

Neighborhood Housing & Community Development: 9% LIHTC in 2020



The Low-Income Housing Tax Credit (LIHTC)

- Federal program responsible for the **most** new construction, affordable housing here in Austin, in Texas, and across the nation.
- Created by the Tax Reform Act of 1986 . . . And survived the Tax Cuts and Jobs Act of 2017
- Purpose? To incentivize private investment in multifamily, rental housing that is affordable to households that earn less than the region's median income.

Traditional Market Rate Development

To best understand the LIHTC program's purpose, consider a traditional market rate development.



AMLI 5350 on Burnet Road



Debt

The goal of the development is to have enough revenue to:

- 1) service the large amount of debt
- 2) return a profit to the equity investors

Equity

LIHTC Development

A LIHTC development's financing is inverted – higher equity and lower debt.



Aldrich 51 on Aldrich Street



Debt

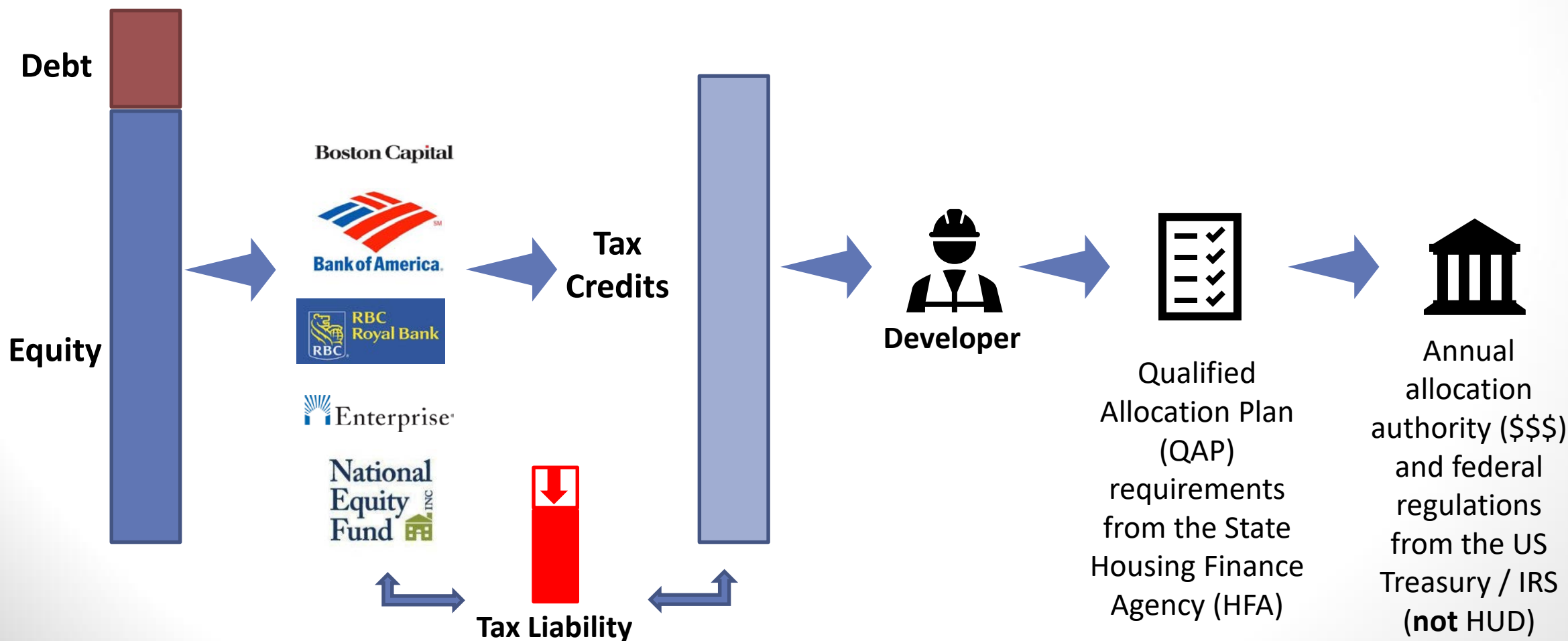
The goal of the development is to limit debt in order to:

Equity

- 1) Keep rents below market
- 2) Ensure the long-term affordability of the project

Where Does LIHTC Equity Come From?

A lot of players involved, but it is fairly simple.



The Result of the LIHTC Investment? Lower Rents

The lower debt requirement for the Development allows for lower rents. **Note that this is not an operating subsidy, but a development subsidy.** The income and rent limits are set by HUD annually.

INCOME LIMITS

2019 Area Median Income:

\$95,900

AMFI %	Number of Household Members							
	1	2	3	4	5	6	7	8
20	\$ 13,260	\$ 15,140	\$ 17,040	\$ 18,920	\$ 20,440	\$ 21,960	\$ 23,480	\$ 24,980
30	\$ 19,890	\$ 22,710	\$ 25,560	\$ 28,380	\$ 30,660	\$ 32,940	\$ 35,220	\$ 37,470
40	\$ 26,520	\$ 30,280	\$ 34,080	\$ 37,840	\$ 40,880	\$ 43,920	\$ 46,960	\$ 49,960
50	\$ 33,150	\$ 37,850	\$ 42,600	\$ 47,300	\$ 51,100	\$ 54,900	\$ 58,700	\$ 62,450
60	\$ 39,780	\$ 45,420	\$ 51,120	\$ 56,760	\$ 61,320	\$ 65,880	\$ 70,440	\$ 74,940
70	\$ 46,410	\$ 52,990	\$ 59,640	\$ 66,220	\$ 71,540	\$ 76,860	\$ 82,180	\$ 87,430
80	\$ 53,040	\$ 60,560	\$ 68,160	\$ 75,680	\$ 81,760	\$ 87,840	\$ 93,920	\$ 99,920
120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RENT LIMITS

AMFI %	Number of Bedrooms					
	0	1	2	3	4	5
20	\$331	\$355	\$426	\$492	\$511	\$605
30	\$497	\$532	\$639	\$738	\$823	\$908
40	\$663	\$710	\$852	\$984	\$1,098	\$1,211
50	\$828	\$887	\$1,065	\$1,230	\$1,372	\$1,514
60	\$994	\$1,065	\$1,278	\$1,476	\$1,647	\$1,817
65						
70	\$1,160	\$1,242	\$1,491	\$1,722	\$1,921	\$2,120
80	\$1,326	\$1,420	\$1,704	\$1,968	\$2,196	\$2,423

Note that these rent limits include utility allowances

Texas HFA?

Texas Department of Housing & Community Affairs (TDHCA)



- Federal LIHTC statute requires that the LIHTC program be administered by state HFAs through a state Qualified Allocation Plan (QAP).
- The Texas Department of Housing & Community Affairs administers both the 4% and 9% LIHTC programs through its QAP, which is typically adopted by the TDHCA Board of Directors annually.
- Today we will only discuss the 9% LIHTC program.

The 9% LIHTC Program in Texas

- Administered annually by TDHCA.
- Generally over-subscribed by 2-1.
- A very competitive process that begins in January, with awards made in July and the development placed-in-service approximately two years thereafter.



Talavera Lofts



Aria Grand



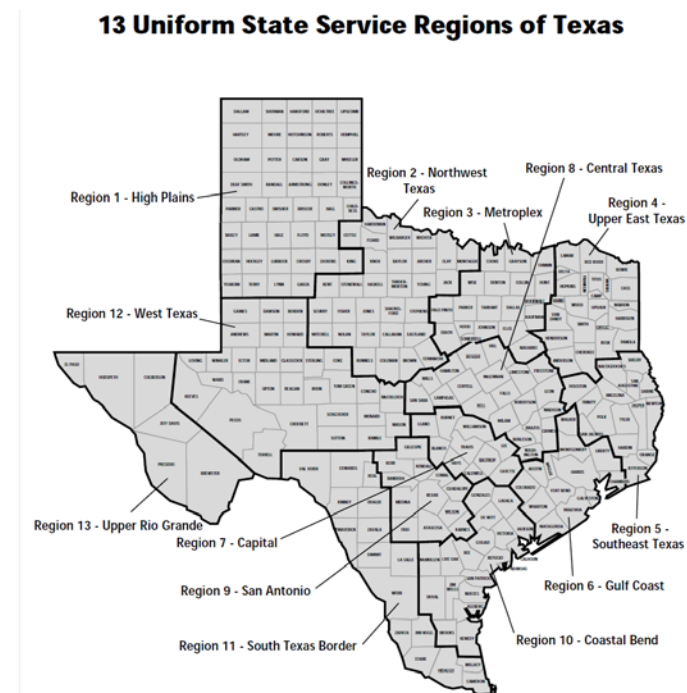
Bluebonnet Studios

The 9% LIHTC Program in Texas - Funding

- The total 9% LIHTC Funding for 2020 in Texas is \$80,723,939.
 - This is the **one-year value** of the LIHTC allocation. The Tax Credits are claimed by the investor for a period of 10 years, so technically TDHCA is awarding **\$807,239,390 in LIHTC**.
- That total LIHTC is dispersed to distinct “buckets,” regions and set-asides.

Regions

- The primary distribution is to geographic **regions**.
- Austin is in **Region 7 – Urban**. It includes the urban cities located in nine counties in central Texas.
- **Region 7 – Urban will have approximately \$4,420,741 (one-year value) in LIHTC**. This is enough funding for three developments.



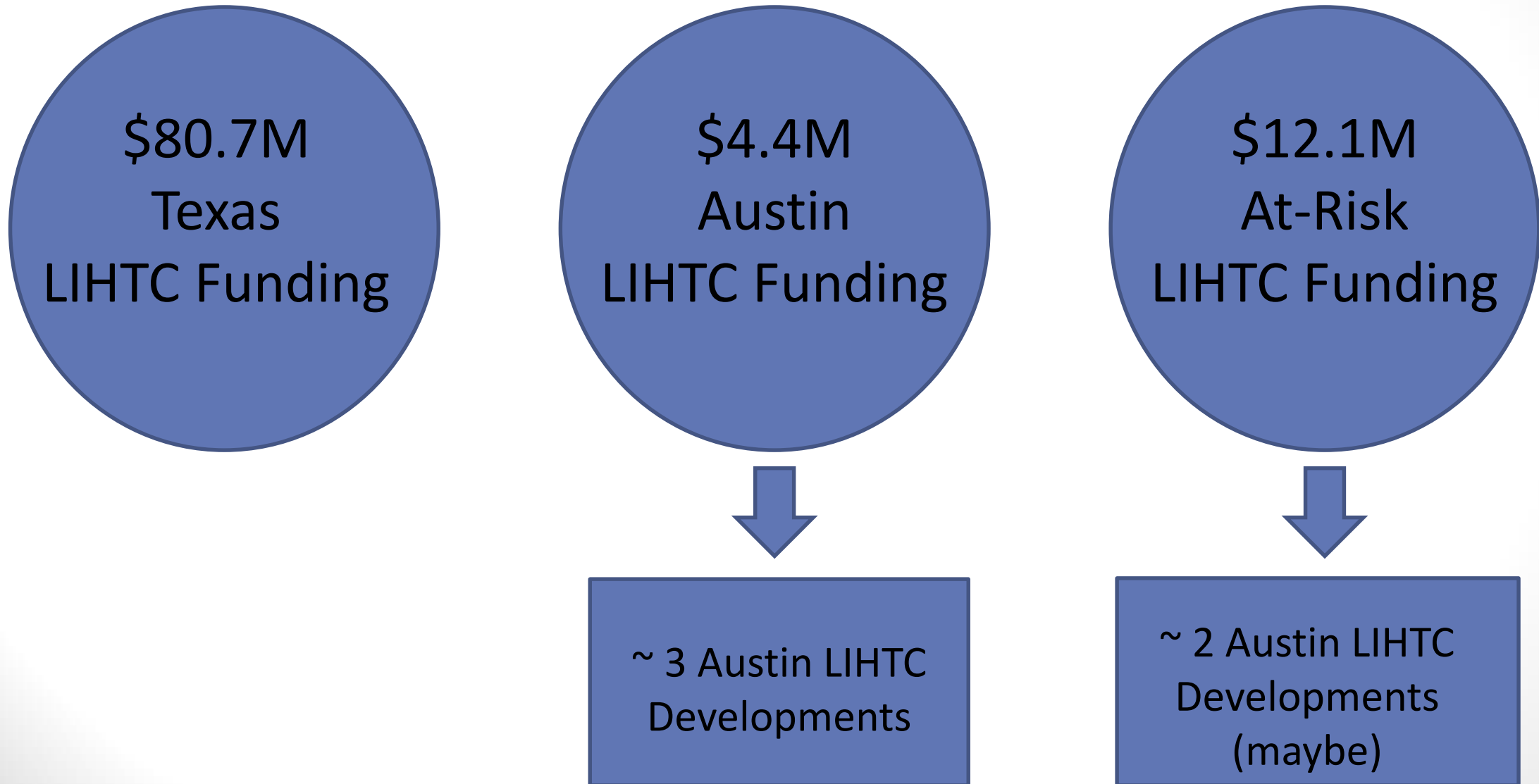
The 9% LIHTC Program in Texas - Funding

- In addition to “geographic buckets,” the Texas QAP requires a certain levels of funding for special “Set-Asides.”
- A Set-Aside of particular importance is the “**At-Risk Set-Aside**,” which is for affordable housing developments **whose federal funding is about to expire**—hence the development’s affordability being “**at risk**.”

At-Risk Set-Aside

- This is a **statewide competition**.
- Thus, a development in Austin may compete against one in El Paso.
- **The statewide Set-Aside amount is \$12,108,591.** For 2020, two applications from Austin are in the At-Risk Set-Aside.

The 9% LIHTC Program in Texas - Funding



The 9% LIHTC Program in Texas - Scoring

The QAP has several dozen scoring items that together determine who wins an LIHTC award. Often comes down to just 1 or 2 points, or even tie-breaker factors.

- Size & Quality of Units
- Sponsor Characteristics
- Income Levels of Residents
- Rent Levels of Residents
- Resident Services
- Opportunity Index
- Underserved Area
- Residents with Special Housing Needs
- Proximity to Job Areas
- Local Government Support
- Commitment of Dev. Funding
- Declared Disaster Area
- Quantifiable Community Participation
- State Representative
- Community Organizations Input
- Concerted Revitalization Plan
- Financial Feasibility
- Cost of Development/Square Foot
- Pre-App Participation
- Leveraging
- Extended Affordability
- Historic Preservation
- Right of First Refusal
- Funding Request Amount

The 9% LIHTC Program in Texas - Scoring

Several scoring items are of special concern to City Council:

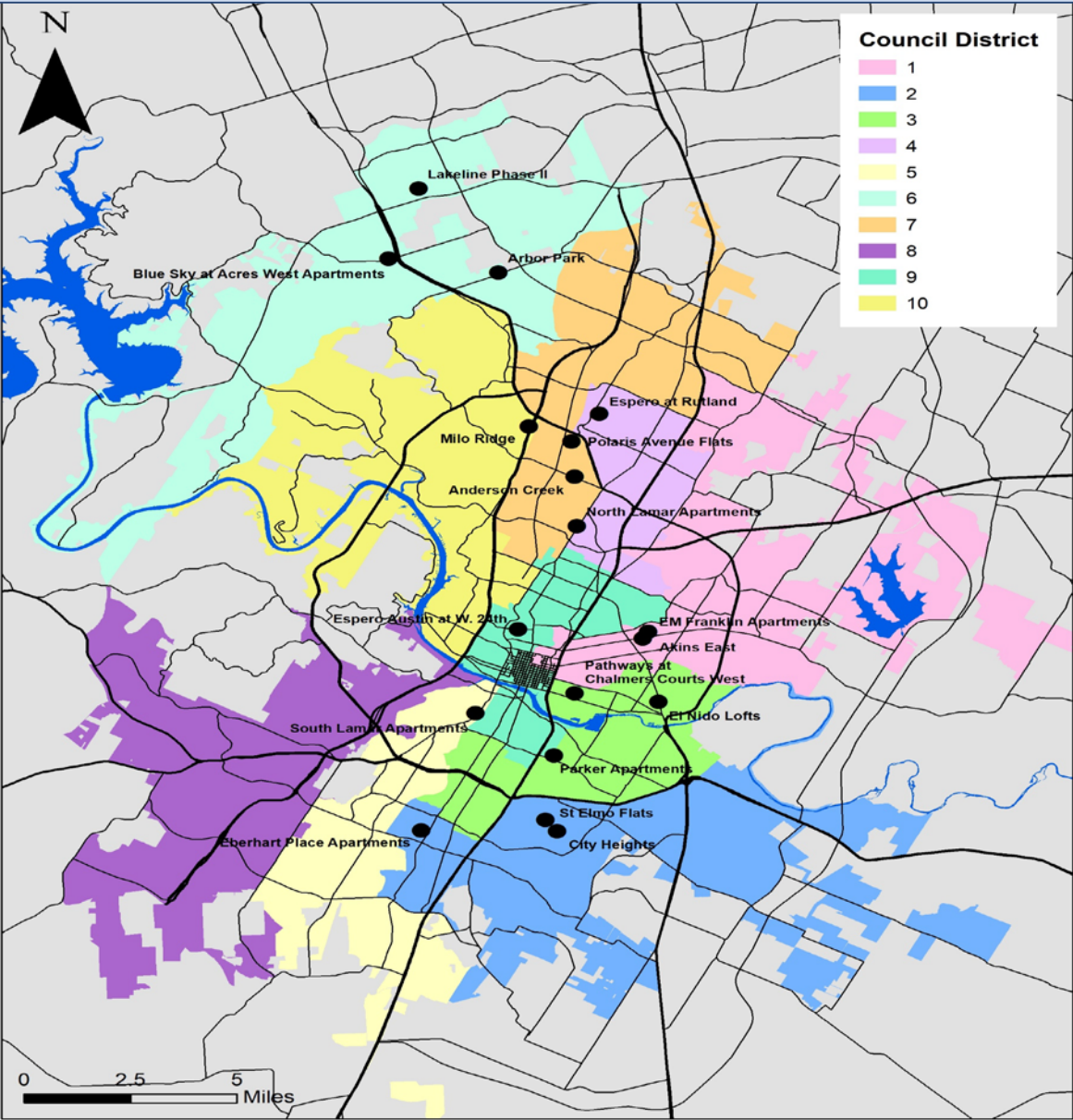
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- **Concerted Revitalization Plan**
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The 9% LIHTC Program in Texas - Scoring

Several scoring items are of special concern to City Council:

- **Income Levels of Residents:** 1 point advantage for Supportive Housing Developments
- **Rent Levels of Residents:** 2 point advantage for Supportive Housing Developments
- **Proximity to Job Areas:** Ensures that the City of Austin remains very competitive in Region 7, compared to other cities in this region (Round Rock, San Marcos, Georgetown, etc.)
- **Local Government Support:** 17 points for resolution of support; 14 points for resolution of no objection
- **Commitment of Dev. Funding:** 1 point for some financial commitment from the city (a *de minimis* amount of \$500)
- **Concerted Revitalization Plan:** 7 points, 2 of which the City Council has control over (which development contributes more than any other to the revitalization efforts of the city in a particular area?)

The 9% LIHTC – What Council Will See on February 6th



Credit: Travis Perlman, NHCD Real Estate Division

The 9% LIHTC – What Council Will See on February 6th

Development ID	Development Name	Applicant	Status	Construction Type	Number of Units	District	Target Population
2000	Eberhart Place Apartments	National Church Residences	Active	Rehabilitation	38	2	Elderly
2001	Arbor Park	DMA Companies	Active	New Construction	138	6	Elderly
2002	Akins East	Housing Trust Group	Active	New Construction	180	1	Elderly
2003	Espero Austin at Rutland	Caritas & The Vecino Group	Active	New Construction	120	4	Supportive Housing
2004	Espero Austin at W. 24th	Caritas & The Vecino Group	Active	New Construction	100	9	Supportive Housing
2005	Milo Ridge	OSDA & Saigebrook	Active	New Construction	60	10	General Population
2006	Pathways at Chalmers Courts West	HACA & Carleton Development	Active	New Construction	156	3	General Population
2007	South Lamar Apartments	Foundation Communities	Active	New Construction	110	5	Supportive Housing
2008	Parker Apartments	Foundation Communities	Active	New Construction	140	3	General Population
2009	North Lamar Apartments	Foundation Communities	Active	New Construction	100	7	General Population
2010	Lakeline Phase II	Foundation Communities	Active	New Construction	137	6	General Population
2011	EM Franklin Apartments	Foundation Communities	Active	New Construction	100	1	General Population
2012	Blue Sky at Acres West Apartments	Blue Sky Communities	Active	New Construction	108	6	General Population
2013	St Elmo Flats	NRP Group	Withdrawn	New Construction	70	2	n/a
2014	Anderson Creek	McDowell Housing Partners	Active	New Construction	100	1	General Population
2015	City Heights	McDowell Housing Partners	Active	New Construction	152	2	General Population
2016	Polaris Avenue Flats	NRP Group	Active	New Construction	69	7	General Population
2017	El Nido Lofts	DMA Companies	Withdrawn	New Construction	129	3	n/a

The 9% LIHTC – What Council Will See on February 6th

Resolutions of Support:

- Staff is requesting that Council pass **16 Resolutions of Support** for the remaining, active applications that will be submitted to TDHCA.
- For the 2020 cycle, NHCD staff introduced a new system for determining which applications would receive Resolutions of Support versus Resolutions of No Objection (with the latter being worth fewer points at TDHCA). **All applications met the criteria to receive Resolutions of Support.**

Concerted Revitalization Plans:

- Council can **only identify 1 application per CRP area for an additional 2 points**. The one identified must be “contributing more than any other to the concerted revitalization efforts” of the city for that particular area.
- Conflict between Akins East (HTG Development) and EM Franklin Apartments (Foundation Communities). **Council must select one for the East MLK Combined Neighborhood Plan (District 1)**