



MEMORANDUM

TO: Mayor and Council Members

FROM: Rosie Truelove, Director, Housing and Planning Department 

DATE: February 3, 2023

SUBJECT: February 9, 2023, City Council Meeting – Agenda Items 22-24

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 9, 2023, City Council Meeting, staff will bring forward items for consideration of various resolutions for three (3) 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 offers investors (usually banks and other large institutions) the opportunity to purchase tax credits to offset other federal tax liability. The program provides an incentive to invest in the development of multi-family rental housing and requires a specified minimum percentage of units be affordable to low-income households. 9% tax credits are competitive, and offer the greatest financial incentive available through the LIHTC program.

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, 2023.

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 incomes and the amount of rent being charged to low-income households.

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 2023 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 or 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 2023 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.
3. Concerted Revitalization Plan (CRP) Area: Up to 7 points. Section 11.9(d)(7) of the 2023 QAP states that an application will receive 7 points for a letter from the municipality documenting measurable improvements 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.
4. Twice the State Average Per Capita: No points. Section 11.3(c) of the 2023 QAP requires applicant to obtain prior approval 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
5. One Mile, Three Year Rule: No points. Section 11.3(d) of the 2023 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 2023 QAP requires approval or no objection by 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.

Current Applications for 9% LIHTC Resolutions

Staff received requests for resolutions from seven LIHTC Developers in December 2022. 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 three developments are being considered on the agenda. The three developments seeking Resolutions of Support are as follows:

1. The Sasha
2. Forest North
3. The Roz

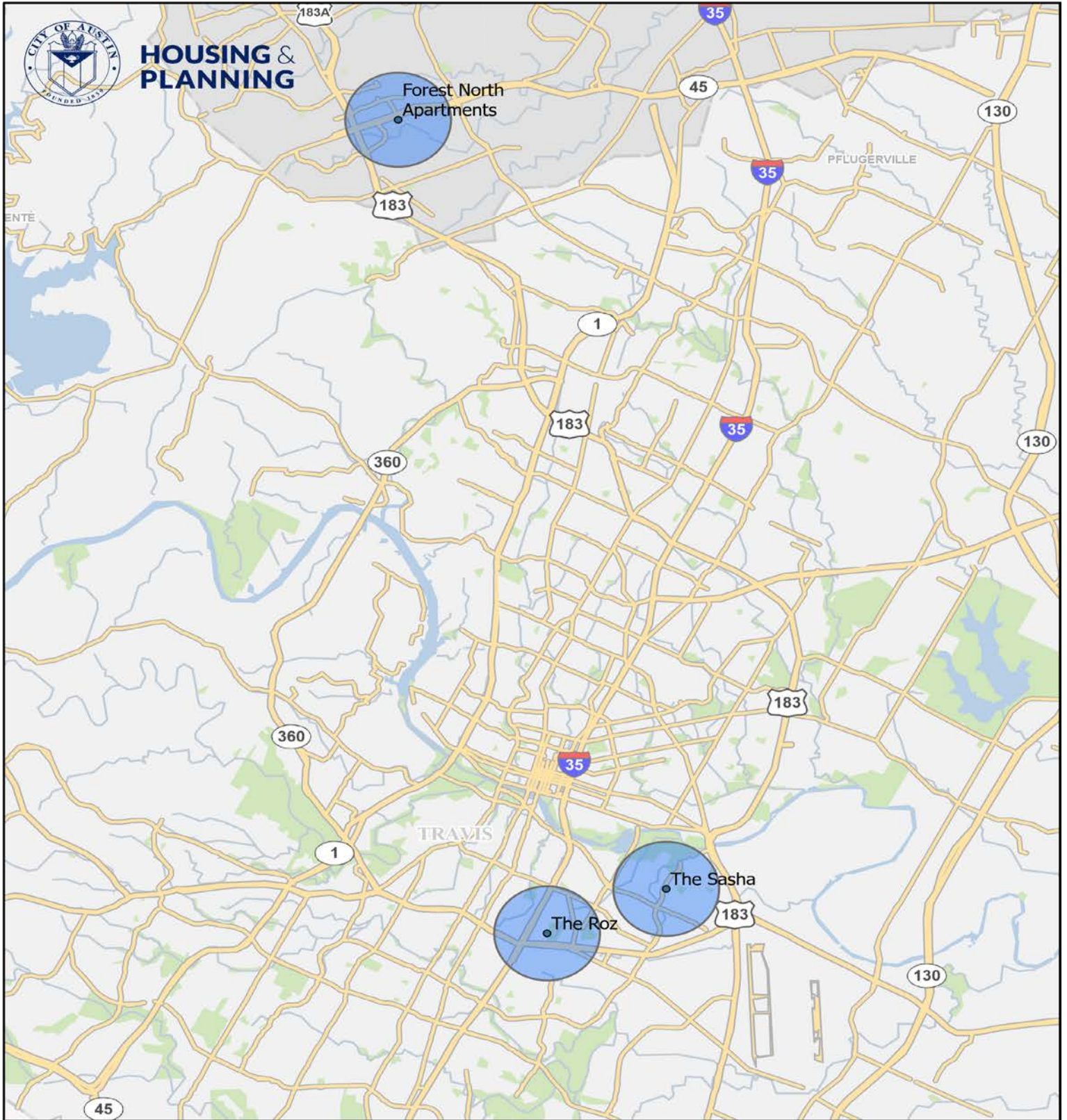
It is estimated that Region 7 will see \$4,537,186 in funding, according to the most current TDHCA Pre-Application log, which is enough to fund two developments in the Region. However, developments which previously received a 9% Award may also apply for Supplemental Tax Credits, which would further limit the amount of funding available. Developments which have requested supplemental credits are Saison North and June West, each requesting \$225,000 in Supplemental Tax Credits totaling \$450,000 in funding requested. This means only \$4,087,186 may ultimately be available to the three developments being considered by Council.

Attached please find a table and map detailing the attributes of each of the three applications, including both TDHCA priorities and City of Austin priorities. Based on the information provided by each of the applicants, staff recommends that City Council provide Resolutions of Support for each of the three LIHTC applicants. Draft resolutions have been prepared for each of the three applicants and will be provided as attachments to the RCAs.

Please contact me at (512) 974-3064 or rosie.truelove@austintexas.gov if you have further questions.

cc: Rodney Gonzales, Assistant City Manager

Development Name	Address	Developer	District	Target Population	Total units	# of affordable units (<=80% AMFI)	# of affordable units (<=50% AMFI)	# of CoC units	# of non-CoC PSH units	Expected RHDA request (proposed)	Expected RHDA request per <=50% AMFI unit	TDHCA Self Score	Within 1/2 mile of proposed Project Connect light rail corridor	Concerted Revitalization Plan (proposed)	Gentrification typology
The Sasha	1401 Grove Blvd. Austin, TX 78741	DMA	3	Supportive Housing	60	60	31	30	30	-	-	132	Yes	Montopolis Neighborhood Plan	Dynamic
Forest North	13424 Lyndhurst St. Austin, TX 78729	DMA	6	General	85	85	40	0	0	\$2,000,000	\$50,000	136	No	N/A	Not Gentrifying
The Roz	3435 Parker Ln. Austin, TX 78741	O-SDA Saigebrook	3	Supportive Housing	100	100	80	50-100	0-50	-	-	132	No	East Riverside/Oltorf Combined Contact Team (EROCC)	Susceptible



LIHTC 2023 RESOLUTION APPLICANTS

Credit: TDHCA
Author: COA Housing + Planning Department
Date: 1.9.2022

