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The Low-Income Housing Tax Credit (LIHTC or HTC) program is responsible for creating more affordable rental units than any other source of federal funding. HTC administrators, typically state housing finance agencies, outline the scoring criteria that determine which tax credit projects are awarded funding in a document called the Qualified Allocation Plan (QAP). The QAP lays out a rubric for eligibility and scoring of project proposals. By shaping the eligibility and scoring system, the QAP determines where tax credit properties are located, how affordable they are, and whether they decrease segregation and provide access to opportunity for low-income families. The State of Texas facilitates an annual engagement process for making changes to the QAP; however, developer voices and interests severely outweigh tenant and tenant advocate voices throughout the process.

The following report outlines key topics of discussion during this year’s QAP development cycle and provides research and data analysis to provide context and clarify the impact of specific policies. For each topic, we make data- and research-informed recommendations for Texas’ state housing agency, the Texas Department of Housing and Community Affairs (TDHCA), regarding their approach to QAP changes. While topics presented in this report appeared during this year’s QAP development process, the annual update cycle means that these changes can be considered again next year. The release of this report provides TDHCA staff, developers, advocates, and tenants time to review proposals and identify priorities for the 2025 QAP development cycle.
**High level recommendations:**

- Increase Availability of Deeply Affordable Units
  - Add a Tiebreaker for More Units and Deeper Affordability
  - Award Larger Projects with More Deeply Affordable Units
  - Keep the State Housing Tax Credit Focused on Deeply Affordable Units
  - Increase Availability of Deeply Affordable Units for Unsubsidized Tenants
- Build New Projects Close to Existing Ones Only in High-Opportunity Areas
- Support Eviction Prevention Policies
- Reduce Barriers to Accessing Supportive Housing
- Reduce Tenant Vulnerability to Hazards
- Increase Transparency and Involvement with Tenants in Rehabilitation Properties

The final section of this report details what occurred during the 2024 QAP development process. The final 2024 QAP was approved by the Governor on December 1, 2023, and is available on TDHCA’s website: [https://www.tdhca.state.tx.us/multifamily/docs/24-QAP-10TAC-Ch11.pdf](https://www.tdhca.state.tx.us/multifamily/docs/24-QAP-10TAC-Ch11.pdf)

Additional information about past and future TDHCA Governing Board meetings, including transcripts, agendas (Board Books), and links to streaming video of ongoing meetings, can be found on TDHCA’s Board Meeting Information Center: [https://www.tdhca.state.tx.us/board/meetings.htm](https://www.tdhca.state.tx.us/board/meetings.htm)

Reach out to Texas Housers’ Research Analyst Sidney Beaty at sidney@texashousing.org to learn more about how you can get involved in making HTC properties in Texas as effective as possible at providing housing and serving the needs of low-income Texans.
HOUSING TAX CREDIT PROGRAM AND QAP
BASICS

What are Housing Tax Credits and why are they important?

The Low-Income Housing Tax Credit program (LIHTC, pronounced “lie-tech,” or HTC) is one of the most important tools for creating affordable rental housing in Texas. Since the mid-1990s, the Texas HTC program has supported the construction or rehabilitation of more affordable rental units than any other single program targeting affordable housing in the state. Over 300,000 households live in over 2,500 HTC properties across the state.* There are two types of tax credits available through the HTC program: 9% and 4% credits. The 9% credits come with a larger subsidy, are allocated through a highly competitive process, and primarily fund new construction of multifamily properties. The 4% credits are considered non-competitive, are layered with other subsidies like tax-exempt bonds, and make up the bulk of tax credit awards for rehabilitation of multifamily properties.†

The Texas Department of Housing and Community Affairs (TDHCA) is the state agency that administers the Texas HTC program and allocates tax credits made available by the Internal Revenue Service (IRS). TDHCA awards tax credits to private developers of affordable rental housing projects. Developers generally sell the credits to private investors to obtain funding for the development of affordable housing. Although the process is somewhat complicated, the result is

*Per TDHCA’s most recent Property Inventory as of November 9, 2023, TDHCA’s HTC portfolio includes about 2,700 properties with 320,000 low income units.
†Per HTC award logs from 2018-2023, 61% of rehabilitation/reconstruction awards are 4% HTC. There are few 9% HTC rehabilitation awards (12% of all awards). Almost half of all HTC awards (46%) fund new construction, 9% HTC properties.
that tax credits make low-income housing development and rehabilitation possible that would not be possible with private funds alone.

Many types of rental properties can be built under HTC, including apartment buildings, single-family dwellings, townhouses, and duplexes, though almost all HTC awards go to larger multifamily developments. In order for a developer to qualify for the HTC program, they must agree to make the development affordable for low-income renters. There are 3 ways that a developer can make their development affordable:

1. At least 20% of the project’s units are occupied by tenants with an income of 50% or less of area median income adjusted for family size, commonly referred to as Area Median Income (AMI).
2. At least 40% of the units are occupied by tenants with an income of 60% or less of AMI.
3. At least 40% of the units are occupied by tenants with income averaging no more than 60% of AMI, and no units are occupied by tenants with income greater than 80% of AMI.

While federal statute sets basic requirements for HTC, the scoring and selection of specific HTC developments are left up to HTC administrators, which are typically state agencies. HTC administrators must draft a plan that describes the criteria and housing priorities used to determine how tax credits are allocated. This plan is called the Qualified Allocation Plan (QAP). In Texas, the QAP is shaped by state statute and describes HTC program rules as approved by the TDHCA’s Governing Board and the Governor of Texas and codified in Texas Administrative Code (TAC). TDHCA writes and updates the QAP within this legal framework with input opportunities from the public. In practice, most input is provided by developers, rather than low-income tenants or other stakeholders.
What does the QAP do and why is it important?

Federal law requires each state agency that allocates tax credits to have a Qualified Allocation Plan, or QAP. The QAP sets the state’s eligibility priorities and criteria for awarding federal tax credits to developers, including the criteria by which tax credit housing proposals are scored. The tax credit program can be highly competitive, and the difference of even a point or two can mean success or failure in being awarded these competitive tax credits. For example, ten out of 14 successful 2023 applications in urban regions 3 and 6 (the Dallas and Houston areas respectively) had the same score.\(^6\)

The QAP is extremely important because it determines which affordable housing developments are awarded. This competitive process incentivizes and shapes features of the development such as the level of affordability, how long the housing must remain affordable, and the on-site amenities provided for tenants.* It also includes provisions to encourage the participation of nonprofit developers and to encourage the development of units with additional supportive services for tenants with specific needs (e.g., people experiencing homelessness, people with disabilities, youth aging out of foster care, etc.).

Additionally, the QAP guides the location of new development, a crucial consideration to ensure that Texas is not creating or reinforcing segregated areas of poverty by only selecting developments in certain areas. HTC developments have historically trended toward lower-income areas,\(^7\) but an effective QAP can push back on this by incentivizing development in higher-income, high opportunity areas that are close to desirable amenities. Under the 2024 QAP, a development can be ineligible if it is in a high poverty, high crime, low quality school area; in an area that already has HTC units; or is near certain undesirable features like junkyards, solid waste facilities, active railroad tracks, etc.

*Rent Levels of Tenants provision, 10 TAC §11.9(c)(2), gives developments up to 13 points for providing units affordable to households with incomes at or below 30% AMI. Extended Affordability provision, 10 TAC §11.9(e)(5), gives developments two points for a 35-year affordability period, three points for 40 years, or four points for 45 years Common Amenities, 10 TAC §11.101(b)(5), describes the amenities developments can include for points and the point thresholds for different size developments.
heavy industry, oil refineries, etc. These eligibility rules affect both the 9% and 4% programs.

Location of housing has significant links to health, education, and income. Excessive noise can cause anxiety, headaches, or hypertension, while lack of green space can result in poor physical fitness. Air pollution increases the number of emergency room admissions, particularly for respiratory issues, and asthma rates.

The QAP includes additional provisions that dictate the points available in the 9% competition based on development location. Sections of the QAP where developers can score points heavily influence which places and development opportunities attract the attention of HTC applicants. The QAP provides points for developments in “high opportunity” areas (near grocery stores, parks, quality schools, healthcare facilities, public transit, child care facilities, libraries, etc.), in areas that do not have HTC developments, and areas close to jobs. Of the 54 new 9% awards in 2023, 40 (74%) had a total score between 164 and 174 points. About half of those (18 applications) had a total score of either 169 or 170. The Opportunity Index, Underserved Areas, and Proximity to Job Areas alone account for 16 points in the 2024 QAP. Location characteristics are a significant factor given such tight competition.

The geography of where this housing is built matters, and the QAP drives the location of HTC units. Prioritization of opportunity and deconcentration of subsidized affordable housing increase the share of tax credit housing in low-poverty neighborhoods. Including explicit points for transit accessibility have been shown to significantly increase the probability of a property being located near a transit stop. The QAP has a significant impact on the lives of HTC tenants and deserves public attention.

*The Opportunity Index (10 TAC §11.9(c)(5)), Underserved Areas (10 TAC §11.9(c)(6)), and Proximity to Jobs (10 TAC §11.9(c)(7)) provisions of the QAP respectively.
†Maximum seven points from Opportunity Index, maximum of five points from Underserved, and maximum of four points from Proximity to Job Areas.
How QAP Changes are Made and the Need for Tenant Perspectives

TDHCA typically hosts annual roundtables and workgroups in the spring each year to discuss possible changes to the QAP and new ideas TDHCA may be exploring. These events tend to be in-person events held in Austin and the main participants at these roundtables are developers; there is very little tenant or advocate representation. TDHCA monthly board meetings are another opportunity for community members, including tax credit property tenants, to have their voices heard. However, these events usually happen in the middle of a weekday when many of these tenants are working. They occur mostly in-person in Austin and do not typically offer an opportunity for virtual participation.

The primary purpose of the Texas HTC program should be to provide low-income Texans with affordable housing that is safe and sanitary in good neighborhoods. Unfortunately, there are too few low-income Texans who actually have a say in decision-making for this important program. It is critical to provide more opportunities and reduce barriers for advocacy from low-income tenants so that their input is valued and used to help advance the goals of this program. TDHCA must ensure that tax credits are used for the public benefit and that all Texans, no matter their income, have a chance to live in safe housing, close to high performing schools, in good neighborhoods.
RESEARCH AND RECOMMENDATIONS

The following section provides an overview of research relevant to key HTC issues during the 2024 QAP development cycle and Texas Housers’ recommendations to address those issues.

Increase Availability of Deeply Affordable Units

This section details four recommendations designed to increase the availability of HTC units affordable to households with incomes at or below 30% AMI:

- Add a Tiebreaker for More Units and Deeper Affordability
- Award Larger Projects with More Deeply Affordable Units
- Keep the State Housing Tax Credit Focused on Deeply Affordable Units
- Increase Availability of Deeply Affordable Units for Unsubsidized Tenants

Add a Tiebreaker for More Units and Deeper Affordability

With the competitive process of the 9% HTC program, it is not uncommon that multiple proposals have the same score. TDHCA uses tiebreakers to determine which project is awarded in these scenarios. The 2023 QAP tiebreaker first considered if the applicant development was in an area with less than 20% poverty. If the tie persisted, then the development in the tract with the highest rent burden won. If the tie still persisted, the winner was the development that had the furthest linear distance from the nearest HTC development that served the same target population. For non-USDA funded properties, the 2024 QAP replaced the first two tiebreakers with a single tiebreaker that considers the shortest linear distance to three out of four beneficial amenities for HTC tenants (parks, elementary schools, grocery stores, and public libraries).

What does the research say?

The National Low Income Housing Coalition’s annual Gap Report breaks down the need for housing units across the country at different levels of affordability. The 2023 Gap Report, like prior reports, shows that the shortage of housing is most severe at the lowest household income levels. In Texas, there are just 25 affordable and available homes per 100 renter households at or below 30% AMI.
and 44 homes per 100 households at or below 50% AMI.\textsuperscript{13} As Table 1 shows, major Metropolitan Statistical Areas (MSAs) in Texas have even fewer deeply affordable units available for those who need them.

**Table 1: Affordable and Available Rental Units per 100 Households (Texas)**

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Texas</th>
<th>Austin MSA</th>
<th>Dallas MSA</th>
<th>Houston MSA</th>
<th>San Antonio MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>At or Below 30% AMI</td>
<td>25</td>
<td>16</td>
<td>16</td>
<td>19</td>
<td>33</td>
</tr>
<tr>
<td>At or Below 50% AMI</td>
<td>44</td>
<td>42</td>
<td>37</td>
<td>40</td>
<td>41</td>
</tr>
<tr>
<td>At or Below 80% AMI</td>
<td>95</td>
<td>97</td>
<td>94</td>
<td>95</td>
<td>98</td>
</tr>
<tr>
<td>At or Below 100% AMI</td>
<td>104</td>
<td>101</td>
<td>105</td>
<td>106</td>
<td>107</td>
</tr>
</tbody>
</table>


The HTC program is the nation’s largest affordable housing program. It outpaces US Department of Housing and Urban Development (HUD) public housing and project based rental assistance programs, both of which target deeper affordability and provide housing for the lowest income households. The Gap Report finds that the rate of severe cost burden among the lowest income households in a given metropolitan area is significantly impacted by the share of rental housing that is HUD-assisted.\textsuperscript{14} There is a clear need for deeply affordable housing to serve our state’s most vulnerable renters.

Often, the HTC program “reach[es] the poor, but not the poorest.”\textsuperscript{15} Increasing the number of 30% AMI units in HTC properties can help increase housing access for the lowest income Texans. It also supports the explicit goals of a QAP as defined by the Internal Revenue Code. The purpose of the HTC program is to build housing units affordable to households at or below 50% or 60% AMI.\textsuperscript{16} But the Internal Revenue Code defines a QAP as a plan that sets forth selection criteria and “gives preference in allocating housing credit dollar amounts among selected projects to...projects serving the lowest income tenants.”\textsuperscript{17}

*Also includes giving preference to projects with longer affordability periods, in Qualified Census Tracts, and in areas with concerted revitalization plans.
What should TDHCA do?

Given the greatest need for affordable housing for households making at or below 50% AMI, targeting units affordable to lower income households should be a paramount policy priority for TDHCA. A tiebreaker formula that prioritizes deeply affordable units would better address housing needs for extremely low-income households. Texas Housers proposed such a formula in the 2022 version of this report:

\[
(Number of 30\% \text{ Units} \times 3) + (Number of 50\% \text{ Units} \times 2) + (Number of 60\% \text{ Units} \times 1) + (Number of 80\% \text{ Units} \times 0.5)
\]

**Table 2: Tiebreaker Scores for Hypothetical Properties with Proposed Formula**

<table>
<thead>
<tr>
<th>Total Units</th>
<th>LI Units</th>
<th>Market Rate</th>
<th>Number of 30% Units</th>
<th>Number of 50% Units</th>
<th>Number of 60% Units</th>
<th>Number of 80% Units</th>
<th>Tiebreaker Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>70</td>
<td>10</td>
<td>10</td>
<td>40</td>
<td>20</td>
<td>0</td>
<td>130</td>
</tr>
<tr>
<td>150</td>
<td>120</td>
<td>30</td>
<td>10</td>
<td>55</td>
<td>40</td>
<td>15</td>
<td>187.5</td>
</tr>
<tr>
<td>120</td>
<td>80</td>
<td>40</td>
<td>40</td>
<td>30</td>
<td>10</td>
<td>0</td>
<td>190</td>
</tr>
<tr>
<td>135</td>
<td>135</td>
<td>0</td>
<td>15</td>
<td>65</td>
<td>55</td>
<td>0</td>
<td>230</td>
</tr>
</tbody>
</table>

A tiebreaker formula that scores each applicant on the number of units provided at various levels of affordability, weighting more affordable units more heavily, balances the incentivization of maximum total units with the incentivization of deep affordability. If not used as a primary tiebreaker, this formula could be included in the QAP as a backup tiebreaker.*

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*If the proposed formula is used as a backup tiebreaker, the distance to amenities tiebreaker should be adjusted to better reflect meaningful access for tenants, particularly those with disabilities:
- Consider accessibility instead of linear distance. Borrow from the language used in the current Opportunity Index park item which emphasizes the need for usable sidewalks.
- Prioritize access to quality schools. Adjust the school item to only include elementary schools with a TEA rating of A or B.
- Add healthcare facilities to better serve vulnerable tenants. Use the current Opportunity Index definition and consider the closest three out of five features.
Award Larger Projects with More Deeply Affordable Units

TDHCA staff and TDHCA Governing Board members expressed a desire throughout the 2024 QAP development process to develop a new QAP item to incentivize larger HTC properties with more units. Staff and the Board also expressed an interest in providing points for rehabilitation applications. These two ideas were combined into a single new provision in the 2024 QAP: 10 TAC §11.9(b)(3), Quantity of Low Income Units. The new item has up to three points available for urban and two points for rural applications. The points are based on how many more units the application provides above the average number of units in awarded developments from the prior two application rounds. The three point urban option is available for non-at-risk set-aside rehabilitation applications without existing subsidies.

What does the research say?
During the 2022 application cycle, the average 9%, non at-risk set-aside application had 72 total low income units and nine 30% AMI units. Urban applications get 11 points for setting aside 10% of low income units for 30% AMI and rural applications need to set aside 7.5% of low income units. In line with these incentives, urban applications create more 30% AMI units. **Table 3** provides the detailed breakdown of rent levels in awarded properties from the 2022 application round.

**Table 3: HTC Awarded Developments and Rent Schedules, 2022 Cycle**

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Awards</th>
<th>Average Low Income Units Per Award</th>
<th>Average 30% AMI Units Per Award</th>
<th>Total 30% AMI Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>At-Risk</td>
<td>18</td>
<td>51</td>
<td>6</td>
<td>105</td>
</tr>
<tr>
<td>Non At-Risk</td>
<td>43</td>
<td>72</td>
<td>9</td>
<td>379</td>
</tr>
<tr>
<td>Urban</td>
<td>32</td>
<td>78</td>
<td>10</td>
<td>322</td>
</tr>
<tr>
<td>Rural</td>
<td>11</td>
<td>54</td>
<td>5</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: TDHCA, 2022 Full Individual Applications, Rent Schedules. Does not include supplemental credits or forward commitments.
TDHCA staff proposed tackling both the need for larger properties and the need for more rehabilitation projects with the same new QAP provision. Though it is not directly related to the focus of this section on 30% AMI units, it is important to also briefly discuss the overlapping effort to include points for rehabilitation projects. There were only six 9%, non at-risk set-aside, rehabilitation applications in urban subregions from 2018 to 2023. Of those six, one was withdrawn, one terminated, one not recommended, and the remaining three were awarded.* What few qualifying rehabilitation applications there are seem relatively successful. It is not clear that this three point item would be an appropriate and effective tool to encourage more rehabilitation applications from previously unsubsidized properties.

What should TDHCA do?
TDHCA should replace the proposed three point rehabilitation item with an item that incentivizes both larger properties and more 30% AMI units. Given that the average qualifying development awarded in 2022 had about 9 units for households at 30% AMI, a 30% increase over the average would mean just 12 units at 30% AMI per property.

There is still a considerable need for rehabilitation and preservation projects, which can serve as an important tool to invest in historically disinvested communities. This need is complex, as there are considerable rehabilitation-specific issues that need to be addressed, such as inadequacy of repairs/substandard conditions and relocation processes that inconvenience and harm tenants. While the HTC program is an appropriate tool to address this need, incentivizing rehabilitation applications may be better addressed through a separate QAP item.†

*The application that was not recommended scored higher than the lowest-scoring awarded application in that subregion that year. There were also two successful reconstruction applications in this time period.
†If another policy is developed to encourage more rehabilitation applications, any prioritization for rehabilitation must ensure high-quality projects and tenant involvement in the rehabilitation and relocation processes. Points should only be available to rehabilitation properties without Undesirable Site Features and Neighborhood Risk Factors.
Keep the State Housing Tax Credit Focused on Deeply Affordable Units

HB 1058 was passed during the 2023 Texas Legislative session. The bill created a new state housing tax credit program that allocates a maximum of $25 million per year, with $5 million in the first year being allocated to developments that were awarded in past cycles. The credit must be split between 4% and 9% applications. HB 1058 specifies that TDHCA shall determine the priorities and criteria for awarding state credits through the QAP.

What does the research say?

Over half of US states have a state tax credit. Many states use their state credits to address financial feasibility or automatically award state credits without additional requirements. Administrators with additional requirements generally use one of two different mechanisms:

- Require applicants to fulfill requirements that are otherwise worth points for the federal credit application (or require they meet a point threshold).
- Administer a separate mini-competition with fewer requirements than the federal program.

Additional requirements focused on primarily a few areas:

- **Financial feasibility.** These requirements focus on credit utilization, fund leveraging, demonstrated demand/support, etc. Connecticut prioritized readiness to proceed, both Washington D.C. and Hawaii focus on financial feasibility, and Massachusetts looked at local funding support. Oklahoma’s state credit is based on state credits per unit/bedroom.

- **Additional income requirements.** Many states either require a certain percentage of low income units on top of federal requirements or make state credit awards more competition-based. New Mexico awards developments with the "number of lowest income household units as a percentage of total units" and Colorado prioritizes developments serving the lowest income tenants for the longest period.
What should TDHCA do?
Financial feasibility is not enough. Texas Housers strongly supports TDHCA’s decision to use the state credit to prioritize the number of new units for households making 30% AMI or less and recommends that this policy be maintained in future years.

Increase the Availability of Deeply Affordable Units for Tenants Without Rental Assistance

What does the research say?
HTC units reserved for households with the lowest incomes, those making at or below 30% AMI, tend to be occupied by tenants that receive additional assistance, typically Housing Choice Vouchers. A 2013 review of national tenant-level HTC data found that while 45% of HTC tenants had incomes at or below 30% AMI, 70% of those households received some additional form of federal rental assistance.

HUD and local Public Housing Authorities (PHAs) use Fair Market Rents (FMRs) to determine the payment standard amounts for the Housing Choice Voucher (HCV) Program, among other HUD-funded programs. Tenants pay 30% of the payment amount and the voucher covers the rest. If the unit rent is greater than the payment standard, the tenant has to pay to make up the difference. Table 4 shows that voucher holders do not necessarily need to occupy 30% AMI units; vouchers can cover a larger amount of rent. In the Austin-Round Rock MSA, vouchers can cover the rent for a 60% AMI unit, but not quite an 80% AMI unit.
Table 4: Austin-Round Rock MSA FMR and Travis County Rent Limits

<table>
<thead>
<tr>
<th></th>
<th>Efficiency</th>
<th>One Bedroom</th>
<th>Two Bedroom</th>
<th>Three Bedroom</th>
<th>Four Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Market Rent</td>
<td>$1,519</td>
<td>$1,635</td>
<td>$1,924</td>
<td>$2,470</td>
<td>$2,840</td>
</tr>
<tr>
<td>30% AMI Rent Limit</td>
<td>$613</td>
<td>$657</td>
<td>$789</td>
<td>$911</td>
<td>$1,016</td>
</tr>
<tr>
<td>60% AMI Rent Limit</td>
<td>$1,227</td>
<td>$1,314</td>
<td>$1,578</td>
<td>$1,822</td>
<td>$2,032</td>
</tr>
<tr>
<td>80% AMI Rent Limit</td>
<td>$1,636</td>
<td>$1,753</td>
<td>$2,104</td>
<td>$2,430</td>
<td>$2,710</td>
</tr>
</tbody>
</table>

Source: HUD, FY 2024 Austin-Round Rock FMRs; TDHCA, Rent and Income Limit Tool as of 5/15/23.

One reason for placing voucher holders in more deeply affordable units is that this requires a smaller voucher subsidy, which in turn allows more households to receive vouchers. The subsidy required at different income levels can vary depending on the area the voucher holder lives in. Table 5 shows that moving a voucher holder into a slightly more expensive unit costs less money in areas with cheaper FMRs, such as more rural areas.

Table 5: Rent Limits for Three-Bedroom Units by County

<table>
<thead>
<tr>
<th></th>
<th>Travis County</th>
<th>Montgomery County</th>
<th>Cameron County</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI</td>
<td>$911</td>
<td>$727</td>
<td>$589</td>
</tr>
<tr>
<td>50% AMI</td>
<td>$1,518 (+$607)</td>
<td>$1,211 (+$484)</td>
<td>$981 (+$392)</td>
</tr>
<tr>
<td>60% AMI</td>
<td>$1,822 (+$304)</td>
<td>$1,454 (+$243)</td>
<td>$1,178 (+$197)</td>
</tr>
<tr>
<td>80% AMI</td>
<td>$2,430 ($608)</td>
<td>$1,939 (+$485)</td>
<td>$1,571 ($393)</td>
</tr>
</tbody>
</table>

Source: HUD, FY 2024 Austin-Round Rock FMRs; TDHCA, Rent and Income Limit Tool as of 5/15/23.
What should TDHCA do?
TDHCA should set a limit on a property’s ability to fill 30% AMI units with voucher holders, particularly in rural areas where the difference between rent limit levels is smaller and using vouchers on higher-rent units would have a smaller impact on voucher funding. Such a shift would make more deeply affordable units available to very low income tenants who do not have vouchers while ensuring the tax credit program continues to serve voucher holders. TDHCA should also work with properties to enact this where possible for vouchers they administer as a PHA.

TDHCA has expressed that such a policy would fall under Tenant Selection Criteria, a separate section of TAC than the QAP. However, the requirement to limit voucher holders in deeply affordable units should first be introduced as a scoring element in the QAP, then included in the Land Use Restriction Agreement (LURA) (the contract that outlines a property’s responsibilities under the HTC program), then integrated into the Tenant Selection Criteria section of TAC. This process is normally used to set requirements above and beyond federal mandates. For example, the Rent Levels of Tenants section of the QAP awards points for income and rent restrictions beyond federal requirements. This section of the QAP could be used to limit voucher holders in deeply affordable units. Language would need to be carefully developed so as to not exclude voucher holders in the rare scenario where only 30% AMI units are available.
Build New Projects Close to Existing Ones Only in High-Opportunity Areas

Discussions during the 2023 QAP development cycle (that took place in 2022) and at the 2023 Texas Legislature touched on two different sections of the QAP that attempt to deconcentrate the location of HTC housing. HTC De-Concentration Factors affect eligibility of both 4% and 9% applications, while Underserved affects the number of points a 9% application receives. The 2024 QAP development cycle focused almost exclusively on the latter. Underserved fulfills Tex. Gov’t Code §2306.6725(b)(2), which requires TDHCA to provide scoring incentives to applicants who agree to locate their developments “in a census tract in which there are no other existing developments supported by housing tax credits.” Applications can earn up to five points for locating their developments in tracts without prior HTC awards.

Table 6 summarizes the major changes to Underserved in the final 2024 QAP. The most significant change was to the “flower petal” provision, which awards 5 points for being in a tract with no recent HTC awards surrounded by tracts that similarly do not have recent HTC awards. The new provision lowers population thresholds and expands the areas eligible for points. One key TDHCA staff proposal that did not make it beyond the roundtable stage was a six point item for developments in census tracts (1) without awards in the past three years, (2) with high median income, and (3) with access to high quality schools.*

In recent years, developers have pushed to loosen these deconcentration provisions, claiming that rules drive development towards an increasingly smaller number of census tracts which in turn drives up land costs and harms project financial feasibility. Advocates argue that in the absence of deconcentration rules, developers seek to lower costs by locating developments in cheaper, higher poverty, lower opportunity neighborhoods.

* The proposed six point item can be seen in the Preliminary Draft 2024 QAP, but was already deleted in track changes: https://www.tdhca.state.tx.us/multifamily/docs/24-QAP-DRAFT.pdf, p. 73.
Table 6: Underserved Provisions in the QAP Relating to HTC Concentration

<table>
<thead>
<tr>
<th>TAC</th>
<th>2023 QAP</th>
<th>2024 QAP</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>§11.9(c)(6)(F) (flower petal/flower provision)</td>
<td>Within a tract that is wholly within a place with a population of at least 100,000 and the tract and all contiguous tracts do not have another development awarded less than 10 years ago.</td>
<td>Within an urban place or the place’s Extraterritorial Jurisdiction (ETJ) with a population of at least 50,000 or 10,000 for a rural place, and the tract and all contiguous tracts do not have another development awarded less than 10 years ago. Can be in the same area as another development that serves a different target population.</td>
<td>5</td>
</tr>
<tr>
<td>§11.9(c)(6)(C)</td>
<td>Within a tract that does not have another development awarded less than 30 years ago.</td>
<td>Mostly unchanged, but can now be in the same tract as another development that serves a different target population.</td>
<td>4</td>
</tr>
<tr>
<td>§11.9(c)(6)(D)</td>
<td>Within a tract that does not have another development awarded less than 15 years ago.</td>
<td>Unchanged.</td>
<td>3</td>
</tr>
<tr>
<td>§11.9(c)(6)(E)</td>
<td>Within a tract that does not have another development awarded less than 10 years ago.</td>
<td>Unchanged.</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: HUD, FY 2024 Austin-Round Rock FMRs; TDHCA, Rent and Income Limit Tool as of 5/15/23.
What does the research say?

High-poverty, low-opportunity neighborhoods are harmful to tenant well-being. Residents of high-poverty neighborhoods have poorer health outcomes and self-rated health than those in low-poverty neighborhoods. Neighborhood poverty during childhood also negatively impacts high school graduation rates and annual earnings. Children who moved to lower-poverty neighborhoods when they were young experienced improved college attendance rates and earnings, were more likely to live in better neighborhoods as adults, and were less likely to become single parents. Growing up in a high-poverty neighborhood can even inhibit self-control.

Limiting the concentration of affordable housing in QAPs has been found to be associated with HTC awards in low-poverty neighborhoods. While financial feasibility is a legitimate concern, deconcentration is a key tool used to expand neighborhood choice for low-income tenants. Changes to De-Concentration factors or Underserved provisions, whether through legislative action or QAP rule updates, should be careful not to undermine this primary goal when attempting to improve financial viability. It is critical to approach changes to these rules holistically and with a nuanced understanding of the interplay between the rules and their impact.

Underserved focuses on long-term competitiveness and concentration over time. More recent HTC cycles have improved in awarding developments in lower-poverty areas, but long-term, ongoing concentration is still a concern. There are many high-opportunity tracts that do not have active HTC properties. Figures 1 and 2 show that there are still many high income, majority white tracts that have not received recent HTC awards in Houston, TX, especially in the so-called “Houston Arrow.”
Figure 1: HTC Awards and Tract Income

Source: TDHCA Property Inventory as of November 2023 and 2017-2021 ACS 5-year Estimates.
Figure 2: HTC Awards and Tract Race/Ethnicity

Source: TDHCA Property Inventory as of November 2023 and 2017-2021 ACS 5-year Estimates.
Multiple factors impact the lack of HTC awards in high opportunity areas. Land is more expensive, and zoning and land use restrictions more exclusive. There is also the issue of local approval. All 4% HTC applications are required to secure a resolution of support from the local government in order to receive funding. The QAP gives 9% HTC applications between negative eight and eight points for community support in the form of either a letter from a state representative or, if the state representative sends no letter, a resolution of support from the local governing body. Neutral letters are effectively vetoes as they preclude the application from making up points with a governmental resolution of support. Table 7 shows that applications that receive representative letters of support tend to be less white and have higher poverty rates.

Table 7: Average Population By Score for Representative Support, 2018-23

<table>
<thead>
<tr>
<th></th>
<th>-8 (letter of opposition)</th>
<th>0 (neutral letter)</th>
<th>8 (letter of support)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share White, Not Hispanic</td>
<td>47.3%</td>
<td>21.1%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Share Below Poverty</td>
<td>10.4%</td>
<td>10.2%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Count</td>
<td>5</td>
<td>6</td>
<td>321</td>
</tr>
<tr>
<td>Awarded</td>
<td>2</td>
<td>1</td>
<td>264</td>
</tr>
</tbody>
</table>

Source: ACS 2017-2021 5-yr estimates and most recently available Application Logs, Award Waiting Lists, and Community Support from Representative records from TDHCA, 2018-2023. Does not include scattered site properties located in multiple cities or census tracts. Some applications that received letters of opposition or neutral letters did not submit a full application and were not included in the dataset.

TDHCA began to allow applicants without a letter from their representative to instead submit a resolution of support from the local government in the 2020 QAP. This change came shortly after the issue of representative vetoes was mentioned as a basis for identifying “Not In My Backyard Syndrome” (NIMBYism).
as the state’s number one impediment to fair housing.\textsuperscript{31} Since this provision was introduced, most applications that do not receive representative letters of support, neutrality, or opposition pick up points for local government support. Table 8 shows that even with this secondary option, applications that receive letters or resolutions of support tend to be less white and have higher poverty rates.

**Table 8: Average Population By Total Score for Community Support, 2018-23**

<table>
<thead>
<tr>
<th></th>
<th>-8</th>
<th>0</th>
<th>4</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share White, Not Hispanic</td>
<td>47.3%</td>
<td>39.5%</td>
<td>45.4%</td>
<td>37.4%</td>
</tr>
<tr>
<td>Share Below Poverty</td>
<td>10.4%</td>
<td>11.7%</td>
<td>14.4%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Count</td>
<td>5</td>
<td>19</td>
<td>2</td>
<td>503</td>
</tr>
<tr>
<td>Awarded</td>
<td>2</td>
<td>11</td>
<td>2</td>
<td>388</td>
</tr>
</tbody>
</table>

Source: ACS 2017-2021 5-yr estimates and most recently available Application Logs, Award Waiting Lists, and Community Support from Representative records from TDHCA, 2018-2023. Does not include scattered site properties located in multiple cities or census tracts. Some applications that received letters of opposition or neutral letters did not submit a full application and were not included in the dataset.

In many cases, local decision-makers are only willing to support elderly-only HTC properties in high income, majority white neighborhoods. For example, HTC properties in first income quartile income, majority white tracts in Grand Prairie, Beaumont, Lufkin, Waco, and Plano are all elderly-only properties. This is an ongoing issue. In addition to the places mentioned, College Station and Tyler have followed the same patterns since 2017, and over half of HTC units awarded in high income, majority white tracts in Houston since 2017 have been in elderly-only properties.
In the absence of external issues like cost and approval, the current QAP should push HTC development into higher opportunity areas. Changing Underserved does not address the underlying issue of exclusivity, it only makes it easier to ignore.

As noted previously, HTC location patterns have improved. HTC units in more recently awarded developments are more likely to be located in lower poverty neighborhoods than those in developments awarded in the past. Figure 3 shows a visible increase in the share of units in properties awarded in low poverty neighborhoods over time.*

Figure 3: Low Income HTC Units by Award Year

Source: TDHCA Property Inventory as of November 9, 2023; ACS 2017-2021 5-yr estimates.

*Low poverty is defined as below the statewide share of residents below the poverty level, 14.7%. High poverty is defined as above the statewide share.
Recent reports on this improvement use these findings to support the claim that HTC does not concentrate poverty or further racial concentration. However, focusing on recent improvements ignores the fact that overall most HTC units in Texas are still in tracts with lower incomes and fewer white residents. Focusing on recent improvements could encourage attempts to loosen deconcentration rules that would result in backsliding and further concentration of affordable housing in low opportunity neighborhoods. When looking at the full HTC portfolio in Texas, HTC units are disproportionately in lower income communities of color (shown in Table 9).

Table 9: Share of Units in White, High Income and Non-White, Low Income Tracts

<table>
<thead>
<tr>
<th></th>
<th>All Units</th>
<th>Units Since 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Top Two Income Quartiles, Majority White, Not Hispanic</td>
<td>Bottom Income Quartile, Majority Non-White</td>
</tr>
<tr>
<td>Houston</td>
<td>2.8%</td>
<td>59.6%</td>
</tr>
<tr>
<td>Austin</td>
<td>7.7%</td>
<td>43.1%</td>
</tr>
<tr>
<td>San Antonio</td>
<td>0%</td>
<td>56.4%</td>
</tr>
<tr>
<td>Dallas</td>
<td>2.6%</td>
<td>82.8%</td>
</tr>
<tr>
<td>Fort Worth</td>
<td>13.9%</td>
<td>59.9%</td>
</tr>
</tbody>
</table>

Source: TDHCA Property Inventory as of November 9, 2023; ACS 2017-2021 5-yr estimates.

Per TDHCA’s 2022 Housing Sponsor Report, the majority of Black HTC tenants live in low income communities of color, a larger share than other racial and
Despite recent progress, there are still significant and valid concerns around the location of older HTC awards and the resulting impact on tenants. The fact that Black tenants and those with incomes at or below 30% AMI are more often in lower-quality tracts raises concerns that these tenants are benefitting less from recent improvements to HTC awards than other tenants. Underserved is one of the ethnic groups.* As shown in Table 10, nearly 60% of Black HTC tenants live in low income communities of color compared to 35% of all Black Texans.

**Table 10: Share of Households by Race in White, High Income and Non-White, Low Income Tracts**

<table>
<thead>
<tr>
<th></th>
<th>All Units</th>
<th></th>
<th>Units Since 2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Top Two Income Quartiles, Majority White, Not Hispanic</td>
<td>Bottom Income Quartile, Majority Non-White</td>
<td>Top Two Income Quartiles, Majority White, Not Hispanic</td>
<td>Bottom Income Quartile, Majority Non-White</td>
</tr>
<tr>
<td>Black/African American (inc. Hispanic)</td>
<td>5.9%</td>
<td>59.6%</td>
<td>12.9%</td>
<td>35.3%</td>
</tr>
<tr>
<td>White (inc. Hispanic)</td>
<td>12.5%</td>
<td>43.1%</td>
<td>37.6%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Hispanic/Latin American (all races)</td>
<td>5.2%</td>
<td>51.8%</td>
<td>12.6%</td>
<td>29.8%</td>
</tr>
<tr>
<td>Total</td>
<td>10.4%</td>
<td>47.6%</td>
<td>30.6%</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

Source: 2022 TDHCA Housing Sponsor Report; TDHCA Property Inventory as of November 9, 2023; ACS 2017-2021 5-yr estimates.

*Housing Sponsor Report data is self-reported by properties and TDHCA does not correct or alter self-reported property data. Some properties do not respond to requests for data or do not provide all data requested.
the most important tools for avoiding long-term concentration and maintaining progress in HTC neighborhood quality.

What should TDHCA do?
The 2024 QAP’s new language, which allows points in a tract with an existing property that serves a different target population, should open high-opportunity tracts for general population developments where only elderly HTC developments existed previously. However, these incentives could also concentrate development in lower-income areas. For example, this language could incentivize the development of senior developments in low-income areas with existing general population developments. TDHCA should consider and weigh the potential upsides of this change against the possible downsides, and model or map the outcome in future award cycles.

Developers’ concerns and desire to open more areas for development are understandable. The proposed changes to the flower petal item will increase the areas eligible for Underserved points. However, the lower population thresholds and language allowing properties on the outskirts of cities (ETJs) may have the effect of pushing HTC developments into the periphery, where land is cheaper but access to amenities, services, and jobs is poorer, which creates fair housing concerns. TDHCA should reinstate the proposed-and-removed option with six points for developments in census tracts with high median income and access to high quality schools. This change will help counterbalance fair housing concerns and increase scoring opportunities in centrally located, high opportunity areas. This proposal is in line with past Texas Housers recommendations to only allow concentration in high-opportunity areas in the 2022 version of this report.
Support Eviction Prevention Policies

What does the research say?

Evictions negatively impact employment, financial stability, future housing stability, and increase the risk of homelessness. They are associated with negative health and behavioral outcomes, including mental illness, substance use, suicide, high blood pressure, and child maltreatment. Mothers and children who experience eviction are at elevated risk of material hardship, depression, and poor health outcomes. Evictions can strain households’ finances, raising monthly housing costs by 20% on average. The expense of evictions can make housing stability a cyclical problem for tenants. The negative outcomes of eviction are a civil rights issue: communities of color, particularly Black women and Black families living with children, are at greater risk of eviction.

HTC tenants can face higher rates of eviction than tenants in market rate properties. Eviction risk for HTC tenants can also increase in the years leading up to the end of the affordability period, when units can return to market rate. A 2021 study found that for-profit HTC properties without additional subsidies in Richmond, VA, had high rates of eviction. Another 2021 study on evictions in Atlanta, GA, found high rates of eviction at subsidized (primarily HTC) properties that were not restricted to elderly residents. The authors of the Atlanta study noted that the “subsidy structure” of these properties may not be “...terribly effective at addressing the unstable economic lives of many of their tenants.”

Texas Housers did an informal review of evictions in Travis County HTC properties between 2020 and 2022.* Though they are not the biggest evictors,

*Data Sources: TDHCA Property Inventory as of 9/20/22; 9,338 eviction records collected by BASTA covering 1/2/20 through 6/17/22; and a limited dataset of larger multifamily properties as of 7/13/22 was used to get the unit count and calculate the eviction rate. Final dataset contained 823 unique Austin/Travis County properties with 545 eviction records and 83 unique Travis County HTC properties with 58 eviction records. About one third (32.7%) of non-HTC rental properties in Apartment Trends’ database had eviction rates between 0% and 2%. Another third (31.8%) of these properties had eviction shares between 2% and 20%. About one in five (20.5%) HTC properties had an eviction share between 0% and 2%, whereas about one half (49.4%) of HTC props have eviction shares between 2% and 20%.
these HTC properties do evict, and in some cases more often than market-rate properties. The share of properties in our dataset that had no evictions was about the same between all properties and HTC properties. The share of all properties with low eviction rates was higher than it was for the HTC subset, and the share of all properties with higher eviction rates was slightly lower than it was for the HTC subset. However, the properties with the largest and most extreme eviction shares were not HTC properties.

Texas Housers partnered with a group of UT Austin Community and Regional Planning Program graduate students to develop recommendations to enhance eviction prevention in Texas’ QAP. The group found that nine states address eviction prevention in their state’s QAP and five of those awarded points for eviction prevention policies. The group identified Indiana’s QAP as a model for including clear requirements for eviction prevention. Indiana’s 2022 QAP added three points for an eviction prevention plan that includes: resident engagement approaches; community partnerships; connections to resources; housing retention plans; training and education for property managers and service staff; publication of tenant rights; and protocols for responding to common lease violations.

The UT Austin group identified Resident Supportive Services as a section of the QAP where a new item could provide points for eviction prevention measures. Developers expressed interest in a tenant survey to help identify priorities for Resident Supportive Services. A study of California HTC properties found that state opportunity metrics are “...not always aligned with residents’ perceptions of what makes a positive environment for themselves or their children.” A tenant survey could help ensure that changes are in line with tenant priorities.

**What should TDHCA do?**

Under the 2024 QAP’s Resident Supportive Services section, 9% HTC applicants can receive up to 11 points and 4% HTC applicants must select items worth a minimum of eight points to receive funding. Items worth points fall under the categories of transportation services, services for children, services for adults,
health services, and community services. More expensive services are worth more points (e.g., shuttles, on-site high quality pre-K and after-school programs, or classes available on-site for things like English or financial literacy) and cheaper services are worth fewer points (monthly or bimonthly events, tax preparation, external partnerships for weekly substance abuse meetings, annual health fairs, etc.).

In accordance with model practices that have been implemented in other states and cities, TDHCA should add a new provision under Resident Supportive Services that allows applicants to get points for including an Eviction Protection Plan and other tenant protections. The new “Eviction Prevention Plan” item should include the following options for points:

- 2-3 pts: Eviction Prevention Plan reviewed by TDHCA. The plan must address how the property will implement management practices that utilize eviction only as a last resort and must describe strategies that will be taken with tenants on an individualized basis to attempt to prevent evictions when issues arise. In addition to the Plan, the property must submit 1) annual eviction data to TDHCA and 2) affidavits from management acknowledging their commitment to eviction prevention measures and responsibility to collect and report data.
- 1-2 pts: 10-day waiting period for right to cure.
- 1-2 pts: Establishment of emergency rental assistance funds.
- 1-2 pts: On-site resident coordinator.

In addition, TDHCA should conduct a new tenant survey to inform both Resident Supportive Services and the Opportunity Index. TDHCA’s last tenant survey asked tenants whether specific neighborhood amenities already in the Opportunity Index were important to them. Different methodology might yield more nuanced results. For example, asking tenants to compare amenities directly to tweak point values in the Opportunity Index or allowing for more open-ended responses in the survey to get a wider variety of potentially new indicators of opportunity.
Reduce Barriers to Accessing Supportive Housing

What does the research say?
Supportive Housing is designed to serve vulnerable populations, such as people with prior evictions and criminal records, and providers should have the freedom to provide housing without additional restriction on tenants’ pasts. Such policies create barriers for the very people meant to benefit from supportive housing and can ultimately have a discriminatory effect on the basis of race. Formerly incarcerated people are more than ten times more likely to be unhoused than the general public. People experiencing and at-risk of experiencing homelessness are targeted populations for Supportive Housing under the QAP, and multiple provisions in the QAP incentivize providing housing for this population.

What should TDHCA do?
The QAP currently includes specific Tenant Selection Criteria for Supportive Housing Developments beyond what is required in other sections of TAC. The QAP requires that these developments consider certain criminal histories in a set number of past years, also known as a lookback period.

TDHCA should (1) remove the specific lookback periods and (2) remove mention of prior eviction history to align the QAP with language in other sections of TAC, which do specifically mention credit and criminal history but do not mention evictions.
Reduce Tenant Vulnerability to Hazards

What does the research say?
Vulnerable communities like those where low income HTC tenants often live have reduced capacity to prepare for, cope with, and recover from disasters. A 2021 report found that almost one third of all federally-assisted housing units were very high or relatively high risk of negative impact from natural hazards. Texas was in the top ten states for the most federally assisted units at very or relatively high risk.

Lower income residents are more likely to live in floodplains and near natural gas or coal-fired facilities, and are more vulnerable to heatwaves, extreme weather events, and environmental degradation. Disasters compound pre-existing inequities that have festered for decades and historic disinvestment increases the risk for flooding and other hazards, such as lack of proper drainage. People of color are more vulnerable at all stages of a catastrophic event. Socially vulnerable populations experience greater proportional losses, have less bridging and linking social capital, and face greater delays in receiving recovery funds. Poor communities of color disproportionately experience death and injury in natural disasters.

What should TDHCA do?
The current QAP inadequately addresses low-income tenant vulnerability to hazards.

The QAP should include more stringent criteria prioritizing and incentivizing safer locations outside of high-risk disaster areas. TDHCA should expand the QAP’s Floodplain provision to better consider other disasters (wildfires, winter storms, tornadoes, etc.) and raise the floodplain elevation requirement from 1 to 2 feet above the 100-yr floodplain or Base Flood Elevation to align with HUD funded recovery programs as well as HUD’s recently proposed rule on minimum property standards for flood hazard exposure. TDHCA should also add a one point item for developments in either “relatively low” or “very low” risk census
tracts in FEMA’s National Risk Index map.\textsuperscript{54}

The QAP can further mitigate disaster risk by adding a new point item to incentivize resilient construction materials, fire-resistant designs, and/or reinforced structures. This may require longer-term research on best practices for increasing structural resilience.
Increase Transparency and Involvement with Tenants in Rehabilitation Properties

What does the research say?
While this issue is difficult to measure through research, Texas Housers’ experiences working with tenants in properties undergoing rehabilitation have shown a clear need for better communication with residents and more tenant participation. Tenants frequently are not informed of opportunities to voice their concerns and provide input in the award and rehabilitation process. As a result, tenants have had to deal with major disruptions to their lives and their children’s lives and unplanned out-of-pocket expenses that low-income families, particularly those on fixed incomes, cannot always afford.

What should TDHCA do?
Tenants should be notified of actions regarding TDHCA-funded properties they reside in. TDHCA should amend the QAP’s Quantifiable Community Participation and Public Notifications provisions to further tenant involvement and notification regarding applications for rehabilitation funding at their properties. Quantifiable Community Participation impacts 9% HTC applications, while Public Notifications impacts both 9% and 4% HTC applications.

Language should be added to Quantifiable Community Participation to explicitly state that TDHCA considers tenant organizations to be Neighborhood Organizations. Language should be added to both Quantifiable Community Participation and Public Notifications to account for unregistered tenant groups. Finally, TDHCA should add a requirement to meaningfully notify existing tenants of rehabilitation applications. Notification should be delivered through multiple means and include clear instructions on how tenants can provide input in the HTC application process.
This section outlines major changes proposed and/or discussed during the 2024 QAP development process. These changes would apply to HTC applications in 2024. The topics discussed in this brief have been the focus of considerable attention from TDHCA staff, developers, and public officials. The following discussion provides context and background for 2024 QAP proposed changes, but may also be a useful reference for QAP updates and reforms in future years.

### Table 11: 2024 QAP Development Events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/25/23</td>
<td>First 2024 QAP roundtable.</td>
</tr>
<tr>
<td>6/16/23</td>
<td>Second 2024 QAP roundtable.</td>
</tr>
<tr>
<td>7/17/23</td>
<td>Virtual Workgroup focusing on the State Housing Tax Credit in the 2024 QAP.</td>
</tr>
<tr>
<td>8/14/23</td>
<td>TDHCA sends out an email announcing that the preliminary (or staff) draft of the 2024 QAP has been posted to the website and public comment will be accepted through 8/18/23.</td>
</tr>
<tr>
<td>8/15/23</td>
<td>The TDHCA Rules Committee (made of members of TDHCA’s Governing Board) meets to discuss the QAP and accepts public comment.</td>
</tr>
<tr>
<td>9/7/23</td>
<td>TDHCA’s Governing Board meets, the Draft QAP is featured on the agenda and the Board accepts public comment on the preliminary draft.</td>
</tr>
<tr>
<td>9/22/23</td>
<td>TDHCA posts the 2024 Draft QAP for public comment through 10/13/23.</td>
</tr>
<tr>
<td>11/9/23</td>
<td>TDHCA’s Governing Board meets and approves the final 2024 QAP.</td>
</tr>
<tr>
<td>11/15/23</td>
<td>TDHCA submits the final 2024 QAP to Governor Abbott for approval.</td>
</tr>
<tr>
<td>12/1/23</td>
<td>Governor Greg Abbott approves the final 2024 QAP.</td>
</tr>
</tbody>
</table>
Tiebreaker

TDHCA staff initially stated in the roundtables that they did not prefer a geography-based tiebreaker and wanted something based on the development itself. Developers did not want a tiebreaker that emphasized low development cost or number of units per credit, citing a past units per credit tiebreaker that resulted in low-quality developments, but encouraged staff to choose the metric that means the most to TDHCA.

Developers quickly agreed on a tiebreaker that looks at distance to multiple amenities, with the winner having the smallest total summed distance to the chosen amenities. Discussion over the course of the roundtables included proposals for grocery stores, standalone pharmacy or healthcare facilities, proximity to transit, high quality elementary school, parks, and libraries. At the second roundtable, staff proposed taking the three shortest linear distances to amenities out of four total possible amenities: parks, schools, grocery stores, and libraries. Developers applying for the USDA set-aside, which is for rural developments financed through USDA funding, requested a different tiebreaker entirely based on the age of the property.

Advocates suggested changing the proposed distance to amenities language to require accessible routes and disallow routes through physical barriers like water or highways. During the Rules Committee meeting, a board member noted that physical barriers had been an issue in the past and that the Opportunity Index takes accessibility into account. Staff and developers stated that taking barriers into account is too complicated. One speaker noted that they “would love to get away from accessible this and accessible that [because of] how subjective it becomes.”

Some advocate comments at both the Rules Committee meeting and written comments on the preliminary draft called attention to the removal of the poverty threshold, pointing out that the presence of amenities does not necessarily relate to neighborhood quality and that poverty is an important indicator of
economic, educational, and neighborhood crime outcomes.

For the backup tiebreakers, staff proposed using a formula that looks at the highest number of low-income units, in line with Texas Housers’ recommendations for a primary tiebreaker from the 2022 version of this report, followed by the previous backup tiebreaker that looks at distance to the nearest existing HTC development. Developers again cited the past units per credit tiebreaker that resulted in a “race to the bottom” and low-quality developments, suggesting that such a backup tiebreaker would push housing into rural areas where land is cheap. Advocates asked why distance to amenities were being prioritized over affordability. In the second roundtable and in comment on both the preliminary draft and draft, advocates supported a primary tiebreaker based on the number of low income units.57

The 2024 QAP tiebreaker first considers the sum of the linear distances to the closest three of four amenities: parks, elementary schools, grocery stores, and public libraries. If the tie persists, the winner is the development that has the furthest linear distance from the nearest HTC development that serves the same target population.
Quantity of Low Income Units

At the first roundtable and the Rules Committee meeting, TDHCA staff and board members asked for policy suggestions that would increase the number of units at HTC properties. Staff reported that the average number of units in an awarded 9% property had decreased by about 10 between the 2022 and 2023 cycles. Developers mentioned several reasons more units were not currently possible, including high land costs, high construction costs, high insurance costs, and stagnant tax credit award amounts. Staff proposed a new provision for the 9% competition with tiered scoring categories based on the number of units in a development based on a benchmark average number of units from prior award cycles. Speaker proposals included removing the limitations on the number of efficiency and one bedroom units and allowing smaller units. Staff stated that their intention was to serve families, which required larger units.

The Rules Committee meeting also featured multiple public and staff comments on the need for rehabilitation at older properties and the lack of applications for rehabilitation, which can be faster and more cost effective than new construction. The board and staff expressed interest in a point category incentivizing rehabilitation applications.

The Draft 2024 QAP contained a new point item, Quantity of Low Income Units, with up to three points available for urban and two points for rural applications. The points were based on how many more units the application provided above the average number of units in awarded developments from the prior two application rounds. The three point urban option was only available to rehabilitation applications without existing subsidies that were not applying for the at-risk set-aside. Despite numerous comments asking to remove the provision or postpone its addition, the provision remained in the final 2024 QAP.
State Housing Tax Credit

During the roundtables, there was immediate disagreement between staff and developers over how to interpret the $25 million maximum annual allocation. Staff relied on the Legislative Budget Board’s (LBB’s) interpretation of HB 1058, which guides state budgeting. The LBB interpreted the bill’s language to mean that the total amount that could be claimed by all awardees over the entire credit period was $25 million, and that this amount would be “divided into installments and distributed over ten-year intervals.”

Developers based their interpretation on personal knowledge of the intention behind the bill and their familiarity with the federal HTC program. For the federal tax credit, TDHCA will say that they are awarding $X million dollars in a given year to a single property. This amount is the amount of credit the developer can claim annually over the ten-year credit period. Therefore, the total value of the award is 10 times $X million. Based on this, developers assumed that the $25 million maximum for the state credit meant that the amount that all awardees combined could claim in a single year during the ten-year credit period was $25 million. As the following table shows, there is a significant difference between these two methodologies.

Table 12: State Tax Credit Award Funding Structure

<table>
<thead>
<tr>
<th></th>
<th>Federal Tax Credit Method</th>
<th>State Tax Credit Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award Amount</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Annual Credit Claimed</td>
<td>$1,000,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Total Credit Claimed</td>
<td>$10,000,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

At the Rules Committee, developers again expressed concerns about the LBB interpretation of HB 1058. One speaker stated that the lesser award under the LBB interpretation “essentially makes the tax credits not financially viable for
developers to go after.” Staff affirmed their interpretation and noted that the language used in the QAP does not get into specifics on the funding amount. In response to the claims of financial inviability and push for fewer requirements, a board member stated that they would not change rules so that developers could “get the money because it’s there” and affirmed that they needed “some tangible result from the money.”

At the virtual workgroup, staff proposed to award state credits to the application that creates the most new 30% AMI units. Advocates showed strong unified support for this proposal. Other advocate suggestions include incentivizing supportive housing and disallowing 4% applications with neighborhood risk factors or undesirable site features.

The 2024 QAP describes the request process for the state tax credit separate from the federal tax credit application. Applicants will indicate on their federal credit application that they intend to request state credits. The process differs for 9% and 4% HTC applications. After the federal application is complete, 9% applicants will submit a request form and indicate how many 60% AMI units they will convert to 30% AMI units, deepening the affordability of those units in return for state tax credits. Advocates wrote in support of this language in the preliminary draft.
During the 2023 Texas Legislative session, companion bills HB 4858 and SB 1480 proposed removing Tex. Gov’t Code §2306.6725(b)(2) entirely, among other changes. Both bills were left pending in committee. Texas Housers expressed concern over HB 4858’s removal of the statutory backing for Underserved. By the time the roundtables began, TDHCA staff did not know whether or not the bill would pass but stated that some form of Underserved would remain regardless of legislative changes.

During the roundtables, developers expressed that Underserved was not capturing actual underserved communities and was making high-opportunity areas uncompetitive after a single HTC award. Developers expressed that population growth, market studies, or tax credits per capita should be the deciding factor to better assess housing need, but data availability was a concern. They wanted changes that would allow multiple HTC developments in areas with sufficient housing needs and highlighted the need for different options for urban and rural applications. One developer spoke in favor of amending the five-point item referred to as the flower petal or flower option so that more tracts could qualify for points.

Staff’s proposal included an updated flower petal provision with separate, lower population thresholds for urban and rural areas. At the Rules Committee, staff explained that this item was targeted for adjustment because most applicants pursue the flower petal points. Staff also proposed exceptions for applications near existing HTC developments that served a different population, exceptions for rehabilitation applications so that their own previous award does not count, elimination of provisions that were not used frequently, and the addition of new six and four point provisions that would allow limited concentration in areas with high quality school districts and high median income. The latter proposal is in line with Texas Housers recommendations from the 2022 version of this report. This item faced opposition from developers who expressed concerns that the QAP was too focused on income already, that elderly developments should not
get points for high quality schools, and that too few areas would have high quality school districts. In response to the latter, staff reported that 33% of all school districts had an A rating. This provision was removed prior to the preliminary draft.

The preliminary draft included the proposed exceptions and the updated flower petal provision with further tweaks to open more areas for point eligibility, primarily those on the outskirts of cities or towns. Comments on the preliminary draft from local governments and developers were generally supportive of the changes to Underserved. The draft QAP brought back two items that had been removed in the preliminary draft, but otherwise did not include substantial changes. The draft version was adopted into the final 2024 QAP.
Resident Supportive Services

Staff noted at the first roundtable that while senior and supportive housing developers see a lot of tenant participation in services, the same was not necessarily true for general population properties. Staff proposed requiring fewer, but more substantial, services in the areas of, for example, eviction diversion, tax preparation help, or after school programs. Some developers expressed frustration with this rule. A common argument was that they are developers, not service providers, and that these requirements were not appropriate for for-profit developers that do not typically provide services. Nonprofit developers spoke in favor of services as a benefit for tenants who deserved helpful services, particularly those that benefit children and mothers. Cost of service provision was also a focus of discussion, with developers citing increased costs elsewhere as a compounding issue. Developers encouraged TDHCA to re-examine the relationship between the cost and difficulty of providing a service and the points the service is worth on an application. Developers wanted more flexibility in how services were provided, such as allowing the provision of privately certified hybrid/virtual services, allowing substitution for external services, and fewer requirements for smaller developments.

Speakers at the first roundtable supported a tenant survey to identify service priorities, which was a recommendation in Texas Housers’ 2022 version of this report. Advocates proposed including incentives for eviction prevention policies, such as points for eviction prevention plans. Developers responded that owners already had eviction prevention policies in place and did not want to have to evict anyone.

The preliminary draft allowed asynchronous virtual classes for adult supportive services. The draft QAP added a two point option for nonprofit healthcare job training and placement services. The draft version was adopted into the final 2024 QAP.
WORKS CITED

4. Id. and 26 US Code §42(g)(1)
5. Section 42 of the Internal Revenue Code (26 US Code §42) contains federal-level QAP requirements:
   https://www.law.cornell.edu/uscode/text/26/42
   Tex. Gov’t Code §2306 is TDHCA’s enabling statute and contains state-level QAP requirements:
   https://statutes.capitol.texas.gov/Docs/GV/htm/GV.2306.htm
   Governor-approved 2023 QAP as published on the TDHCA website:
   10 TAC §11 is the official QAP as published in the Texas Register:
   https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/


12. Figures listed do not include supplemental credit awards or forward commitments.

   TDHCA. (28 July 2023). 2023 9% HTC Award and Waiting List. [https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/](https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/).


16. 26 US Code §42(g)(1)

17. 26 US Code §42(m)(1)(B) and (C)


46. 10 TAC §10.802 details Tenant Selection Criteria requirements.
54. 88 FR 17755, public comment period extended in 88 FR 30267.


