



MEMORANDUM

TO: Mayor and Council Members

FROM: Rosie Truelove, Director, Housing and Planning Department

DATE: February 2, 2021

SUBJECT: February 4, 2021 City Council Meeting – Agenda Items 9-28

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 4, 2021 City Council Meeting, staff will bring forward items for consideration of various resolutions for seven (7) proposed developments in the City of Austin. Housing and Planning Department (HPD) staff submit the items for City Council consideration on behalf of the requesting development entities, which is an administrative service for the affordable housing development community seeking information from 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, which is the Texas Department of Housing and Community Affairs (TDHCA). You will note that each year, the number of resolutions that are submitted to the City Council agenda by HPD staff may fluctuate depending on the number of requests by the development community.

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.

When a developer receives an award of 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 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, 2021.

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 LURA, or Land Use Restriction Agreement, and for 9% LIHTC developments is in effect for a period of 45 years or more. 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 2021 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: One point. Section 11.9(d)(2) of the 2021 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 2021 QAP states that an application will receive 4 points for a letter from the municipality documenting measurable improvements in a designated revitalization area. Additional points are awarded if a municipality selects an application as "contributing more than any other [application] to the concerted revitalization efforts of the municipality." However, a municipality is allowed to identify one application per CRP 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 2021 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. On July 27, 2017, TDHCA updated its Housing Tax Credit Site Demographic Characteristics Report, and it shows that Austin now has more than twice the state average per capita of tax credit and private activity bond-financed units. There are more than 170 cities in Texas that exceed twice the state average per capita.
5. One Mile, Three Year Rule: No points. Section 11.3(d) of the 2021 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.

Current Applications for 9% LIHTC Resolutions

Attached is a list of Developers seeking resolutions for their proposed developments. Staff received requests for resolutions from 12 LIHTC Developers in December 2020. Since that time, five of the developers have chosen not to proceed with the full application. Accordingly, those resolutions associated with the five developments have been withdrawn. The remaining seven developments seeking Resolutions of Support (and, in some cases, resolutions related to Concerted Revitalization Plans) are as follows:

- Saison North (Item #9)
- June West (Item #12)
- Libertad Austin (Items #13 and #14)
- Parker Apartments (Items #15 and #16)
- Anderson Creek (Items #18 and #19)
- Village Square (Items #20 and #21)
- Pathways at Rosewood Courts (Items #22 and #23)

Attached please find a table detailing the attributes of each of the seven applications, including both TDHCA priorities and City of Austin priorities. In addition, staff have provided a map showing the location of all 12 original applications, highlighting the conflicting two-mile radius of each proposed development. It is important to note that all but one of the proposed developments have identified Rental Housing Development Assistance as a source of financing. AHFC Board of Directors will review requests for funding from these developments in August after TDHCA completes the tax credit award process.

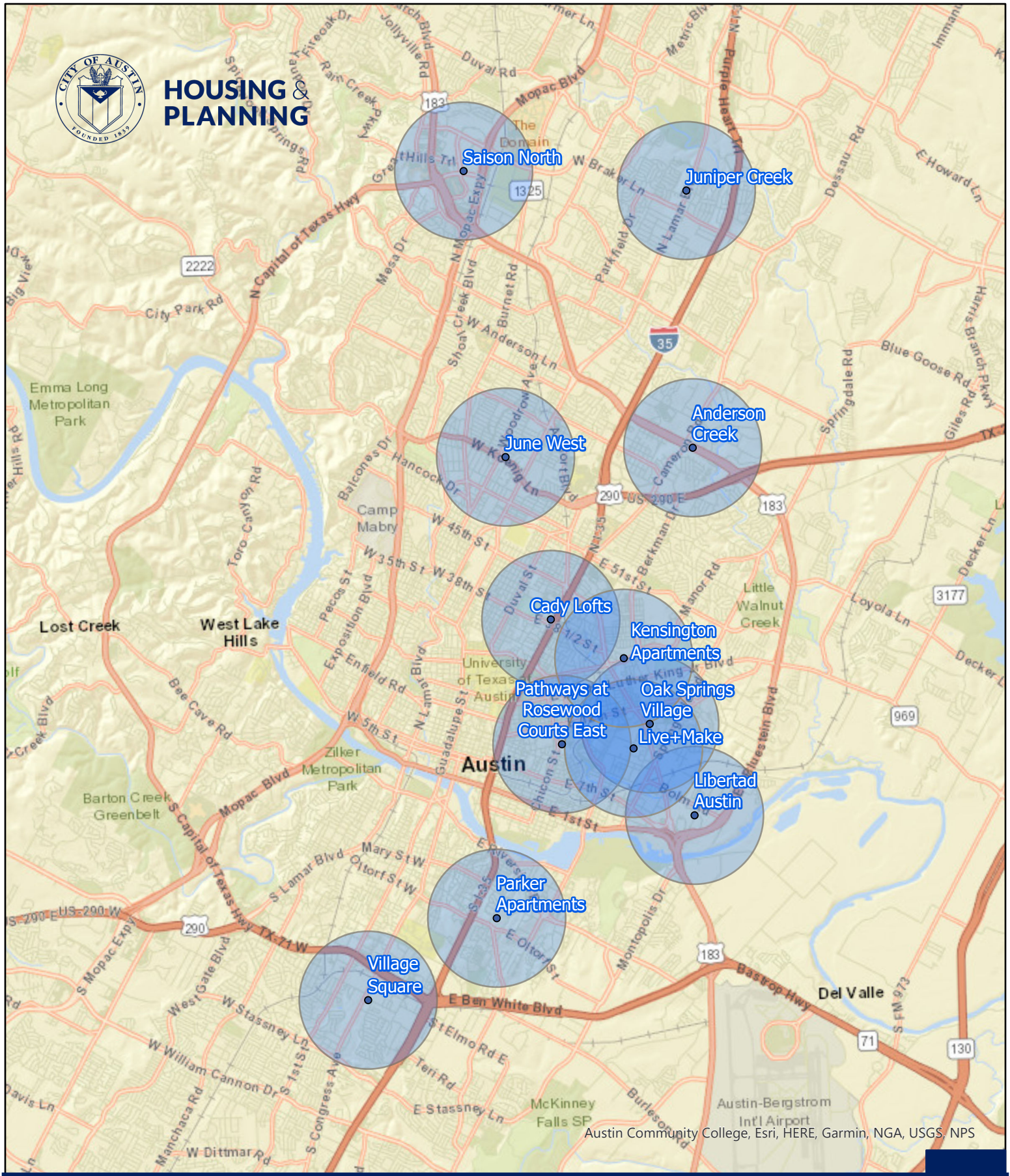
Based on the information provided by each of the applicants, staff recommends that City Council provide Resolutions of Support (and, if applicable, affirmation of the contribution to the associated Concerted Revitalization Plan) for each of the seven LIHTC applicants. Draft resolutions have been prepared for each of the seven applicants and will be provided as attachments to the RCAs. Staff will update the City Council agenda through the changes and corrections process to reflect any withdrawal of TDHCA applications.

Please do not hesitate to contact me if you have any questions

cc: J. Rodney Gonzales, Assistant City Manager



HOUSING PLANNING



Austin Community College, Esri, HERE, Garmin, NGA, USGS, NPS

LIHTC 2021 RESOLUTION APPLICANTS

Credit: TDHCA
Author: Zachary Stern
Date: 12.21.2020

