



2020 QAP Roundtable

Preservation of Existing Affordable Housing, Asset Management Rules, and Green Building

MAY 22, 2019

Input from this meeting will be used to inform program activities, and policy and training efforts in the future. Information discussed will also be considered as consultation as it relates to the State of Texas 2020-2024 Consolidated Plan

Public Comment on the 2019 QAP and 10 TAC Chapter 10, Subchapter E (Asset Management), regarding preservation policies for existing affordable housing:

- In order to preserve Low-Income Housing Tax Credit (LIHTC) Developments awarded before the year 2002, 10 TAC §10.406, regarding Ownership Transfer, should be amended to require the **waiver of the right to request a Qualified Contract (QC)** at any time an Ownership Transfer is requested.
- In order to provide nonprofit developers with opportunities to preserve existing affordable housing, 10 TAC §10.407, regarding Right of First Refusal (ROFR), should **permit the sale** of a property as long as an **offer from a qualified nonprofit is no less than the minimum purchase price**.
- The Department should implement more robust **notification policies** to alert the appropriate, relevant, and mission-driven Qualified Entities of Developments that wish to make an offer during the **ROFR process**.
- Developments that received an award of LIHTC under the **Nonprofit Set-Aside** should only be eligible to be purchased by new Owners that would also qualify under the Nonprofit Set-Aside. 10 TAC §11.5(1) should be amended to require that, if receiving an award under this set-aside, **every Owner must be eligible for the Nonprofit Set-Aside through the end of the Extended Use Period**.
- The length of time for the LURA under 10 TAC §11.9(e)(5), regarding **Extended Affordability**, should be increased. Currently, the two point scoring item asks for a 35 year Affordability Period. **Request to increase to 55 years**, or to offer it as an alternative option worth more points. Alternatively, **Extended Affordability should be a threshold requirement**.
- 10 TAC §11.9(e)(7), regarding **Right of First Refusal**, should be moved from scoring (Subchapter A of the QAP) to **threshold** (Subchapter B). Alternatively, the ROFR scoring item, currently worth one point, should be **increased to five points**.
- TDHCA should **proactively deter LIHTC projects from exiting the program through QC**. 10 TAC §10.408, Qualified Contract Requirements, should require a LIHTC owner requesting a QC to **meet with staff to discuss options for the property**, and owners must provide **all documentation necessary** to determine the statutory price for a Development before proceeding to QC.

- **28 Developments** have exited the LIHTC program through the Qualified Contract process to date.
- Average census tract **poverty rate of 28%**; Average census tract **median HH income of \$38,552**
- 813 Developments (78,368 Units) were awarded LIHTC before 2002.

	Development Name	City	Poverty Rate (2016 ACS 5-year)	Median Household Income (2016 ACS 5-year)	Increase/Decrease in Poverty, 2016 -2010 Comparison (absolute change)	Increase/Decrease in Median Household Income, 2016 -2010 Comparison
1	Gentry House	Houston	27.80%	\$ 39,680	2.90%	\$ (3,632.00)
2	Green Meadows Apts.	Texas City	26.50%	\$ 42,061	13.40%	\$ (8,925.00)
3	Amber Dawn Apts.	Dallas	27.70%	\$ 46,875	6.50%	\$ (8,227.00)
4	Cross Creek Apts.	Dallas	27.10%	\$ 30,200	-15.70%	\$ 6,382.00
5	Palo Duro Housing	Amarillo	39.40%	\$ 26,469	-13.20%	\$ 3,473.00
6	Palo Duro Housing II	Amarillo	39.40%	\$ 26,469	-13.20%	\$ 3,473.00
7	Tucasa Apartments	Irving	24.30%	\$ 35,722	1.40%	\$ 3,043.00
8	Old Windsor Hotel	Abilene	31.30%	\$ 29,722	16.30%	\$ (7,687.00)
9	River Oaks Villas	San Marcos	37.40%	\$ 31,494	-17.20%	\$ 5,783.00
10	Lakes of Williamsberg Apts.	Grapevine	15.40%	\$ 46,290	1.80%	\$ (5,435.00)
11	McKinney Park Apts.	Denton	18.70%	\$ 48,003	-1.90%	\$ 2,134.00
12	Mission Falls	Houston	49.10%	\$ 22,136	2.70%	\$ (4,776.00)
13	Windsor Pointe Townhomes	College Station	57.60%	\$ 18,289	5.60%	\$ (3,355.00)
14	Reserve at White Oak	Houston	29.30%	\$ 30,481	-25.60%	\$ 13,491.00
15	Westport Apts.	Angleton	14.70%	\$ 63,490	-4.80%	\$ 21,837.00
16	Creekside Terrace Apartments	Ennis	32.60%	\$ 31,300	1.90%	\$ 2,598.00
17	Woodforest Chase	Houston	35.70%	\$ 29,154	10.10%	\$ (3,991.00)
18	Royal Palm	Dallas	24.40%	\$ 35,564	-4.50%	\$ (6,739.00)
19	Bahia Cove Apts.	League City	5.00%	\$ 95,598	0.30%	\$ 17,534.00
20	Bent Tree Apts.	San Angelo	24.70%	\$ 36,341	-2.00%	\$ 8,127.00
21	North Knoll Apts.	San Antonio	20.00%	\$ 47,833	2.20%	\$ 3,382.00
22	Country Club Creek	Austin	29.60%	\$ 30,855	2.10%	\$ 1,835.00
23	Mountain Ranch Apartments	Austin	23.10%	\$ 46,304	-2.90%	\$ 9,603.00
24	Brentwood Oaks Apts.	Fredericksburg	9.30%	\$ 55,956	0.00%	\$ 2,831.00
25	Fort Branch at Truman's Landing	Austin	31.40%	\$ 33,947	-4.00%	\$ 2,291.00
26	Greens of Hickory Trail	Dallas	43.90%	\$ 21,990	4.70%	\$ 1,514.00
27	Oaks of Hitchcock Apts.	Hitchcock	30.40%	\$ 28,884	-7.80%	\$ (3,004.00)
28	Primrose Oaks	Dallas	14.90%	\$ 48,337	-8.60%	\$ 14,587.00

Net Gain / Loss of Developments with Land Use Restriction Agreements (LURAs) in Texas LIHTC Program								
	Developments with New LURAs				Developments with Released / Expiring LURAs			Net Gain / Loss
	New Construction	Acquisition/Rehabilitation	Adaptive Reuse	Total	Qualified Contract	End of LURA *	Total	
2016	62	25	0	87	5	0	5	82
2017	67	40	0	107	5	0	5	102
2018	61	32	3	96	0	0	0	96

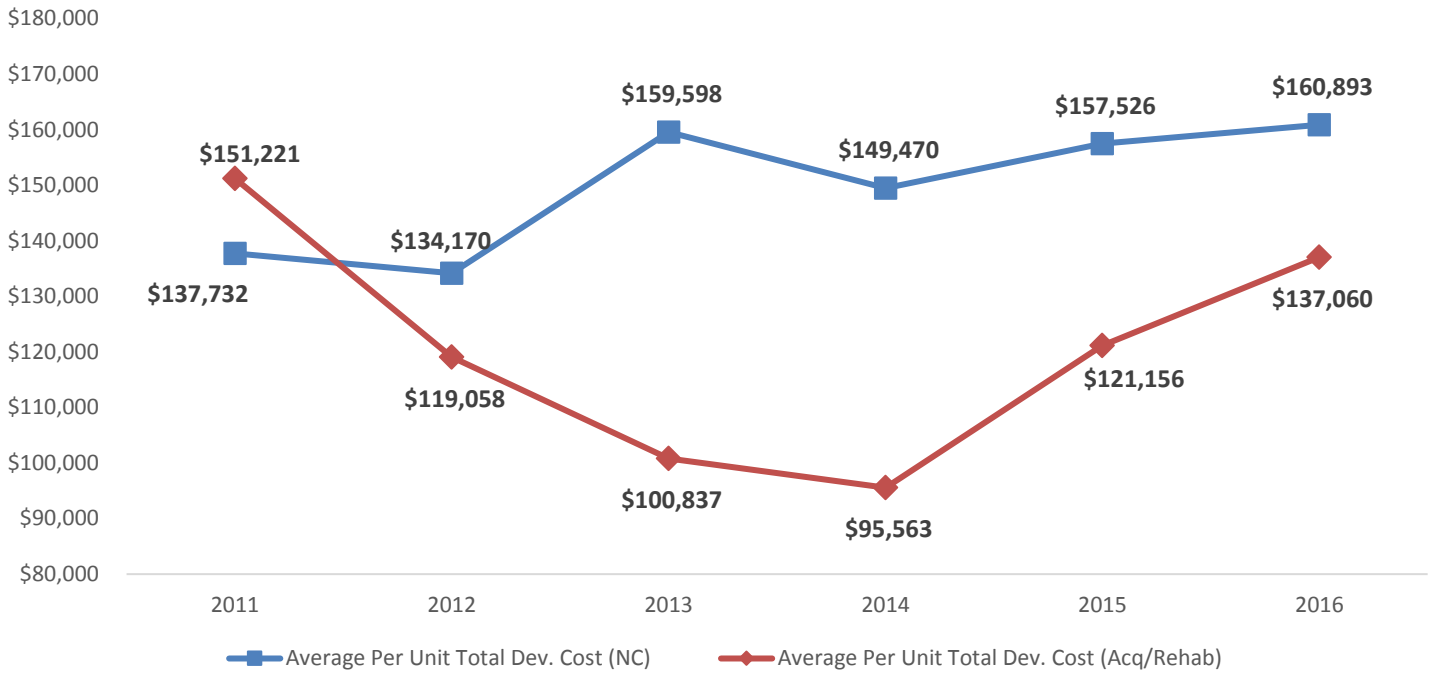
* from 1986 - 1989, LURAs were not required by the program and there was only a 15-year Compliance Period. Beginning in 1990, LURAs and 30-year Affordability Periods were required

- Currently, TDHCA is seeing a net gain of affordable housing Developments each year.
- Not all of this net gain is through New Construction, with Acquisition/Rehabilitation being 30-40% of annual activity.
- Most of that Acquisition/Rehabilitation is existing affordable housing Developments, but not necessarily existing LIHTC.

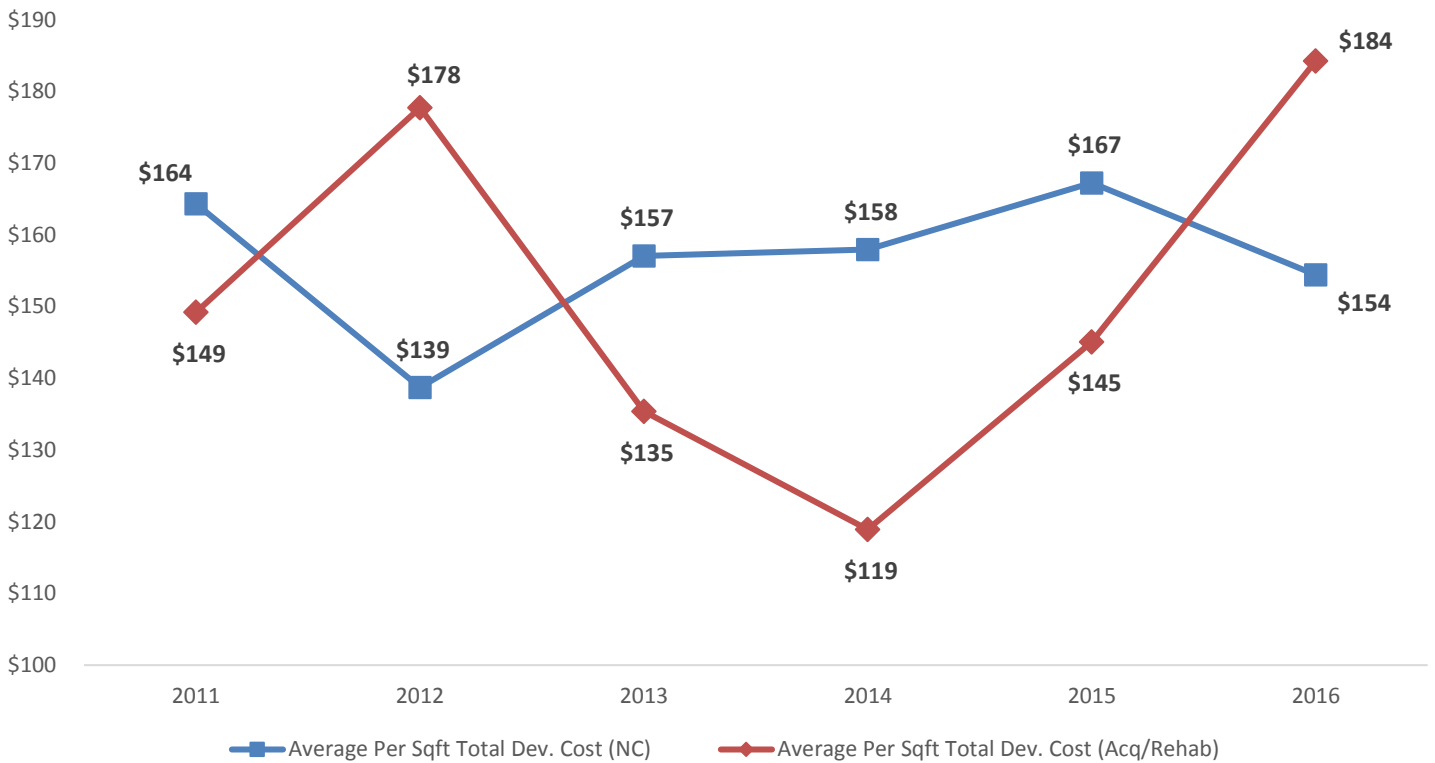
Developments With Expiring Affordability Periods, 2020 - 2024					
	2020	2021	2022	2023	2024
Total Number of Developments	27	49	54	42	50
Total Number of HTC Developments	25	48	52	41	46
Total Number of Units	1608	2430	3907	3097	3795
Total Number of HTC Units	1556	2406	3837	3077	3588

- The number of Developments with expiring Affordability Periods will increase substantially around 2020.
- Despite that increase, if current Multifamily volume continues at TDHCA, we will still see a net gain in restricted affordable housing Units.
- Note that in FY2018, TDHCA financed the New Construction and Acquisition/Rehabilitation for 14,832 Units. Approximately 10,000 of those Units were New Construction.

Average Total Development Cost (per Unit) by Construction Type, 2011-2016



Average Total Development Cost (per sqft NRA) by Construction Type, 2011-2016



- The above cost data is derived from Cost Certification for all Developments (over 300 between 2011 and 2016).
- In 2015 and 2016, cost per Unit for New Construction & Acq/Rehab began to converge.
- On a per sqft basis, Acq/Rehab is (on average) more expensive than New Construction.

Public Comment on the 2019 QAP, regarding green building standards in affordable housing:

- The QAP should to a greater extent incentivize and reward those Developments that are more **energy and water efficient**, which also saves residents money on their utility bills.
- At least one **tie-breaker factor** should be based on whether or not an Application has committed to a green building standard.
- TDHCA should add more robust **threshold items** to 10 TAC §11.101(b)(6)(B)(ii), Development Construction Features, such as increased attic insulation and solar PV systems.
- The points for Green Building under 10 TAC §11.101(b)(6)(B)(ii)(VIII) should be increased from **four (4) points to eight (8) points**.
- EPA **WaterSense** (or equivalent) toilets, showerheads, and faucets should be **Mandatory Development Amenities**, 10 TAC 11.101(b)(4), in all bathrooms. A separately metered irrigation system should also be mandatory in order to easily identify leaks.
- **Green Building Features should be a standalone subclause** under 10 TAC §11.101(6)(B), Unit and Development Construction Features (nine points required), and all Developments should be required to select points from it. **This is how the QAP was structured in 2016 and before.** In addition to the green building certification programs, add additional items worth fewer points that still have positive environmental impacts, such as rain water harvesting, recycling services, solar hot water, additional wall and roof insulation, and sustainable flooring options for Units.
- **Additional categories** should be allowed under 10 TAC §11.101(b)(6)(B)(ii)(VIII), including **Passive House Institute US** or the **2018 International Green Construction Code**.