



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

Development Name	Address	Developer	District	# of affordable units (<=80% AMFI) ***	# of affordable units (<=50% AMFI)	# of CoC Units	RHDA Request (proposed) **	RHDA Request per <=50% AMFI Unit (proposed)	TDHCA Self Score *	Concerted Revitalization Plan (proposed)	Gentrification Typology	1/2 Mile to Project Connect Transit Stop	2-Mile Same-Year Violations
Saison North	10010 N Capital of Texas Hwy, Austin TX 78759	O-SDA & Saigebrook	District 7	105	61	0	\$ 4,750,000	\$ 77,869	172	n/a	Stable	No	
Cady Lofts	1004-1008 E 39th St, Austin, TX 78751	O-SDA & Saigebrook & SGI Ventures	District 9	64	33	0	\$ 700,000	\$ 21,212	171	Central Austin Combined Neighborhood Plan	Stable	Yes	Rosewood, Kensington
June West	1200-1206 W Koenig Ln, Austin, TX 78756	O-SDA & Saigebrook	District 7	75	38	0	\$ 1,400,000	\$ 36,842	171	n/a	Continued Loss	Yes	
Libertad Austin	900 Gardner Road, Austin, TX 78721	Vecino Group	District 3	140	81	40	\$ 1,000,000	\$ 12,346	170	Govalle/Johnston Terrace Combined Neighborhood Plan	Dynamic	No	Live+Make, Oak Springs Village
Parker Apartments	2105 Parker Ln, Austin, TX 78745	Foundation Communities	District 3	150	90	0	\$ 4,500,000	\$ 50,000	171	East Riverside/Olto rf Combined Neighborhood Plan	Susceptible	No	
Juniper Creek	11630 N Lamar Blvd, Austin, TX 78753	Foundation Communities	District 7	137	83	0	\$ 4,795,000	\$ 57,771	162	n/a	Stable	Yes	
Anderson Creek	1701 E. Anderson Lane, Austin, TX 78752	McDowell Housing Partners	District 1	108	87	5	\$ 4,350,000	\$ 50,000	170	St. John/Coronado Hills Combined Neighborhood Plan	Early: Type 1	Yes	
Village Square	115 E. St. Elmo Rd, Austin, TX 78745	McDowell Housing Partners	District 3	100	80	5	\$ 4,000,000	\$ 50,000	171	South Congress Combined NPA	Stable	Yes	
Pathways at Rosewood Courts East	2001 Rosewood Ave., Austin, TX 78702	HACA	District 1	148	88	0	\$ -	\$ -	164	Homestead Preservation Reinvestment Zone Number One	Late	No	Cady Lofts, Kensington, Live+Make, Oak Springs Village
Oak Springs Village	3313 Oak Springs Drive, Austin, TX 78721	Blue Sky Communities	District 3	72	36	2	\$ 500,000	\$ 13,889	170	East MLK Combined Neighborhood Plan	Dynamic	No	Live+Make, Libertad, Kensington
Kensington Apartments	3300 Manor Road, Austin, TX 78723	Elizabeth Property Group	District 1	149	60	15	\$ 6,500,000	\$ 108,333	170	n/a	Stable	Yes	Cady Lofts, Oak Springs Village, Live+Make, Rosewood
Live+Make	1127 Tillery Street, Austin, TX 78702	MRE Capital & Imagine Art	District 3	66	40	7	\$ 297,000	\$ 7,425	171	Govalle/Johnston Terrace Neighborhood Planning Area	Late	Yes	Libertad, Rosewood, Oak Springs Village, Kensington

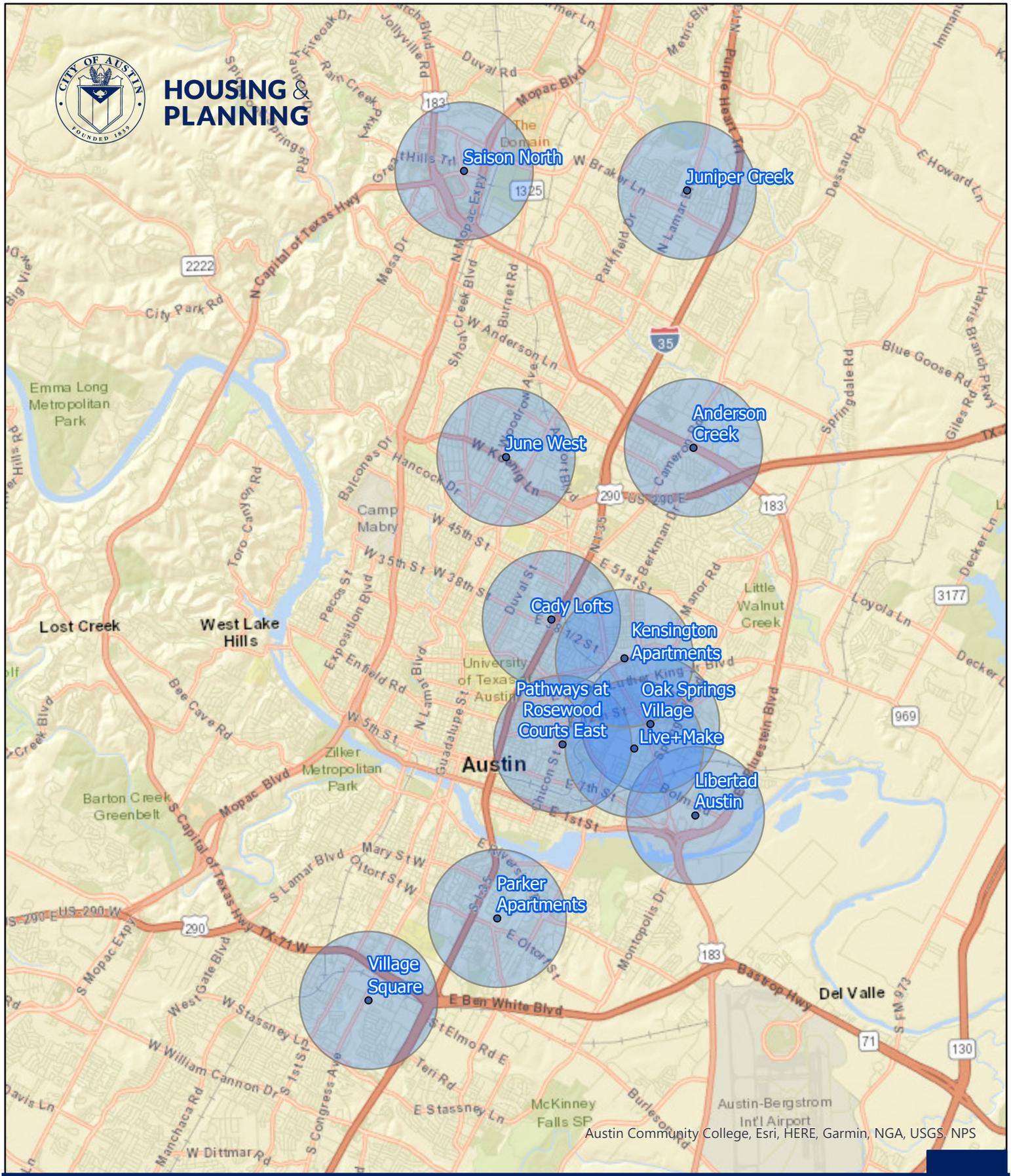
* The TDHCA Self Score is an Applicant-reported score to TDHCA and may be prone to error

** The RHDA funding request was previewed in the 9% LIHTC resolution application to the City of Austin; Applicants may decrease or increase their RHDA funding request; Applications for RHDA funding are due to AHFC by May 7, 2021

*** The number of units affordable to households earning below 80% AMFI was previewed in the 9% LIHTC resolution application to the City of Austin; it is likely that the unit count will decrease by the time of application submission to TDHCA by March 1, 2021



HOUSING PLANNING



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

LIHTC 2021 RESOLUTION APPLICANTS

Credit: TDHCA
Author: Zachary Stern
Date: 12.21.2020

