



# 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**

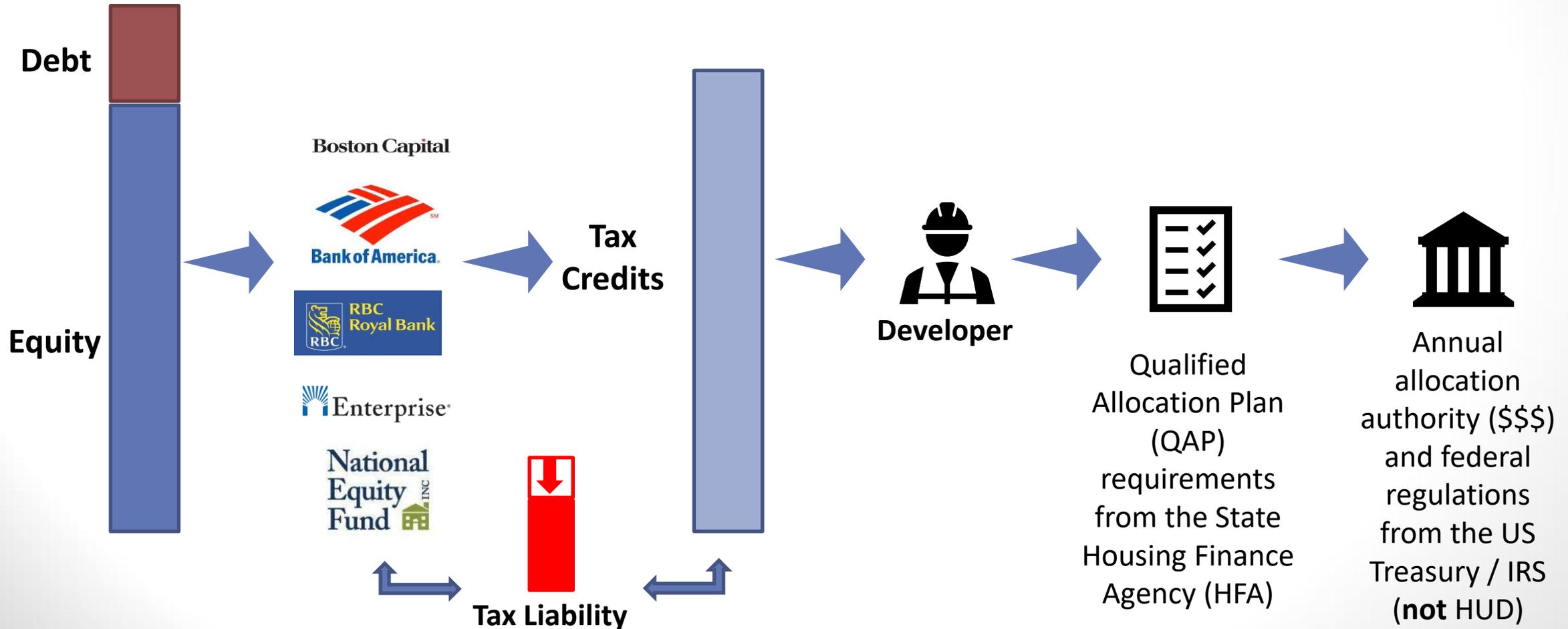
The goal of the development is to limit debt in order to:

**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



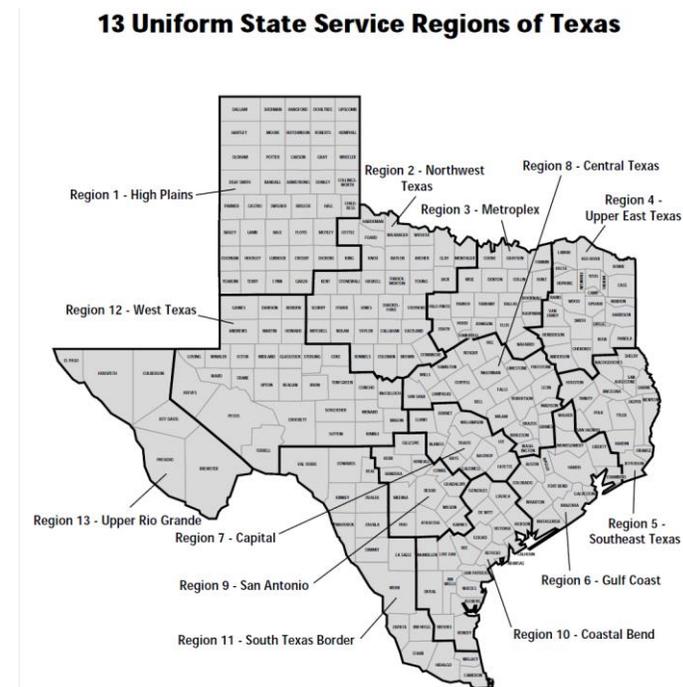
Bluebonnet Studios

# 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.
- Either Rehabilitation or Reconstruction (not New Construction).
- **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

\$80.7M  
Texas  
LIHTC Funding

\$4.4M  
Austin  
LIHTC Funding

\$12.1M  
At-Risk  
LIHTC Funding



~ 3 Austin LIHTC  
Developments



~ 2 Austin LIHTC  
Developments  
(maybe)

# 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:

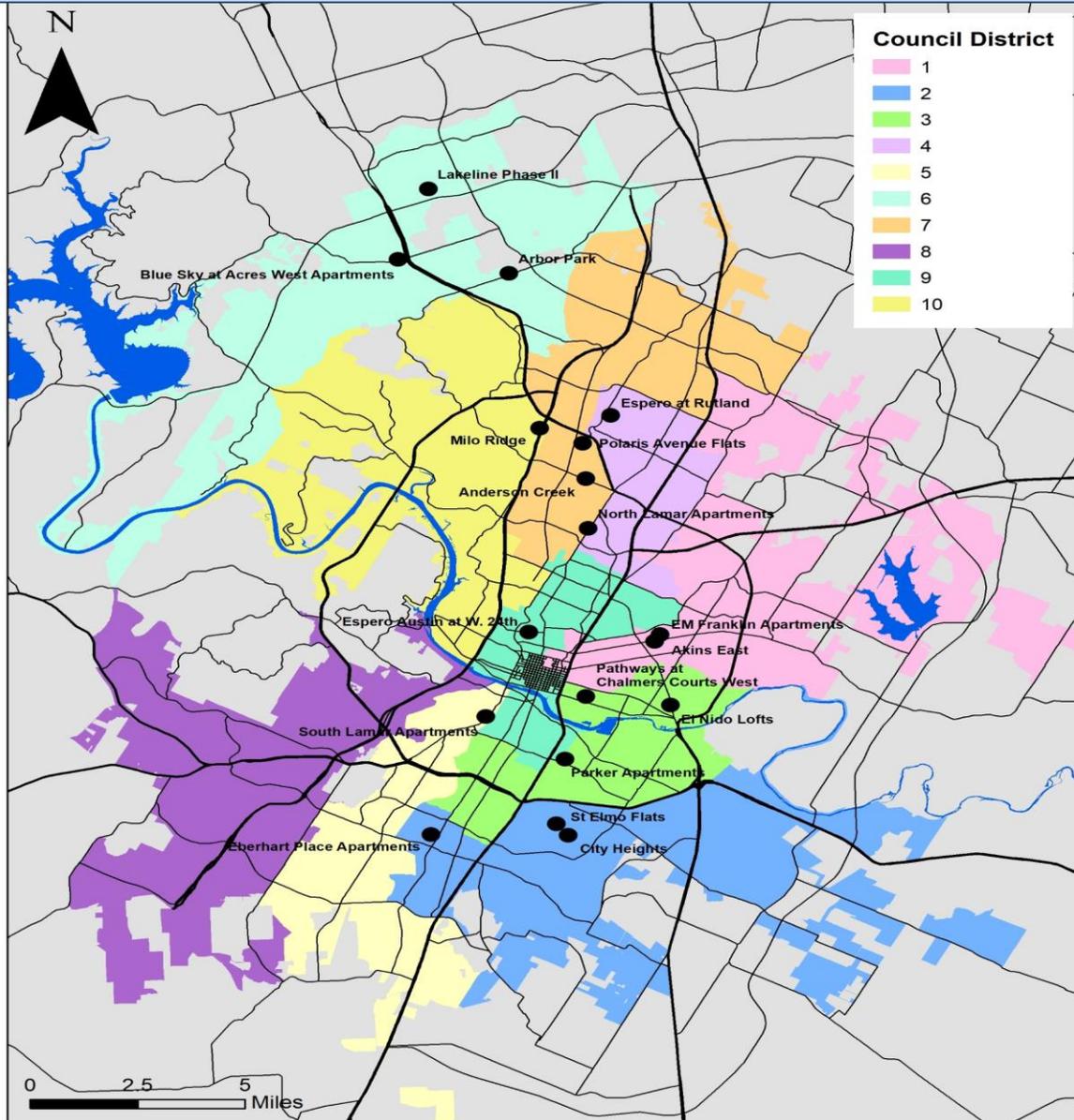
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- **Income Levels of Residents**
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## The 9% LIHTC Program in Texas - Scoring

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 6<sup>th</sup>



Credit: Travis Perlman, NHCD Real Estate Division

# The 9% LIHTC – What Council Will See on February 6<sup>th</sup>

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
<b>2003</b>	<b>Espero Austin at Rutland</b>	<b>Caritas &amp; The Vecino Group</b>	<b>Active</b>	<b>New Construction</b>	<b>120</b>	<b>4</b>	<b>Supportive Housing</b>
<b>2004</b>	<b>Espero Austin at W. 24th</b>	<b>Caritas &amp; The Vecino Group</b>	<b>Active</b>	<b>New Construction</b>	<b>100</b>	<b>9</b>	<b>Supportive Housing</b>
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
<b>2007</b>	<b>South Lamar Apartments</b>	<b>Foundation Communities</b>	<b>Active</b>	<b>New Construction</b>	<b>110</b>	<b>5</b>	<b>Supportive Housing</b>
<del>2008</del>	<del>Parker Apartments</del>	<del>Foundation Communities</del>	<del>Withdrawn</del>	<del>New Construction</del>	<del>140</del>	<del>3</del>	<del>General Population</del>
<del>2009</del>	<del>North Lamar Apartments</del>	<del>Foundation Communities</del>	<del>Withdrawn</del>	<del>New Construction</del>	<del>100</del>	<del>7</del>	<del>General Population</del>
2010	Lakeline Phase II	Foundation Communities	Active	New Construction	137	6	General Population
<del>2011</del>	<del>EM Franklin Apartments</del>	<del>Foundation Communities</del>	<del>Withdrawn</del>	<del>New Construction</del>	<del>100</del>	<del>1</del>	<del>General Population</del>
2012	Blue Sky at Acres West Apartments	Blue Sky Communities	Active	New Construction	108	6	General Population
<del>2013</del>	<del>St Elmo Flats</del>	<del>NRP Group</del>	<del>Withdrawn</del>	<del>New Construction</del>	<del>70</del>	<del>2</del>	<del>n/a</del>
2014	Anderson Creek	McDowell Housing Partners	Active	New Construction	100	1	Elderly
2015	City Heights	McDowell Housing Partners	Active	New Construction	152	2	Elderly
2016	Polaris Avenue Flats	NRP Group	Active	New Construction	69	7	General Population
<del>2017</del>	<del>El Nido Lofts</del>	<del>DMA Companies</del>	<del>Withdrawn</del>	<del>New Construction</del>	<del>129</del>	<del>3</del>	<del>n/a</del>

## The 9% LIHTC – What Council Will See on February 6<sup>th</sup>

### Resolutions of Support:

- Staff is requesting that Council pass **13 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.

# Questions