



2020 QAP Roundtable
Cost per Square Foot; Statutory Changes
to the QAP & the Bond Rules; Direct
Loan

JUNE 26, 2019

***ALL DATA PRESENTED HEREIN IS PRELIMINARY IN NATURE AND SHOULD NOT BE RELIED UPON OR
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2019 QAP

10 TAC 11.9(e)(2) Cost of Development per Square Foot. (§2306.6710(b)(1)(F); §42(m)(1)(C)(iii)) An Application may qualify to receive up to twelve (12) points based on either the Eligible Building Cost or the Eligible Hard Costs per square foot of the proposed Development voluntarily included in eligible basis as originally submitted in the Application. For purposes of this-scoring item, Eligible Building Costs will be defined as Building Costs includable in Eligible Basis for the purposes of determining a Housing Credit Allocation. Eligible Building Costs will exclude structured parking or commercial space that is not included in Eligible Basis, and Eligible Hard Costs will include general contractor overhead, profit, and general requirements. Structured parking or commercial space costs must be supported by a cost estimate from a Third Party General Contractor or subcontractor with experience in structured parking or commercial construction, as applicable. The square footage used will be the Net Rentable Area (NRA). The calculations will be based on the cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule. If the proposed Development is a Supportive Housing Development, the NRA will include Common Area up to 75 square feet per Unit.

(A) A high cost development is a Development that meets one of the following conditions:

- (i) the Development is elevator served, meaning it is either a Elderly Development with an elevator or a Development with one or more buildings any of which have elevators serving four or more floors;
- (ii) the Development is more than 75 percent single family design;
- (iii) the Development is Supportive Housing; or
- (iv) the Development Site qualifies for a minimum of five (5) points under subsection (c)(4) of this section, related to Opportunity Index, and is located in an Urban Area.

(B) Applications proposing New Construction or Reconstruction will be eligible for twelve (12) points if one of the following conditions is met:

- (i) The voluntary Eligible Building Cost per square foot is less than \$76.44 per square foot;
- (ii) The voluntary Eligible Building Cost per square foot is less than \$81.90 per square foot, and the Development meets the definition of a high cost development;
- (iii) The voluntary Eligible Hard Cost per square foot is less than \$98.28 per square foot; or
- (iv) The voluntary Eligible Hard Cost per square foot is less than \$109.20 per square foot, and the Development meets the definition of high cost development.

(C) Applications proposing New Construction or Reconstruction will be eligible for eleven (11) points if one of the following conditions is met:

- (i) The voluntary Eligible Building Cost per square foot is less than \$81.90 per square foot;
- (ii) The voluntary Eligible Building Cost per square foot is less than \$87.36 per square foot, and the Development meets the definition of a high cost development;
- (iii) The voluntary Eligible Hard Cost per square foot is less than \$103.74 per square foot; or

(iv) The voluntary Eligible Hard Cost per square foot is less than \$114.66 per square foot, and the Development meets the definition of high cost development.

(D) Applications proposing New Construction or Reconstruction will be eligible for ten (10) points if one of the following conditions is met:

(i) The voluntary Eligible Building Cost is less than \$98.28 per square foot; or

(ii) The voluntary Eligible Hard Cost is less than \$120.12 per square foot.

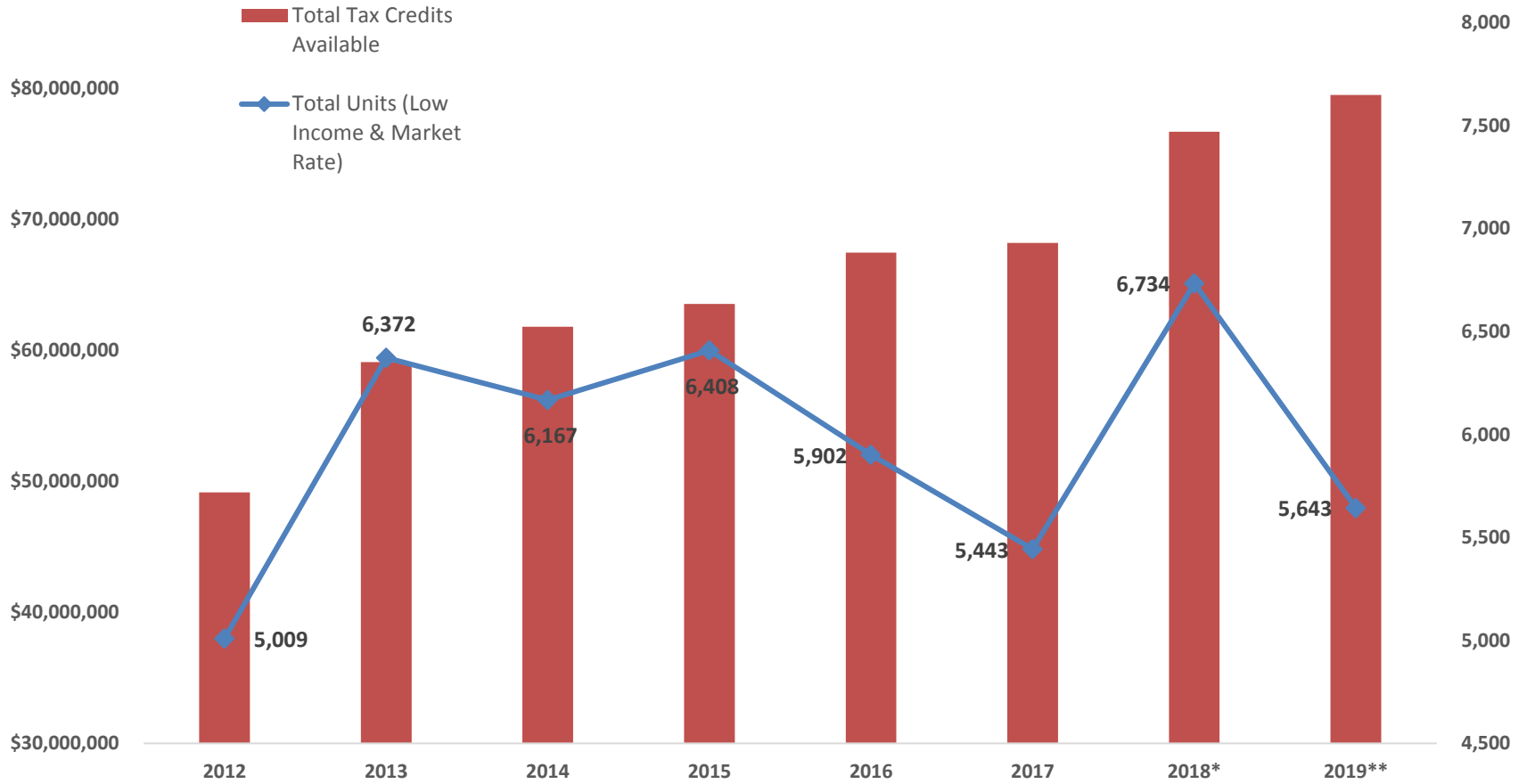
(E) Applications proposing Adaptive Reuse or Rehabilitation (excluding Reconstruction) will be eligible for points if one of the following conditions is met:

(i) Twelve (12) points for Applications which include voluntary Eligible Hard Costs plus acquisition costs included in Eligible Basis that are less than \$109.20 per square foot;

(ii) Twelve (12) points for Applications which include voluntary Eligible Hard Costs plus acquisition costs included in Eligible Basis that are less than \$141.96 per square foot, located in an Urban Area, and that qualify for 5 or 7 points under subsection (c)(4) of this section, related to Opportunity Index; or

(iii) Eleven (11) points for Applications which include voluntary Eligible Hard Costs plus acquisition costs included in Eligible Basis that are less than \$141.96 per square foot.

9% Tax Credit Ceiling & Total Units Financed 2012-2019, State of Texas



* Federal legislation increased state's 9% LIHTC allocation by 12.5%

** Total Units based on priority Applications in latest log

- While Texas' 9% LIHTC ceiling has increased by 61.71% 2012-2019, the estimated Total Unit (Low Income Units and market rate Units) production has increased only 12.66%.

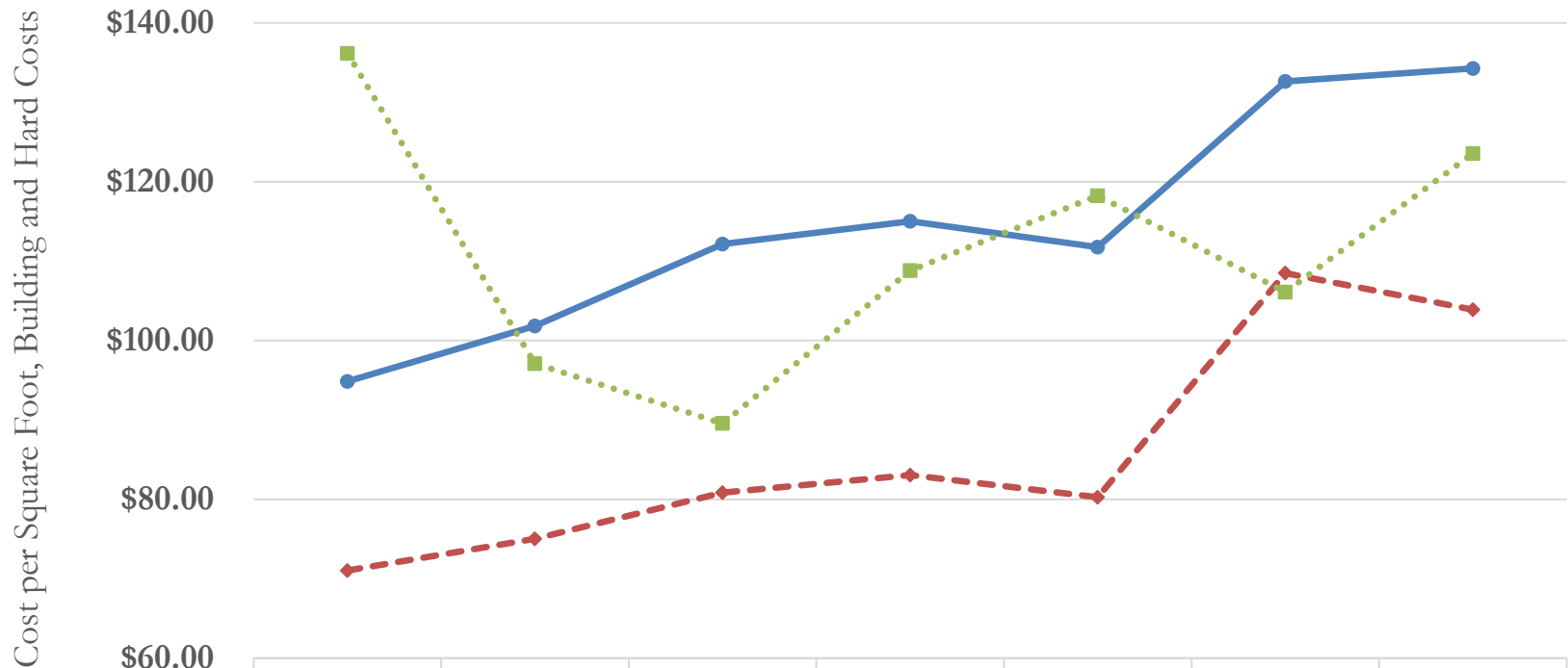
10 TAC §11.9(e)(2) scoring requirements for the 9% LIHTC in the QAP, 2014-2019

- The values below are the highest per square foot values that a Development can reach on either Building Costs or Hard Costs in order to get the **highest score possible, which is currently 12 points**.
- There has been a **“high cost” adjustment** in the QAP since 2014, which is applicable to the majority of 9% LIHTC Developments.
- While the costs / square foot have not changed much 2014-2019, the methodology for calculating the cost / square foot **fundamentally changed in 2017**. Starting then, the scoring item was based on **“voluntary Eligible Basis”** as opposed to Total Development Cost.
- Note that 10 TAC §11.9(e)(2)’s use of **the terms ‘Building Costs’ and ‘Hard Costs’ are slightly different from 10 TAC §11.1(d), Definitions**, in the following way: “For purposes of this scoring item, Eligible Building Costs will be defined as Building Costs includable in Eligible Basis for the purposes of determining a Housing Credit Allocation. Eligible Building Costs will **exclude structured parking or commercial space** that is not included in Eligible Basis, and Eligible Hard Costs will **include general contractor overhead, profit, and general requirements.**”

Eligible Building Cost per Square Foot, Scoring Limits Texas QAP, 2014-2019						
	2014	2015	2016	2017*	2018	2019
New Construction	\$70.00	\$70.00	\$70.00	\$72.80	\$72.80	\$76.44
High Cost New Construction**	\$75.00	\$75.00	\$75.00	\$78.00	\$78.00	\$81.90
*10 TAC §11.9(e)(2) moves from Total Development Cost / square foot to voluntary Eligible Basis / square foot						
** Defined as elevator served, 75% single family design, Supportive Housing, or Urban Area and qualifies under 10 TAC §11.9(c)(4)						

Eligible Hard Cost per Square Foot, Scoring Limits Texas QAP, 2014-2019						
	2014	2015	2016	2017*	2018	2019
New Construction	\$90.00	\$90.00	\$90.00	\$93.60	\$93.60	\$98.28
High Cost New Construction**	\$100.00	\$100.00	\$100.00	\$104.00	\$104.00	\$109.20
Acq/Rehab & Adaptive Reuse	\$100.00	\$100.00	\$100.00	\$104.00	\$104.00	\$109.20
Acq/Rehab & Adaptive Reuse (urban area, Opportunity Index)	\$130.00	\$130.00	\$130.00	\$135.20	\$135.20	\$141.96
*10 TAC §11.9(e)(2) moves from Total Development Cost / square foot to voluntary Eligible Basis / square foot						
** Defined as elevator served, 75% single family design, Supportive Housing, or Urban Area and qualifies under 10 TAC §11.9(c)(4)						

Average Building & Hard Costs per Square Foot by Construction Type and Year State of Texas, 2012-2018



	2012	2013	2014	2015	2016	2017	2018
—●— NC Hard Cost/sqft	\$94.86	\$101.83	\$112.14	\$115.02	\$111.77	\$132.62	\$134.27
-◆- NC Building Cost/sqft	\$71.04	\$75.05	\$80.84	\$83.08	\$80.28	\$108.49	\$103.88
··■·· Acq/Rehab Hard Cost/sqft	\$136.18	\$97.11	\$89.56	\$108.83	\$118.25	\$106.09	\$123.56

- If available, cost data and NRA are based on the Development’s Cost Certification. If unavailable, cost data is based on the Development’s most recent G702 as of Q1-Q2 2019 and NRA is based on the Application’s original value.
- 2018 New Construction cost estimates are based on an analysis of 21 Developments. 2018 Acq/Rehab data is too preliminary to tell a full picture, as it only includes one Development.

Statutory Changes to the QAP from the 86th Legislative Session

HB 1973

AN ACT

relating to the system by which an application for a low income housing tax credit is scored.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2306.6710, Government Code, is amended by adding Subsection (g) to read as follows:

(g) If no written statement is received for an application under Subsection (b)(1)(J), the department shall use the maximum number of points that could have been awarded under that paragraph to increase the maximum number of points that may be awarded for that application under Subsection (b)(1)(B). If awarding points under Subsection (b)(1)(B)(iii), the department shall reallocate the points from the scoring category provided by Subsection (b)(1)(J) equally between the political subdivisions described by Subsection (b)(1)(B)(iii). In awarding points transferred under this subsection from the scoring category provided by Subsection (b)(1)(J) to the scoring category provided by Subsection (b)(1)(B), the department shall award:

(1) positive points for positive resolutions adopted;

(2) negative points for negative resolutions adopted; and

(3) zero points for neutral resolutions adopted.

SECTION 2. The change in law made by this Act applies only to an application for low income housing tax credits that is submitted to the Texas Department of Housing and Community Affairs during an application cycle that is based on the 2020 qualified allocation plan or a subsequent plan

adopted by the governing board of the department. An application that is submitted during an application cycle that is based on an earlier qualified allocation plan is governed by the law in effect on the date the application cycle began, and the former law is continued in effect for that purpose.

SECTION 3. This Act takes effect September 1, 2019.

QAP Implementation:

1. If a Representative provides input, 10 TAC §11.9(d)(5), Community Support from a State Representative, continues to apply.
 - a. 8 positive points for a statement of support.
 - b. 8 negative points for a statement of opposition.
 - c. 0 points for neutral letters or letters that do not specifically refer to the Development.
2. If a Representative does not provide input—i.e., no written statement is received under Subsection (b)(1)(J) of Tex. Gov't Code Chapter 2306—then the eight (8) possible points transfer to 10 TAC 11.9(d)(1), Local Government Support, which by itself is worth 17 points. Thus, the best possible score for 10 TAC 11.9(d)(1) becomes 25 points if the above conditions are met.
 - a. If the jurisdiction(s) passes a resolution of support, 25 positive points.
 - b. If the jurisdiction(s) passes a resolution of opposition, negative 25 points.
 - c. If the jurisdiction(s) passes a resolution of neutrality, no points.

SB 493 (implementation in the 2020 QAP)

(b) Two Mile Same Year Rule (Competitive HTC Only). As required by Tex. Gov't Code §2306.6711(f), staff will not recommend for award, and the Board will not make an award to an Application that proposes a Development Site located in a county with a population that exceeds one million if the proposed Development Site is also located less than two linear miles from the proposed Development Site of another Application within said county that is awarded in the same calendar year, [unless an Application is located in an area that meets the requirements of Tex. Gov't Code §2306.6711\(f-1\), which exempts any municipality with a population of two million or more where a federal disaster has been declared and the governing body of the municipality containing the Development has by vote specifically authorized the allocation of housing tax credits for the Development and the governing body is authorized to administer disaster recovery funds as a grant recipient](#) If two or more Applications are submitted that would violate this rule, the lower scoring Application will be considered a non-priority Application and will not be reviewed unless the higher scoring Application is terminated or withdrawn.

Qualified Residential Rental Project Bonds, State of Texas

Discuss **SB 1474**, which relates to private activity bonds allocated for affordable rental housing and makes changes in how the Bond Review Board handles applications and reservations for bond-credit deals.

Direct Loan 2020 Rule and NOFA, Discussion Questions

- Environmental clearance documentation continuing to be required within 90 days of Board approval for deals awarded HOME, NHTF, or NSP1 PI (same as 2019: 10 TAC 13.11(c)).
- Changes in first lien loan amount/ annual repayment amount from award underwriting to loan closing underwriting (10 TAC 13.8(b)).
- Potentially take TCAP RF out of SH/SR set-aside and put into General and/or Preservation set-aside with TCAP RF prioritized for bond deals where TDHCA is issuer to mitigate against oversubscription that impacted 2019 9%-layered deals in PJs. Only NHTF available in SH/SR set-aside in 2020 with NHTF potentially being able to be used for both New Construction and Rehab.
- Limited amount of HOME funds available in 2020 as a result of potentially awarding ~\$20 million in HOME to 2019 9%-layered HOME deals.
- Only one application received under Preservation set-aside. Get rid of this set-aside in 2020?
- More limits on deals being able to come back for Direct Loan funds after having already received Department funding.
- Funky deals: historic credits and condo declarations and the complications that can arise from layering Direct Loan funds.
- Predevelopment funding – potentially change application requirements to get more applicants?
- Potential training and webinar topics.