priced between $250,000 and $340,000 explodes the myth that the project is anything akin to a "game-changer." In 2019 when you wrote the updated piece on Missoula's wealth disparity and affordable housing crisis, you also wrote that the Missoula County median annual income as of 2016 was $46,450, and the median 2017 house price in Missoula was "a record of $268,250." Since, as you reported, "wages have not kept up with housing costs," and nearly half of Missoulians have, according to your 2019 story, experienced diminished income since 2017, and since it is beyond dispute that the pandemic has increased unemployment and further depressed wages, it follows that the "up to as many as 70" so-called "permanently affordable" homes in this TIF-subsidized project will be MORE UNAFFORDABLE than was a MEDIAN-PRICED MARKET-RATE home in 2017! Who wins? Big developers.

And who are the purported "workforce" Missoulians who will flock to more than 200 "market-rate apartments?" To reiterate your own excellent reporting in 2019, the median income of Missoula renters was $31,200/yr. But, directly germane to Ms. Pehan's assertions, you further wrote in 2019:

"While finding a place to rent is difficult, making enough money to purchase a home is downright impossible for that third of Missoulians on the lowest end of the income scale. The Missoula Organization of Realtors estimates that a household would need an income of at least $96,000 to purchase a median-priced home in Missoula at $290,000."

An annual income of $290,000/yr translates to an hourly wage of $41.16 per hour! Yet Ms. Pehan says that "we're not talking about high income-earners" when she discusses who would qualify to purchase a home the Master Developer says will be priced between $250,000 and $340,000! Surely, Ms. Pehan is not advocating the sale of $250,000-$340,000 "affordable homes" to persons who are among the severely cost-burdened one-third of Missoula households "scraping by on less than $25,000 a year" as you reported in 2019. Certainly Ms. Pehan cannot propose that the affordable housing crisis will be met head on by selling $250-$340K-priced "affordable homes" to minimum-wage earners (by order of magnitude more prevalent than nurses, teachers and EMTs referenced above), who (assuming full-time employment) make, at Montana's abysmal minimum wage, only $9,505/yr (as you also reported in 2019). In 2019, you wrote:

"Even if Democrats in Congress are successful in passing a bill to raise the federal minimum wage to $15 an hour by 2024, a person making $31,200 a year still would have trouble affording housing in Missoula."

Perhaps another fact you reported in 2016 that, together with the foregoing data, deals the final blow to the government-aided-private industrial supply-side panacea mythology, is this (where you quote the report by Messrs. Hawk and Bridge of the UM Bureau of Business and

Economic Research):

"Compounding the problem of housing affordability is the number of wealthy people who live here.

“ 'The issue has heightened as a growing number of people have moved to Montana who have the means to live wherever they choose,' they wrote. 'These are people who have income from non-wage sources (e.g., capitalists and retirees).' "

Thus, that myth is finally exploded, which holds that Missoula's affordable housing crisis will be solved by TIF subsidization of hundreds upon hundreds of unrestricted market-rate homes, (half of them costing more than $425,000, beckoning the 1% whose transplantation here demonstrably depresses the wages of the bottom half of wage-earners), with less than 10% being set aside as "affordable" when in actuality this strategy offers those most in need only homes that are less affordable than before.

In the process, a windfall is granted to big development consortia. How can this be described as anything other than class war on the underclass?

If Missoula's frequently unfairly mislabeled "radical leftist" officials truly wished to apply TIF subsidies in a manner that would produce immediate benefits to the most cost-burdened, they would abandon the 'affordable'-units-that-look-like-high-end-units' requirement for which a quarter million dollars of TIF-derived funds has just been allocated for a private firm to do a design analysis for that purpose, purportedly to protect the esteem of those whose applications for the "affordable" dwellings are approved.

That is, if the City's officials are sincere about providing immediate relief to the thousands of Missoulians teetering on the edge of eviction, couch-surfing (or are among the current policy's ignored ones surviving in tents, exiled out of view of the city center), then the City would utilize the mere three acres it kept for a Community Land Trust for affordable housing, by populating it with high-end mobile and prefabricated homes costing a fraction of the Ravara-led project, denying a windfall to big developer consortiums, and providing truly affordable ownership and rental housing. Note, that the land on which the Ravara "affordable" homes are to be built, will NOT be owned by the homeowners (see, your stories of February and April, 2021). If that is to be so, in order to make the sites property tax exempt as a tool for keeping the homes affordable in the future when they are sold to successive owners, then mobile and prefab homes are a logical option.

But what about the desire not to stigmatize those living in the affordable units?

Like "slut shaming," racial prejudice, homophobia and other forms of prejudice, the stigmatization of mobile and prefab home dwellers is a function of the prejudice of those doing the stigmatizing. The rapid elimination of mobile home spaces in Missoula is displacing people from housing they have been able to afford and that they have enjoyed for decades. It is yet more class warfare by elites against those not conforming to the elites' snobbery.

I do not know how Alderwoman Heidi West really feels about the displacement of mobile home owners in her neighborhood to make way for an apartment building that is, I'm sure, more atune to her aesthetic standards. I believe that she probably truly feels very badly for the ones for whom alternative housing has not been found as the landlord prepares to have them

ejected.

I hope that neither Ms. West, nor any other City Councilpersons, would permit any "boutique liberal" aesthetic prejudice to influence their stated commitment (which I presume is sincere) to solving our affordable housing crisis.

If such prejudice does not inform their strategies, then the cogent reasoning militating strongly against the current policies that exploit rather than ameliorate our affordable housing crisis, will now cause those fatally flawed strategies to be abandoned, their substantive bankruptcy having been revealed ironically as a result of the gaping void in your February and April reporting, Mr. Erickson. I suppose I should be thanking you, for unwittingly validating the contentions of Missoulians of diverse political ideologies, who can smell a rat when it is hidden from view, to-wit:

Outrageous income and wealth inequality in Missoula grows as our City Council and bureaucracy pursues policies to attract more and more wealthy out-of-state transplants in a city in which more than 40% currently live comfortably on capital gains from dividends, interest and collected rent. That is drastically higher than the 19% national share and 23% Montana share of passive income, and massively higher than the peak of 23.9% of solely passive income recipients (capitalists and wealthy retirees) in the U.S. in 1928 as the Great Depression loomed just over the horizon). Meanwhile, 49% of renters, who comprise 41% of Missoula County's population, are cost-burdened by housing, meaning that they spend more than 30% of monthly income on rent (the typical Missoula renter spends 32%). The city's aggressive policies of infill and TIF-derived subsidization of big developers, with set-asides of a token number of not-actually-affordable dwellings, exacerbates the crisis and constitutes class warfare against those already most economically marginizalized.

H.L. Mencken, the great muckraking journalist, said that the obligation of an newspaper is to "comfort the afflicted, and afflict the comfortable." Though you clearly have the intelligence, prowess and access to information to fulfill that ideal, you failed in yesterday's article. Now, let us see how the city officials and development consortia respond.

Sincerely,

/J. Kevin Hunt
308 Parkside Lane
Missoula, MT 59802
(971) 295-1969
jkhesq23@gmail.com

* "TIF-subsidized" in this usage refers to the purchase of 9 acres for $6.9 million in TIF-derived property tax increment diverted to MRA rather than going to the general fund to support services, and the sale to the development group of all but 3 acres of that land, the latter to be dedicated to permanent "affordable" housing that isn't.

END NOTES:

1. Scott Hawk and Brandon Bridge, Bureau of Business and Economic Research, University of Montana, quoted in "Report: Income disparity in Missoula is 33rd highest in nation," by David Erickson, david.erickson@missoulian.com. The Missoulian newspaper, Jul 30, 2018; Updated Dec 31, 2019; accessed on Feb. 5, 2021 and April 16, 2021.

2. Estelle Sommeiller and Mark Price. Economic Policy Institute. Cited in "Report: Gap between rich, poor growing in Missoula," by David Erickson, david.erickson@missoulian.com. The Missoulian newspaper, Jul 2, 2019. Accessed on Feb. 5, 2021 and April 15, 2021.

3. Citing Economic Policy Institute: https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/.

APPENDIX: Pertinent Missoula economic trends and employment demographics (Source: Bureau of Labor Statistics – Data Extracted on Feb. 5, 2021, reciting data through Dec. 31, 2020, and SHOWING TREND IN EACH CATEGORY OF EMPLOYMENT OVER PRECEDING TWO YEARS):

Missoula Civilian Labor Force:
64,100

Number Employed:
61,300

Unemployed:
2,900

Unemployment Rate: 4.5%

Total Nonfarm workers: 61,900

By category:

Trade, Transportation & Utilities
13,600 (+3.2% since 2019). Historically, Trade, Transportation, and Utilities in Missoula, MT (MSA) reached a record high of 13,600 in January of 2007 and a record low of 8,500 in January of 1990.

Professional & Business Services
6,900 (-5.5% since 2019)

Education & Health Services
10,300 (-3.7% since 2019)

Leisure & Hospitality
6,500 (-21.1% since 2019)

****Government
10,800 (+16.9% since 2019)***"

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