





## MEMORANDUM

**TO:** Mayor and City Council Members

**THROUGH:** Veronica Briseño, Assistant City Manager 

**FROM:** Mandy DeMayo, Interim Director, Housing Department 

**DATE:** February 7, 2025

**SUBJECT:** **February 13, 2025, City Council Meeting – Agenda Items 16 – 22 - State of Texas 9% Competitive Low-Incoming Housing Tax Credit (LIHTC) Program**

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The purpose of this memorandum is to provide information about the State of Texas 9% competitive Low-Income Housing Tax Credit (LIHTC) Program as well as the role of the City of Austin as it relates to the program.

### **Items for City Council Consideration**

At the February 13, 2025, City Council Meeting, staff will bring forward items for consideration of resolutions of support for seven (7) proposed developments in the City of Austin. If approved, the Council resolutions would be submitted with each development's tax credit application to the state agency which administers the program, the Texas Department of Housing and Community Affairs (TDHCA).

### **Low-Income Housing Tax Credit Program Information**

The LIHTC program is governed by the Internal Revenue Code and awards financing to eligible developers of affordable housing. The program provides an incentive to invest in the development of multi-family rental housing and requires a specified minimum percentage of units to be set aside as affordable to low-income households. 9% tax credits are competitive and offer the greatest financial incentive available through the LIHTC program. Under the program, developers are awarded tax credits, and investors (usually banks and other large institutions) have the opportunity to purchase these tax credits to offset other federal tax liability.

When a developer receives an award of 9% tax credits and sells them to an investor who needs the tax credits, the sale generates approximately 70% of the financing needed to fund the proposed development. The funds generated are equity for the development and not debt. In exchange, the investor is allowed to use the credits to offset other taxes over a 10-year period.

Tax credit developments help ease the shortage of affordable rental housing, attract private investment in affordable housing, and create jobs with an economic multiplier effect that lasts beyond the end of construction.

### **The State of Texas Process**

Each January, TDHCA begins its competitive cycle to award 9% tax credits to proposed multi-family residential developments scoring the highest in each state region. Austin is in Region 7, which includes Travis and the surrounding counties.

The rules and scoring criteria for LIHTC applications are governed by a document known as a Qualified Allocation Plan (QAP). The QAP is revised each year by TDHCA with public input and must be approved by the Governor. This year's statutory deadline for competitive LIHTC applications is March 1, 2025.

The percentage of affordable units in a tax credit property is specified in a restrictive covenant between the owner and TDHCA. The restrictive covenant is commonly known as a Land Use and Restrictions Agreement, or LURA, and for 9% LIHTC developments, is typically in effect for a period of 45 years. TDHCA monitors each property for physical condition and to ensure compliance with the conditions of the LURA in terms of household income and the amount of rent being charged to low-income households. Developments also elect to serve a specific Target Population (General, Elderly, or Supportive Housing) which is defined and enforced by TDHCA.

### **The Role of the City in the Competitive Tax Credit Cycle**

Since the LIHTC Program is competitive, there are opportunities for the City to assist applicants with certain scoring criteria worth varying amounts of points or for the City to support an award of tax credits for a project while acknowledging certain conditions exist.

1. Local Government Support: Up to 17 points. Section 11.9(d)(1) of the 2025 QAP states that "Within a municipality, the Application will receive: (i) seventeen (17) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports the Application or Development." A Resolution of No Objection from the municipality would score 14 points. An applicant would receive 0 points in this category if no resolution is approved.
2. Commitment of Development Funding by Local Political Subdivision: 1 point. Section 11.9(d)(2) of the 2025 QAP gives one point if the municipality provides a *de minimis* amount of funding. In the case of the City of Austin, developments that are certified for S.M.A.R.T. Housing™ would qualify for the single point in this category because of certain waived development fees. Development may also qualify through a waiver of Street Impact Fees or an award of local funding.
3. Concerted Revitalization Plan (CRP) Area: Up to 7 points. Section 11.9(d)(7) of the 2025 QAP states that an application will receive 7 points for a letter from the municipality documenting that the proposed development contributed to revitalization efforts in a designated revitalization area. It is important to note that TDHCA staff will determine if the selected application meets the criteria for being in a CRP area, and therefore, if the application merits the additional points. Housing staff review and respond to these requests.

4. Twice the State Average Per Capita: No points. Section 11.3(c) of the 2025 QAP requires applicant to obtain a written statement of support from the local governing body for an allocation of tax credits for a proposed housing development when the municipality has more than twice the state average of units per capita supported by housing tax credits or private activity bonds. This provision applies to all proposed developments within the City of Austin.
5. One Mile, Three Year Rule: No points. Section 11.3(d) of the 2025 QAP requires approval by the local governing body when an application proposes a new development that is one linear mile or less from another development serving the same type of household and that received an award of tax credits within the past three years.
6. Limitations on Developments in Certain Census Tracts: No points. Section 11.3(e) of the 2025 QAP requires support or no objection from the local governing body when an application proposes a new development that is located in a census tract that has more than 20% (0.2) Housing Tax Credit Units per total households.
7. High-Poverty Tract Neighborhood Risk Factor: No points. Section 11.101(a)(3)(D)(i) of the 2025 QAP requires developments located in a census tract that has a poverty rate above 40% for individuals to receive a resolution from the local governing body which acknowledges the high poverty rate and authorizes the development to move forward. This is considered a “Neighborhood Risk Factor” by TDHCA, and an application would be ineligible if this resolution is not provided.

**Staff Criteria for Recommendation of Support**

TDHCA will award tax credits based on their established scoring criteria. To ensure that the City’s priorities are also reflected in proposed developments, Housing staff identify separate criteria which must be met in order for a proposed development to be eligible for a recommendation of support.

For 2025, staff identified 7 criteria aligned with City priorities including the activation of City-owned land, affordable housing in high opportunity areas, anti-displacement, transit-oriented development, supportive housing, preservation of affordable housing, and family-friendly unit composition. Applicants who met two of these criteria were eligible to receive a recommendation for a Resolution of Support.

These criteria were:

- 1) The development is located on a site owned, or slated to be owned, by the Austin Housing Finance Corporation (AHFC), the City of Austin, or an affiliate of AHFC or the City of Austin.
- 2) The development is located in a High Opportunity Area, according to the City of Austin RHDA/OHDA Application Map Series.
- 3) The development is located in a Displacement Risk area, according to the Project Connect Displacement Risk Maps.
- 4) The development is located within 0.5 miles of the Project Connect first phase project, according to Exhibit A of City Council [Resolution No. 20230601-072](#) (including Light Rail Phase 1, Priority Extension, and Future Austin Light Rail); or within 0.5 miles walking distance of Capital Metro Rapid Bus Routes (Routes 801, 803, Pleasant Valley, and Expo Center); or within 0.5 linear miles of a Capital Metro Red Line stop.

- 5) The applicant must enter into a Memorandum of Understanding (MOU) for Affordable Housing Homeless Set-Asides with the Homeless Strategy Office (HSO) for supportive housing.
- 6) The development is a rehabilitation or reconstruction of an existing affordable housing community.
- 7) No fewer than 70% of the units in the development include 2 or more bedrooms.

Each of the proposed developments being considered by Council meet at least two of these criteria. As a result, all are eligible for staff recommendations of support.

### **Current Applications for 9% LIHTC Resolutions**

Staff received requests for resolutions from eleven LIHTC Developers in December 2024. Since that time, resolutions associated with four of the developments have been withdrawn after their developers chose not to proceed with the full application. As a result, only seven developments are being considered on the agenda. The seven developments seeking Resolutions of Support are as follows:

1. [Eberhart Place](#) (At-Risk Set-Aside)
2. [St. George's Court](#) (At-Risk Set-Aside)
3. [Pathways at Santa Rita Courts West](#)
4. [The Cooper](#)
5. [Crossroads Redevelopment](#)
6. [Highland Commons](#)
7. [Waverly North](#)

TDHCA allocates a limited amount of available tax credits to each region in the state, as well as a special category called the At-Risk Set Aside which is limited to specific development types. Most Austin-area applicants apply in Region 7, the geographic region which includes Austin and the surrounding area. Certain applicants are eligible to participate in the At-Risk Set Aside, a statewide category which does not compete for the same limited allocation amount as Region 7. Those applicants are marked above.

It is estimated that Region 7 will see \$5,990,205 in funding, according to the most current TDHCA Pre-Application log. This will generate nearly \$60 million in equity, which is enough to fund two to three developments in the Region. The At-Risk Set Aside has \$13,726,485 available to allocate. Staff are optimistic that there is sufficient funding for one or both of the Austin developments in the At-Risk Set Aside this year, in addition to the two or three developments which can be funded in Region 7.

Attached please find a table detailing the attributes of each of the seven applications. Further details on each can be found in the RCA and backup materials.

### **Future Funding Requests**

Many applicants have indicated that they intend to apply for Rental Housing Development Assistance (RHDA) gap financing. Staff wish to make it abundantly clear that approval of a Resolution of Support by Council does not indicate support for any future requests for City funding. Applicants for gap financing will be required to submit full RHDA applications, and will be subject to the same review and approval process as a standard RHDA gap financing request.

**Manor Apartments – 4% LIHTC Resolution Request**

On February 13, Council will also consider [Item 40](#), which is related to an application for 4% Low-Income Housing Tax Credits for Manor Apartments. To clarify and avoid confusion this proposed development is not pursuing the competitive 9% LIHTCs. Additional information about this item is available in the backup materials posted to the agenda.

Should you have any questions or concerns, please contact Mandy DeMayo, Interim Director, Housing Department, at [Mandy.DeMayo@austintexas.gov](mailto:Mandy.DeMayo@austintexas.gov) or 512-974-1091.

cc: T.C. Broadnax, City Manager  
Myrna Rios, City Clerk  
Corrie Stokes, City Auditor  
Judge Sherry Statman, Presiding Judge  
Mary Jane Grubb, Municipal Court Clerk  
CMO Executive Team

Attachment: 2025 9% Applicant Summary Table

<b>Project Name</b>	<b>Address</b>	<b>Total Units</b>	<b>Affordable Units</b>	<b>Development Type</b>	<b>Target Population</b>	<b>Contact</b>
<b>Eberhart Place</b> (At-Risk Set-Aside)	808 Eberhart Ln. Austin, TX 78745	38	38	Rehabilitation	Elderly	National Church Residences, Tracey Fine; tfine@nationalchurchresidences.org
<b>St. George's</b> (At-Risk)	1443 Coronado Hills Dr. Austin, TX 78752	60	60	Rehabilitation	Elderly	National Church Residences, Tracey Fine; tfine@nationalchurchresidences.org
<b>The Cooper</b>	7612 Cooper Ln. Austin, TX 78745	70	70	New construction	General	HTG, Mauricio Teran; mauriciot@htgf.com
<b>Pathways at Santa Rita Courts West</b>	Approx. 2210 E. 2nd St, Austin, TX 78702	96	96	Reconstruction	General (with on-site high-quality Pre-K)	Housing Authority of City of Austin (HACA) & Carleton Companies, Audrey Martin; audrey@purplemartinre.com
<b>Crossroads Redevelopment</b>	8801 McCann Dr. Austin, TX 78757	130	130	Reconstruction	Supportive Housing	Foundation Communities, Michelle Le, michelle.le@foundcom.org
<b>Waverly North</b>	3710 Cedar St. Austin, TX 78705	76	76	New Construction/ Rehabilitation	General	Saigebrook/O-SDA, Erin Curby, Erin@Saigebrook.com
<b>Bailey at Congress</b> (withdrawn)	7308 S. Congress Ave. Austin, TX 78745	96	96	New construction	Supportive Housing	National Community Renaissance, Oscar Paul; opaul@nationalcore.org
<b>Legacy Lane</b> (withdrawn)	1844 Teri Rd. Austin, TX 78744	96	96	New construction	Supportive Housing	National Community Renaissance, Oscar Paul; opaul@nationalcore.org
<b>Riverside Station</b> (withdrawn)	1509 Dessau Ridge Ln. Austin, TX 78754	96	96	New construction	Supportive Housing	National Community Renaissance, Oscar Paul; opaul@nationalcore.org
<b>Highland Commons</b>	618 E. Highland Mall Blvd. Austin, TX 78752	90	90	New construction	General	DMA Companies, Andrew Sinnott; andrews@dmacompanies.com
<b>SKyLine Crossing</b> (withdrawn)	4622 S. Lamar Blvd. Austin, TX 78745	96	96	New construction	Supportive Housing	Pennrose, Juana Granados; jgranados@pennrose.com