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How to Improve Housing Tax Credits for Low Income Texans: 2025 QAP Report



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April 2025

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SUMMARY

The Low-Income Housing Tax Credit (HTC) program is the largest federal program that funds the creation of affordable rental housing for low-income households.¹ HTC administrators, typically state housing finance agencies, outline the scoring criteria that determine which 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 HTC properties are located, how affordable they are, what amenities they provide, 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 advocate voices throughout the process.

This report provides research to contextualize and clarify the impact of specific policies and describes Texas Housers' policy priorities for the upcoming QAP development cycle. For each topic, we make recommendations grounded in data and research for Texas' state housing agency, the Texas Department of Housing and Community Affairs (TDHCA), regarding their approach to QAP changes.

Recommendations:

- Add a Tiebreaker for More Units and Deeper Affordability
- Improve Eviction Prevention Policies
- Increase the Incentive for High Opportunity Areas and Strengthen Requirements for Revitalization
- Reduce Tenant Vulnerability to Hazards
- Increase the Availability of Deeply Affordable Units for Tenants Without Rental Assistance
- Reduce Barriers to Accessing Supportive Housing
- Increase Transparency and Involvement with Tenants in Rehabilitation Properties

The 2025 QAP, approved by the Governor on December 1, 2024, and is available on TDHCA's website:

<https://www.tdhca.texas.gov/sites/default/files/multifamily/docs/25-QAP.pdf>

Information about TDHCA Governing Board meetings including agendas (Board Books), transcripts, and videos of past and ongoing meetings can be found on TDHCA's Board Meeting Information Center: <https://www.tdhca.texas.gov/tdhca-board-meeting-information-center>

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 CREDITS AND THE QUALIFIED ALLOCATION PLAN

What are Housing Tax Credits (HTCs) and why are they important?

The federal Low-Income Housing Tax Credit (HTC or LIHTC, pronounced “lie-tech”) program is one of the most important tools for creating affordable rental housing in Texas. Since the mid-1990s, Texas’ HTC program has supported the construction or rehabilitation of over 330,000 low-income units, more affordable rental units than any other single program targeting affordable housing in the state.²

There are two types of housing 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.³

The Texas Department of Housing and Community Affairs (TDHCA) is the state agency that administers the Texas HTC program and allocates housing 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 (this process is known as syndication).⁴ Although the process is somewhat complicated, the result is 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 in practice almost all HTC awards go to larger multifamily developments that can provide more low-income units. To qualify for the HTC program, developers must agree to make the development affordable for low-income renters. There are three ways that a developer can make their development affordable:⁵

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 (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 incomes averaging no more than 60% AMI, and no units are occupied by tenants with an income greater than 80% 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.

^{*}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 2025 QAP as published on the TDHCA website: <https://www.tdhca.texas.gov/sites/default/files/multifamily/docs/25-QAP.pdf>

10 TAC §11 is the official QAP as published in the Texas Register: https://texas-sos.appianportalsgov.com/rules-and-meetings?chapter=11&interface=VIEW_TAC&part=1&title=10

What does the Qualified Allocation Plan (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 priorities and eligibility criteria for awarding federal tax credits to developers, including the criteria by which tax credit housing proposals are scored. The tax credit program is highly competitive, and the difference of even a point or two can mean success or failure in being awarded these competitive tax credits. Out of 21 successful 2024 applications in the Dallas and Houston areas, 13 had a score of 173.⁶

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).

The QAP also 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. Location has direct impacts on tenant quality of life. Location of housing has significant links to health, education, and income. Moving to lower-poverty neighborhoods can improve educational and economic outcomes for children.⁷ Excessive noise can cause anxiety, headaches, or hypertension; lack of green space can result in poor physical fitness; and air pollution increases the number of emergency room admissions, particularly for respiratory issues, and asthma rates.⁸

*Rent Levels of Tenants, 10 TAC §11.9(c)(2), provides up to 13 points for units affordable to households with incomes at or below 30% AMI. Extended Affordability, 10 TAC §11.9(e)(5), provides between two and four points for extended affordability periods of up to 45 years. Common Amenities, 10 TAC §11.101(b)(5), describes development amenities and the point thresholds for different size developments.

HTC developments have historically trended toward lower-income areas,⁹ but an effective QAP can push back on this by incentivizing development in higher-income, high opportunity areas that are close to desirable amenities or preventing development in areas that do not align with the program's priorities. Under the 2025 QAP, a development can be ineligible if it is in an area that already has HTC funded developments; in a high poverty, high crime area with low quality schools; or is near certain undesirable features like junkyards, solid waste facilities, active railroad tracks, heavy industry, oil refineries, etc. These eligibility rules affect both the 9% and 4% programs.

The QAP also includes provisions that dictate the points available in the 9% competition based on development characteristics and location. Sections of the QAP where developers can score points heavily influence which locations 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 already have HTC developments, and areas close to jobs.¹⁰ Of the 64 9% HTC awards in 2024, 45 (70%) had a total score between 165 and 173 points.¹¹ About half of those (20 applications) had a total score of 173. The Opportunity Index, Underserved Areas, and Proximity to Job Areas alone account for 16 points in the 2025 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.¹² Including explicit points for transit accessibility has been shown to significantly increase the probability of a property being located near a transit stop.¹³ The QAP has a significant impact on the lives of HTC tenants and deserves public attention.

*A maximum of 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

Although it is not required, TDHCA typically hosts annual roundtables and workgroups in the spring to discuss possible changes to the following year's QAP. These tend to be in-person events held in Austin and the main participants at these roundtables are developers and industry stakeholders; there is very little tenant or advocate representation.

Monthly TDHCA 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 tenants are working. They occur mostly in-person in Austin and do not typically offer an opportunity for virtual participation. They also generally follow strict procedures that limit speakers to specific topics already on the agenda.

The Texas HTC program is one of the most important tools for creating affordable rental housing in Texas. The primary purpose of this program is to provide low-income Texans with affordable housing that is safe and sanitary, close to good schools, and 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 good schools and good neighborhoods.

RESEARCH AND RECOMMENDATIONS

The following section provides basic data on the current HTC portfolio in Texas as well as an overview of research relevant to key HTC issues and Texas Housers' recommendations to address those issues.

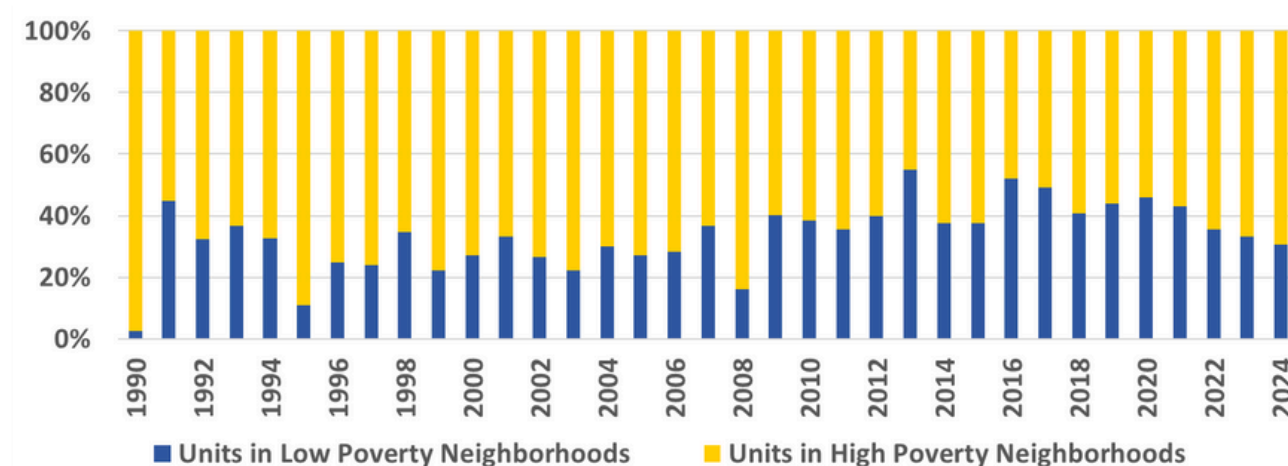
Where Are HTC Properties?

There are 2,769 properties in Texas' HTC portfolio with 333,649 units for low-income people.¹⁴ Almost three quarters of all HTC properties (73%) are in urban areas. Because these properties tend to be larger, the large majority of HTC units are in urban areas (86%).

Historically HTC properties have been located in lower-income communities of color.^{*15} However, 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 1 shows a visible increase in the share of units in properties awarded in low poverty neighborhoods over time.[†]

*The term "people of color" refers to any individuals who self-identify as Asian, Black, Hawaiian or Pacific Islander, Hispanic or Latin American, Indigenous or Native American, or two or more races. The term "communities of color" refers to areas where a large share of the population are people of color.

†Low poverty is defined as below the statewide share of residents below the poverty level, 13.8%. High poverty is defined as above the statewide share from the Census Bureau's most recent 5-year ACS estimates. This analysis does not capture poverty rates at the time of award.

Figure 1: Share of HTC Units by Neighborhood Type by Award Year

Source: TDHCA Property Inventory as of February 28, 2025; ACS 2019-2023 5-yr estimates.

Reports on this relatively recent improvement point to these findings to support the claim that HTC does not concentrate poverty or further racial concentration.¹⁶ 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. When looking at the full HTC portfolio in Texas, HTC units are still disproportionately in lower income communities of color (as shown in Table 1).

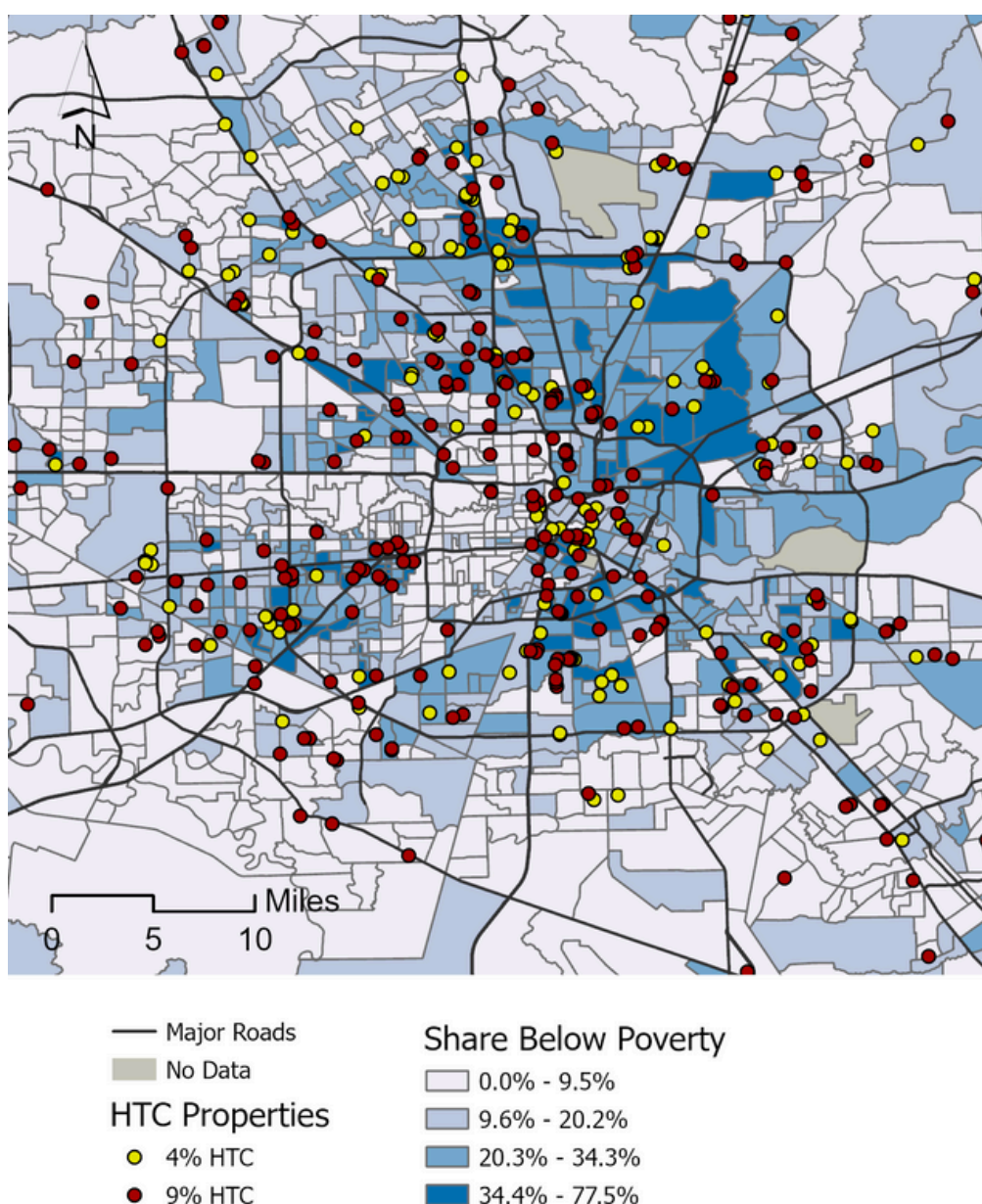
Table 1: Share of Units in White, High-Income and Non-White, Low-Income Tracts

	All Units: Top Two Income Quartiles, Majority White, Not Hispanic	All Units: Bottom Income Quartile, Majority Non-White	Units Since 2019: Top Two Income Quartiles, Majority White, Not Hispanic	Units Since 2019: Bottom Income Quartile, Majority Non-White
Houston	1.2%	58.1%	3.9%	53.4%
Austin	9.0%	43.1%	6.8%	42.7%
San Antonio	1.6%	58.7%	2.6%	51.1%
Dallas	1.8%	83.7%	3.0%	80.3%
Fort Worth	8.7%	57.9%	6.4%	64.2%

Source: TDHCA Property Inventory as of February 28, 2025; ACS 2019-2023 5-yr estimates.

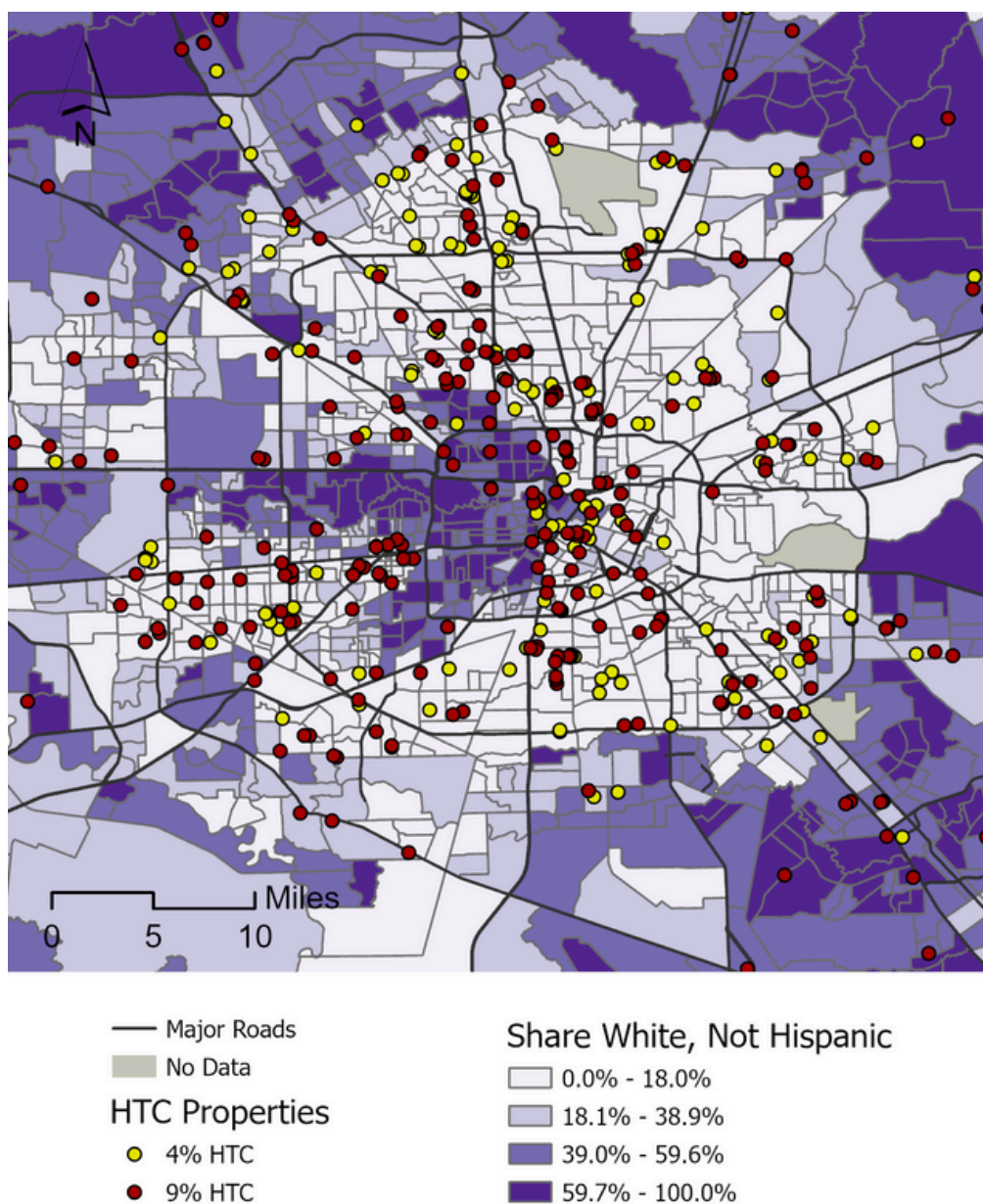
Long-term, ongoing concentration is a persistent concern. There are many higher income tracts that do not have active HTC properties. For example, figures 2 and 3 show that there are still many low poverty, majority white tracts that have not received recent HTC awards in Houston, TX, especially in the so-called “Houston Arrow.”¹⁷

Figure 2: HTC Awards and Tract Poverty Level



Source: TDHCA Property Inventory as of February 28, 2025; ACS 2019-2023 5-yr estimates.

Figure 2: HTC Awards and Tract Poverty Level



Source: TDHCA Property Inventory as of February 28, 2025; ACS 2019-2023 5-yr 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.¹⁸ The need for local approval is a barrier due to pressure that local decision makers receive from residents who oppose affordable housing. All 4% HTC applications are required to secure a resolution of support from the local government in order to receive funding. Competitive 9% HTC applications can receive 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. Requirements for local approval have been the subject of more attention since San Antonio's failure to approve a zoning change for a proposed HTC development led to the city failing to get a single HTC award in the current 2025 cycle.¹⁹

In many cases, the only types of properties local decision-makers are willing to support in high income, majority white neighborhoods are restricted to elderly residents. For example, as of the most recent HTC property inventory, all properties in first income quartile, majority white tracts in Grand Prairie, Waco, and Odessa are elderly-only properties. This is an ongoing issue. In addition to the places mentioned, Tyler, Round Rock, and Amarillo have followed the same patterns since 2019. Over three quarters of HTC units awarded in high income, majority white tracts in Houston since 2019 have been in elderly-only properties.

Who Lives in HTC Properties?

TDHCA releases an annual Housing Sponsor Report (HSR) that sheds light on the characteristics of HTC tenants.²⁰ This report provides helpful information such as unit size, tenant income, and presence of tenants with disabilities.*

In total, about three quarters of all HTC units reported in the HSR are efficiency, one, or two bedroom units (76%). This can limit larger families' ability to find units in HTC properties. Slightly more than one of every four HTC properties (22%) is reserved for older Texans, generally people that are at least 55 years old. These properties account for about 63,000 HTC units, the vast majority (98%) of which are 1-2 bedroom units. Less than 1% of all HTC properties are Supportive Housing, accounting for about 2,000 units in the HSR, most of which (53%) are efficiency or studio units. The majority of HTC properties (77%) are general population properties serving all types of households. These account for about 220,000 units. While most general properties (76%) are efficiency, one-, or two-bedroom units, the HTC program provides nearly 70,000 affordable 3+ bedroom units across the state.

There are about 41,000 households in HTC properties that have at least one household member with a disability, 15% of all HTC households. While there are only about 25,000 accessible units constructed or adapted for special needs, not all people with disabilities require accessible units.

The majority of households with reported income (86%) were very low income making at most 50% Area Median Income (AMI). Just under half of all households (43%) were extremely low income and made at most 30% AMI. However, this does not mean that half of the units at HTC properties are specifically restricted to be affordable to extremely low income households. Texas Housers' review of the 2022 HTC application materials found that just 12% of units were restricted for households making at most 30% AMI and 42% were set aside for households making between 30% and 50% AMI. In order to make up the difference between availability and need, about 37% of all HTC households receive additional government assistance (e.g., Housing Choice Vouchers) to afford rent.

*Housing Sponsor Report data is self-reported by properties and TDHCA does not correct or alter self-reported property data. The HSR includes data for 2,337 identifiable HTC properties currently in operation with 282,966 low-income units, though not all properties report all datapoints.

While the shares of all Texas residents and specifically HTC tenants who are Hispanic or Latino are relatively close (40% and 33%), the share of HTC households in Texas who are Black (32%) is almost three times the share of all Texas households who are Black (12%).* Black tenants in HTC properties are more likely to live in low-income communities of color than other racial and ethnic groups. As shown in Table 2, nearly 60% of Black HTC tenants live in low-income communities of color compared to 34% of all Black Texans.

Table 2: Share of Texas Households by Race/Ethnicity and Tract Characteristics

	HTC Households: Top Two Income Quartiles, Majority White, Not Hispanic	HTC Households: Bottom Income Quartile, Majority Non- White	All Households: Top Two Income Quartiles, Majority White, Not Hispanic	All Households: Bottom Income Quartile, Majority Non- White
Black (inc. Hispanic)	5.7%	57.3%	12.1%	34.0%
White (inc. Hispanic)	12/1%	40.2%	39.7%	11.8%
Hispanic/Latin American (all races)	5.5%	47.7%	12.7%	28.7%
Total	9.5%	47.0%	29.4%	18.4%

Source: 2023 TDHCA Housing Sponsor Report; TDHCA Property Inventory as of February 28, 2025; ACS 2019-2023 5-yr estimates.

The fact that Black tenants are more often in lower-income, racially segregated tracts raises concerns that these tenants are benefitting less from recent improvements to the placement of HTC awards in higher income, higher opportunity areas compared to other tenants.

*The HSR reports racial and ethnic data separately.

Texas Housers QAP Recommendations

The next section describes Texas Housers' recommendations going into the development cycle for the 2026 QAP. Some of these recommendations have appeared in past versions of this report and have been updated to reflect recent research and the current 2025 QAP.

Add a Tiebreaker for More Units and Deeper Affordability

With the highly competitive nature of the 9% HTC program, multiple proposals often have the same score. TDHCA uses tiebreakers to determine which project is awarded in these scenarios. The current tiebreaker for most properties, introduced in the 2024 QAP, 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 current tiebreaker does benefit tenants by incentivizing properties that are close to helpful amenities and services. However, Texas' QAP tiebreaker could be put to better use incentivizing housing for households with the most severe housing need: those with the lowest incomes.

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 2025 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 41 homes per 100 households at or below 50% AMI.²¹ As **Table 3** shows, major Metropolitan Statistical Areas (MSAs) in Texas have even fewer deeply affordable units available for those who need them.

Table 3: Affordable and Available Rental Units per 100 Households

Household Income	Texas	Austin MSA	Dallas MSA	Houston MSA	San Antonio MSA
At or below 30% AMI	25	16	14	16	26
At or below 50% AMI	41	33	32	37	41
At or below 80% AMI	91	97	87	87	95
At or below 100% AMI	104	104	103	105	109

Source: NLIHC, The GAP: Texas, 2023 data.

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. Previous Gap Reports found that the rate of severe cost burden among the lowest income households in a given metropolitan area was significantly impacted by the share of rental housing that is HUD-assisted.²² 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.”²³ 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.²⁴ 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.”²⁵

*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 has proposed such a formula:

$$(\# \text{ of } 30\% \text{ Units} * 3) + (\# \text{ of } 50\% \text{ Units} * 2) + (\# \text{ of } 60\% \text{ Units} * 1) + (\# \text{ of } 80\% \text{ Units} * 0.5)$$

Table 4: Tiebreaker Scores for Hypothetical Properties with Proposed Formula

Total Units	LI Units	Market Rate	Number of 30% Units	Number of 50% Units	Number of 60% Units	Number of 80% Units	Tiebreaker Score
80	70	10	10	40	20	0	130
150	120	30	10	55	40	15	187.5
120	80	40	40	30	10	0	190
135	135	0	15	65	55	0	230

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.

Improve Eviction Prevention Policies

Under the 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 tax credits. Applicants get points for providing transportation services, services for children, services for adults, health services, and/or 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.).

The 2025 QAP includes a brand new item under Resident Supportive Services that incentivizes applications with eviction prevention programs operated by a case manager.²⁶ To qualify, properties must work with a case manager to identify and contact households with past due balances that are at risk of eviction. These households are offered a six-month eviction holdoff agreement during which they enter a payment plan to resolve the past due balance (and late fees associated with the balance are forgiven). Case managers are limited to 50 households at a time, must contact the households at least every other week, and can provide households with resources that may be helpful, such as financial support. This item is worth five points, the most points available for a single item under Resident Supportive Services (by 1.5 points).

What does the research say?

Evictions negatively impact employment, financial stability, future housing stability, and increase the risk of homelessness.²⁷ They are associated with negative health and behavioral outcomes, including mental illness, substance use, suicide, high blood pressure, and child maltreatment.²⁸ They are even associated with increased mortality.²⁹ Mothers and children who experience eviction are at elevated risk of material hardship, depression, and poor health outcomes.³⁰ Evictions can strain households' finances, raising monthly housing costs by 20% on average.³¹ 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.³²

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.³³ A 2021 study found that for-profit HTC properties without additional subsidies in Richmond, VA, had high rates of eviction.³⁴ 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.³⁵ 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.”

What should TDHCA do?

Texas Housers is extremely supportive of the addition of eviction prevention programs to the 2025 QAP, but there is still room for improvement. During the public comment period for the Draft 2025 QAP, Texas Housers and several partner organizations submitted a joint comment with recommendations for eviction prevention programs to give tenants the best possible chance at maintaining housing stability.³⁶ The recommendations include:

- Establish case manager standards to ensure individuals assisting vulnerable households are trauma-informed and equipped to handle serious concerns.
- Forbid rent increases during the six month holdoff period to help households already under financial strain.
- Remind tenants of due dates to include a measurable item for monitoring purposes and set tenants up for success.
- Cap late fees at no more than 4% of the tenant’s rent share and limit the assessment of late fees to no more than three consecutive months. Excessive fees are harmful to low-income households who may already be living paycheck to paycheck and could cause housing instability.
- Allow residents on fixed incomes to pay rent within three business days of receiving their payment without penalty.

In addition, to ensure enforcement of these provisions, the QAP should require that the terms of the eviction prevention plan be inserted into the property’s tenant leases. These recommendations will strengthen HTC eviction prevention programs and improve tenant outcomes.

Increase the Incentive for High Opportunity Areas and Strengthen Requirements for Revitalization

Applications to TDHCA's 9% HTC program can get a maximum of seven points under either the Opportunity Index or Concerted Revitalization Plan (CRP) sections of the QAP. A typical applicant will either pursue Opportunity Index points or CRP points. These items are linked - tweaking one will lead to changed applicant behavior for the other. They represent a constant tension in the HTC program: the balance between creating new affordable housing in high opportunity areas (incentivized by the Opportunity Index) and preserving existing affordability in lower opportunity, typically lower income, neighborhoods that may be the target of local revitalization efforts (incentivized by the CRP section).³⁷ Focusing too much on opportunity can neglect low-income communities that are receiving investment and need low-income housing to prevent displacement. On the other hand, focusing too much on preservation can repeat historical locational patterns of affordable housing that further segregation.

Applicants qualify for two Opportunity Index points if the proposed development is in or adjacent to a low poverty, high income area. Applicants then choose from a menu of over a dozen items worth between one and two points for locations close to various amenities including public transit, local recreational facilities, healthcare facilities, pharmacies, grocery stores, civic clubs, and high quality schools.

Urban applicants qualify for five CRP points if the local government has approved current documented plans to revitalize the proposed development area (e.g., through a Tax Increment Reinvestment Zone) and two additional points for a letter from the local government stating that the development contributes to revitalization efforts. The highest scoring CRP application in each of the Houston, Dallas-Fort Worth, and San Antonio areas receives an automatic award.* Rural applicants qualify for 7 CRP points for proposed rehabilitation or reconstruction of housing that is at least 25 years old, was initially built as federally subsidized affordable housing, and the development was leased by at least 85% low income residents in the six months prior to the application.

*Proposed development must be within the boundaries of the cities of Houston, Dallas, Fort Worth, or San Antonio. Required by statute, Tex. Gov't Code §2306.6711(g).

What does the research say?

As subsidized properties age, they start to develop significant repair needs that can impact the quality of life of current residents. Rehabilitation of existing affordable housing maintains housing stability for current residents and preserves affordable units. Because HTC properties awarded in the early 1990s have just started to reach the end of their federally-required 30 year affordability period, we will see increasingly more subsidized affordable housing at risk of losing affordability.³⁸ Preservation can help slow the exit of properties from the program.

HTC awards also benefit surrounding low-income communities. Research has shown that producing HTC housing in high poverty, distressed neighborhoods can increase the property values and decrease the crime rates of surrounding areas; larger developments are associated with greater increases in surrounding property value.³⁹

However, the research is clear that 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.⁴⁰ Neighborhood poverty during childhood also negatively impacts high school graduation rates and annual earnings.⁴¹ Growing up in a high-poverty neighborhood can even inhibit self-control.⁴²

Targeting affordable housing investment in areas that are already part of larger plans for revitalization can help mitigate some of the harm to tenants. However, some research has called attention to disconnects between best practice revitalization strategies and strategies contained in Texas CRPs. Specifically, some Texas plans have been found to rely too heavily on improvements to physical infrastructure “while neglecting the soft pillars of revitalization such as education and community capacity building.”⁴³ One study found that Texas’ CRP definition was circular and did little to define CRP beyond the bare minimum federal requirements.⁴⁴ A weak connection between the proposed development and local revitalization has been noted in HTC programs elsewhere.⁴⁵

Promoting desegregation and access to opportunity creates significant tenant benefits. Moving to lower-poverty neighborhoods increases the subjective well-

being of residents.⁴⁶ 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.⁴⁷

Access to necessary amenities and services are crucial for residents' social mobility.⁴⁸ The menu of options under the Opportunity Index reflects the many services low-income tenants rely on. But they are not necessarily based on tenant priorities. 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."⁴⁹

Of the 64 applications that received 2024 HTC awards, 32 were awarded the full seven points for revitalization plans, 30 were awarded the full seven points for high opportunity areas, and two managed to get awards without points in either category (they were the only applications in their rural subregions). As would be expected, awards that received points for high opportunity areas tended to be in higher income, lower poverty, whiter communities that are closer to jobs compared to revitalization awards.* Whereas 43% of high opportunity awards were in communities that were majority non-white, that figure more than doubled to 91% of revitalization awards.

The rules for revitalization in rural areas are quite specific and points are limited to certain types of previously-subsidized, aging housing. This helps explain why only about one in five rural applications (22%) received CRP points, all of which were rehabilitation awards. In urban areas, the majority of awards (66%) got points for revitalization plans. The majority of those urban revitalization awards were for new construction (78%). While both rehabilitation and new construction help preserve general neighborhood affordability, rehabilitation may be necessary to prevent displacement at specific existing affordable properties.

*Per TDHCA's definitions of high income and low poverty at §11.9(c)(5)(A), US Census Bureau 2023 ACS 1-yr estimates, and 2022 Census Bureau Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES).

What should TDHCA do?

The benefit for tenants living in low poverty, high opportunity areas is clear. The Opportunity Index deserves greater prioritization than seven points, two of which are just for passing the eligibility threshold. Increasing the limit would also help introduce more variety in scoring under this item. The maximum number of points available under the Opportunity Index should be increased to 12 and TDHCA should conduct a tenant survey to update the point values of Opportunity Index items in line with tenant priorities.

Increasing the Opportunity Index maximum has additional benefits, such as incentivizing a greater variety of amenities for tenants. The current Opportunity Index awards a combined four points to properties that are near grocery stores that contain a pharmacy. That leaves just one point remaining to incentivize additional community amenities.

If the CRP provision is meant to be an effective balance to the Opportunity Index, the QAP should only award points to applications with strong connections to targeted, meaningful revitalization and investment. We recognize the value of CRPs as an incentive to preserve affordability. These requirements should ensure benefits for tenants and their community while making the review process as objective for staff as possible.

To achieve this, we propose making the basic requirement for an approved CRP a threshold item worth two points to match the Opportunity Index two-point threshold. In order to receive five points an applicant would need to either 1) document committed ongoing or future investments within the revitalization area that includes the proposed development; or 2) document that the immediate neighborhood has improved in the past three years as measured by a significant decrease in poverty rate, increase in median income, and increase in property values (per tract level 5-year ACS estimates), as long as the plan is older than three years old. To receive seven CRP points, the current maximum, the applicant would still need a letter from the local government stating that the development contributes to revitalization efforts.

We further recommend adding a new 12 point CRP option to match the increased Opportunity Index maximum. We propose borrowing from the State of Georgia's QAP incentives for community transformation. Specifically, the idea of a Community Quarterback Board (CQB).⁵⁰ The CQB is defined as a local community partnership that:

- Drives the revitalization initiative to make sure all related components are successful and sustainable;
- Ensures the people in the neighborhood are engaged, included, and served; and
- Serves as a single point of accountability for partners and funders.

The CQB is at least one third local, low-income residents and builds on existing community structures and local partnerships. A CQB serves a defined area and can work alongside multiple applicants. After the applicant is notified of their award and more than 60 days before the placed-in-service date for the property, the applicant and CQB conduct community engagement and outreach activities and create a Community Transformation Plan identifying clear goals, solutions, metrics of success, resources committed, and entities responsible for revitalization. The CQB begins with the local government's CRP and discusses how their transformation plan will build on the pre-existing priorities and strategies. The applicant agrees to a five year monitoring period during which they survey residents annually and report on progress towards completing Transformation Plan goals.

These recommendations meaningfully strengthen the connection between local government revitalization plans and the investment in proposed HTC properties while rewarding increased community control.⁵¹ These proposals justify an increase in the CRP point maximum while reducing subjectivity concerns for TDHCA staff by empowering local low-income residents to define goals and metrics of meaningful revitalization and participate in monitoring through surveys. Staff can set clear metrics to determine that the CQB is meeting necessary milestones. Applicants can utilize community networks created during the development of the local revitalization plan to identify potential community board members that are already engaged in community revitalization work.*

*For example, the City of Houston's 2018 Second Ward Complete Communities Action Plan (which qualifies for CRP) was created in partnership with the Complete Communities Advisory Committee, a local Second Ward Neighborhood Support Team, and additional community participants.

Reduce Tenant Vulnerability to Hazards

The QAP's Site Requirements and Restrictions section describes requirements that determine eligibility of an applicant based on site characteristics like flood risk, proximity to undesirable site features such as heavy industry, and neighborhood risk factors such as high crime rates. The Floodplain section requires new construction to be elevated to at least one foot above the 100-year floodplain and requires notification to tenants if their property is in a floodplain. Under Undesirable Site Features, applicants can be declared ineligible if the proposed site is too close to sites like junkyards, solid waste facilities, railroad tracks, heavy industry, airports, or refineries. Applicants can prove to TDHCA staff that they have mitigated the potential harm caused by these sites to maintain eligibility.

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.⁵² Texas was in the top ten states for the most federally assisted units at very or relatively high risk. A study on Hurricane Harvey found that neighborhoods with more flooding had more subsidized housing, and that subsidized housing with more flooding nearby had more extremely low income, female-headed and older (62+ years) tenants.⁵³

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.⁵⁴ 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.⁵⁵ Studies have even found relationships between historical redlining and flood risk in Houston.⁵⁶ People of color are more vulnerable at all stages of a catastrophic event.⁵⁷ Socially vulnerable populations experience greater proportional losses, have less social capital, and face greater delays in receiving recovery funds.⁵⁸ Poor communities of color disproportionately experience death and injury in natural disasters.⁵⁹

People of color and low-income renters in federally subsidized housing like HTC properties are also disproportionately subjected to dirty air and loud ambient noise as a result of living near highways.⁶⁰ Living near highways is associated with poor lung health (e.g., asthma, respiratory infections, lung cancer), potentially fatal heart problems, and increased mortality.⁶¹ Constant noise pollution is associated with development of type 2 diabetes, heart problems, declines in fitness, increased stress and blood pressure, and poor sleep and impaired cognitive performance.⁶² These effects are most common within about 1,000 feet of highways, with most research focusing on impacts from pollution within 500 feet of highways.

What should TDHCA do?

The current QAP inadequately addresses low-income tenant vulnerability to hazards and should include more stringent criteria prioritizing and incentivizing safer locations outside of high-risk disaster areas. TDHCA should expand the QAP to better consider other disasters (wildfires, winter storms, tornadoes, etc.) by adding a one point item for developments in either “relatively low” or “very low” risk census tracts in FEMA’s National Risk Index map.⁶³ TDHCA should also raise the elevation requirement under Floodplains from 1 to 2 feet above the 100-year floodplain (or Base Flood Elevation) to align with HUD’s Multifamily Accelerated Processing Guide and Federal Flood Risk Management Standards (FFRMS).⁶⁴ Finally, TDHCA should add 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.

Active railroad tracks are included in TDHCA’s list of Undesirable Site Features due to noise pollution. The QAP includes three potential options to mitigate this issue, including if the property conducts a noise assessment and performs “sound mitigation in accordance with HUD standards.” TDHCA should add a similar new item to Undesirable Site Features for proximity to major highways. Specifically, the QAP should prohibit development of affordable housing within 500 feet of a highway and only allow development further than 500 feet but within 1,000 feet of a highway if the property adequately mitigates the threat to tenants’ health.

The California Air Resources Board recommends several strategies for air pollution mitigation, including some that relate to site design: the use of solid barriers to reduce both air and noise pollution immediately adjacent to highways, the use of vegetation and green space to reduce air pollution, and indoor high efficiency filtration, specifically, the use of MERV 13 air filters or better.⁶⁵ The QAP could accept these as required mitigation measures for air pollution, and rely on the same noise abatement and mitigation procedures that already exist for developments near active railroad tracks for developments near highways. Major highways can be defined using FHWA's functional classifications.⁶⁶ Specifically, this should include interstates and other freeways & expressways.

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

Many HTC tenants require additional federal subsidies beyond reduced rent amounts in order to afford housing. One of the major sources of additional subsidy is the Housing Choice Voucher (HCV) program. HUD and local Public Housing Authorities (PHAs) use Fair Market Rents (FMRs) to determine how much total rent HCVs can cover, known as the voucher payment standard.⁶⁷ As long as the unit rent is less than or equal to this payment standard, the tenant typically pays 30% of their income towards rent 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. The QAP does not include requirements for HCVs beyond how to account for vouchers in reviews of local market demand and the financial soundness of a proposed project.

What does the research say?

Federal law does not allow HTC properties to deny tenants with HCVs simply because they have a voucher. Because HCV households frequently struggle to find housing that accepts vouchers, many HCV households end up in HTC units.⁶⁸ In 2021, about 28% of all HTC households across the country received some form of federal rental assistance.⁶⁹ Texas Housers' review of 2023 program data found that about 37% of Texas HTC households receive additional government assistance such as HCVs to afford rent.⁷⁰

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 HCVs.⁷¹ A 2019 review of national tenant-level data found that 49% of HTC tenants had incomes at or below 30% AMI, and 69% of those households received additional federal rental assistance.⁷² Table 5 shows that HCV households do not necessarily need to occupy units reserved for households making at or below 30% AMI; HCVs can often cover more 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 5: Austin MSA Fair Market Rent and Travis County Rent Limits

	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
Fair Market Rent	\$1,549	\$1,650	\$1,949	\$2,484	\$2,882
30% AMI Rent Limit	\$661	\$708	\$850	\$982	\$1,096
60% AMI Rent Limit	\$1,323	\$1,417	\$1,701	\$1,965	\$2,193
80% AMI Rent Limit	\$1,764	\$1,890	\$2,268	\$2,621	\$2,924

Source: HUD, FY 2025 Austin-Round Rock, TX MSA FMRs. TDHCA Income and Rent Tool as of 3/16/25.

The majority of low-income HTC units are for households that make at most 60% AMI, meaning voucher households are eligible for most of these units. However, income averaging allows 80% AMI units to count towards a property's low-income units. This results in "affordable" units that voucher households cannot access.⁷³

Placing voucher holders in more deeply affordable units requires a smaller voucher subsidy, which theoretically allows more households to receive vouchers.⁷⁴ If a voucher household moves into a two-bedroom, 60% AMI unit with a rent of \$1,701, the voucher payment standard of \$1,949 could cover that and the extra \$248 would return to the housing authority to use on another household. However, that is not necessarily the case. If the voucher payment standard is greater than the maximum HTC rent amount, the owner may be able to charge the payment standard amount - more than they would be able to charge a non-voucher tenant.⁷⁵

HTC properties can collect more rent from a household that has a voucher compared to one that does not, even if both households live in units that have the same maximum rent. This is allowed because the amount over the maximum rent is being paid by the voucher, not out of the tenant's pocket. Research on this topic is limited, but a recent report found that the monthly rent collected from units with voucher households was about 23% higher than the maximum HTC rent, about \$211 higher on average per household.⁷⁶ Collected rents were more likely to exceed maximum HTC rents in larger urban areas.

What should TDHCA do?

TDHCA should set a limit on a property's ability to fill 30% AMI units with voucher holders when other units that are within payment standards are available. 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.

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 incentivize limiting voucher holders in deeply affordable units where practicable. Language would need to be carefully developed to not exclude voucher holders if only 30% AMI units are available.

This change would begin to shift policies at newly awarded properties. Once that shift is underway, the policy should be solidified in other sections of TAC (i.e., Tenant Selection Criteria) to establish that properties must prioritize voucher households in 60% AMI units and then 50% AMI units before a 30% AMI unit.

Reduce Barriers to Accessing Supportive Housing

The QAP includes Tenant Selection Criteria for Supportive Housing Developments beyond what is required in other sections of TAC for other types of housing developments.⁷⁷ These developments must consider certain criminal histories in a set number of past years, also known as a lookback period, during both at the initial application and after the tenant has moved in during the annual income recertification to make sure the tenant's income qualifies for the unit.

Supportive housing developments must deny applicants who:

- Are subject to a requirement for lifetime registration on the sex offender registry;
- Have felony convictions for murder related offenses, sexual assault, kidnapping, arson, or manufacture of controlled substances in the past seven years; or
- Have felony convictions for aggravated assault, robbery, drug possession, or drug distribution in the past three years.

What does the research say?

Supportive Housing is designed to serve vulnerable populations such as people with prior evictions and criminal records or people experiencing homelessness. Providers should have the freedom to provide housing without additional restriction on tenants' criminal histories that create barriers to the very populations they are meant to help. 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. Formerly incarcerated people are more than 10 times more likely to be unhoused than the general public.⁷⁸

Such policies can also have a discriminatory effect on the basis of race.⁷⁹ A 2023 study of this specific TDHCA rule found that it "...may affect Black and chronically homeless prospective residents more than other demographics and may contain ambiguous guidance about how long supportive housing providers should deny housing to prospective residents."⁸⁰ The study concluded that the small likelihood of affected tenants reoffending after move-in compared to unaffected tenants "...challenge[d] the justifiability of the rule's potentially unequal impact on Black prospective residents."

What should TDHCA do?

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.

Increase Transparency and Involvement with Tenants in Rehabilitation Properties

The Public Notifications section of the QAP requires that all applicants notify Neighborhood Organizations “on record with the county or the state” along with other local officials such as the superintendent of the school district, mayor of the municipality or presiding officer of the relevant governing body, and the relevant State Senator and State Representative.

The QAP also awards applicants up to nine points under Quantifiable Community Participation for written statements from Neighborhood Organizations that are on record and serve an area containing the proposed property. Quantifiable Community Participation impacts 9% HTC applications, while Public Notifications impacts both 9% and 4% HTC applications.

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.⁸¹ Frequently, tenants 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?

TDHCA should amend the QAP’s Quantifiable Community Participation and Public Notifications provisions to inform tenants and support tenant engagement. TDHCA should add an option for partial points under Quantifiable Community Participation for a letter of support from a tenant organization that serves the proposed property’s neighborhood.

TDHCA should also add a requirement to meaningfully notify both relevant tenant organizations and existing tenants of HTC properties if their property is part of a rehabilitation application. Notification for existing tenants should be delivered through multiple means and include clear instructions on how tenants can provide input in the HTC application process. Language should be added to both Quantifiable Community Participation and Public Notifications to account for unregistered tenant groups.

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