



## MEMORANDUM

**TO:** Mayor and Council Members

**FROM:** Rosie Truelove, Director, Housing and Planning Department

**DATE:** June 2, 2021

**SUBJECT:** June 3, 2021 City Council Meeting – Agenda Items 47-53

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The purpose of this memorandum is to provide information about the State of Texas 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 June 3, 2021, City Council Meeting, staff will bring forward resolutions related to seven (7) proposed affordable housing 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 LIHTC application to the state agency which administers the program, which is 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.

When a developer receives an award of tax credits and sells them to an investor who needs the tax credits, the sale generates equity 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. In the State of Texas, the LIHTC program creates more than 5,000 units of affordable housing each year.

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

TDHCA administers two LIHTC programs – 4% (“noncompetitive”) and 9% (“competitive”). For the 9% LIHTC program, there is an annual application cycle. 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. TDHCA is currently reviewing six 9% LIHTC applications for urban areas within Region 7. Those awards will be made in July 2021.

The 4% “noncompetitive” LIHTC program is effectively limited by an applicant’s ability to access Private Activity Bonds. While the tax credits generate equity, the Private Activity Bonds are non-recourse debt that provide construction and permanent financing for affordable developments. AHFC is a local issuer of bonds, along with other local entities such as Travis County, the Housing Authority of the City of Austin (HACA), and the Housing Authority of Travis County (HATC). In addition, there are state-wide issuers such as TDHCA and Texas State Affordable Housing Corporation (TSAHC).

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.

The percentage of affordable units in a tax credit property – and the affordability levels - is specified in a restrictive covenant between the owner and TDHCA. 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. When Private Activity Bonds are involved in a development, the local issuer also has a restrictive covenant between itself and the owner.

### ***The Role of the City Council***

While the 4% LIHTC program is not competitive from a scoring perspective, Texas Government Code §2306.67071 requires that LIHTC applicants provide notice of their intent to submit an application, hold a public hearing on the proposed application, and receive a Resolution of No Objection from the local governing body. The seven items on the June 3<sup>rd</sup> agenda serve the purpose of satisfying those requirements. Without a resolution of no objection from City Council, a proposed tax credit development will not be approved by TDHCA. Additionally, the QAP has geographic-based rules pertaining to the concentration of affordable housing, and sometimes, when a proposed development triggers one or more of those rules, Council must pass a resolution waiving the applicability of that rule(s) in order for the development to receive a tax credit award from TDHCA.

### ***The Role of LIHTC in Meeting the Strategic Housing Blueprint***

The Strategic Housing Blueprint set ambitious housing unit goals by AMFI designation—specifically, 20,000 units at 30% AMFI and below, 25,000 units that are 31-60% AMFI, and 15,000 units between 61-80% AMFI. The LIHTC program, and especially the 4% LIHTC program, primarily produces units at 60% AMFI, but there are mechanisms in the QAP and Internal Revenue Code to encourage deeper affordability.

In 2020 alone, TDHCA approved 13 4% LIHTC developments that together would put approximately 2,753 units in the pipeline in the city of Austin. Staff suspects that 2021 will see a similar number, if not larger, based on current developments we see in line for Private Activity Bonds. Therefore, the LIHTC program has been and will be a significant contributor to the City’s meeting its affordable housing production goals. However, in order to help ensure that the LIHTC program produces not just 60% AMFI units, but also 30-50% AMFI units, local issuers could collectively develop strategies to do so. Representatives from each unit of government that can issue Private Activity Bonds in Travis county have begun to meet to discuss such possible strategies, and hope to have a policy in place by 2022.

### ***Current Applications for 4% LIHTC Resolutions***

In 2021, HPD transitioned to a quarterly application process for Resolutions of No Objection (RONO).

Items 47-53 on the June 3, 2021, City Council agenda represent the second quarter of RONO applicants in 2021. Each quarter, staff will bring forward applicants' requests. By batching the applications, City Council is able to assess the attributes of the projects collectively and better understand the potential affordable housing pipeline.

Attached please find a table detailing some of 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 seven applications.

Please do not hesitate to contact me or Mandy De Mayo 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) **	Gentrification Typology	1/2 Mile to Project Connect Transit Stop
The Henderson on Reinli	1101 Reinli Street, Austin, TX 78723	LDG Development, LLC	4	211	95	0	\$0	Stable	Yes
The Matador	5900 S. Congress Ave, TX 78745	LDG Development, LLC	2	199	86	0	\$0	Dynamic	Yes
Parkside Apartment McKinney Falls	NW Corner of McKinney Falls Pkwy & Ojeda MS Austin TX, 78744	Graham Development, LLC	ETJ	174	78	0	\$0	Susceptible	No
The Ridge at East Village	4801 E Yager Lane, Austin, TX 78653	LDG Development, LLC	ETJ	284	16	0	\$0	Stable	No
Fox Hollow	2117 Brandt Rd, Austin, TX 78744	LDG Development, LLC	5	200	0	0	\$0	Stable	No
Interport	NWQ of Highway 71 and TX-130 TOLL (south of Dionda Lane)	Pedcor Investments, A Limited Liability Company	2	273	15	0	\$0	Stable	Yes
Cypress Creek Apartment Homes at Stoney Ridge	N of intersection of Elroy Road and Ross Road, Austin, TX 78617	Bonner Carrington	2	227	0	0	\$0	Susceptible	No



# HOUSING & PLANNING



Austin Community College, Esri, HERE, Garmin, INCREMENT P, NGA, USGS

## LIHTC 4% 2021 RESOLUTION APPLICANTS June 2021

Credit: TDHCA  
Author: Zachary Stern  
Date: 5.14.2021

