Diana McIver, President

DMA Development Company, LLC

November 27, 2018

An Introduction to the Housing Tax Credit Program

What Today's Session Will Cover

The Basics of the Housing Tax Credit Program

- History
- Two types of credits
- How tax credits become equity
- What can be built/who can live there

The Tax Credit Program in Texas

- Regional Allocation Formula
- The Qualified Allocation Plan/Threshold & Scoring

Roles Local Governments Play

- Setting Priorities
- Resolutions

History of the Housing Tax Credit Program

1986 Congress through the Tax Reform Act, enacted Section 42 of the Internal Revenue Code.

- ✓ Section 42 created the Low Income Housing Tax Credit (LIHTC) to provide incentives to the private sector to invest in affordable housing.
- ✓ Credit is a dollar-for-dollar tax reduction.
- ✓ Credit is based on the Cost of Construction or Rehabilitation
- ✓ The Tax Credit program is 32 years old and is the oldest (longest lived) supply side housing program. More than 2.5 million units have been built under this program.
- ✓ At the Federal Level, the program has very few requirements that must be met, but it does require that States set up an agency for administering the program and the majority of program requirements are at the State level.

History, continued

1993 Congress made the LIHTC program permanent.

2005 TDHCA removed the words 'Low Income' from the program name. Now in Texas it is called the Housing Tax Credit (HTC) Program.

2008 Congress enacted the Housing & Economic Recovery Act of 2008 (HERA) with the most significant changes since 1986.

2009 Congress enacted American Reinvestment and Recovery Act of 2009 (ARRA) which created the Tax Credit Assistance Program (TCAP) and Tax Credit Exchange (Exchange) on a temporary basis.

2017 Tax Cuts and Jobs Act aka Tax Reform (December 2017) – preserved housing tax credits and private activity bonds; created Opportunity Zones

2018 Omnibus Budget Bill (March 2018): 50% cap increase (over 4 years) in the 9% program and added income-averaging.

Two Types of Tax Credits

- **9% Credit**
  - **Also known as the 70% present value credit**
  - **In Texas, these credits are awarded annually on a competitive basis.**

- **4% Credit**
  - **Also known as the 30% present value credit**
  - **Available w/tax exempt bonds through the State's Volume Cap Allocation.**

Federal Affordability Requirements

- 40% of the units @ rents based on 60% Area Median Income (AMI), or
- 20% of the units @ rents based on 50% AMI
- Must keep project affordable for at least 30 years (some states may require longer). In Texas, extra points are awarded to 9% HTC developments for keeping the housing affordable for 40 years.
- Credits are only awarded on the units that meet the long term affordability test. Although Market Rate units are allowed, no tax credits are available for these units.
- NEW: With the new Income Averaging, a development can get tax credits on units with rents based at or below 80% AMI; however, the average throughout the development cannot be greater than 60%.

What is a 9% Credit?

- Each State receives a per capita allocation, adjusted annually. In 2017, the amount was $2.35 per capita. In 2018, that jumped to $2.70 per capita thanks to the Omnibus Bill. Approximately $76,677,700 was available in 2018 for Texas.
- 10 Year Credit (longer compliance period)
- New construction or substantial rehabilitation
- If rehab, building acquisition costs qualify *only* for a 4% credit

What is a 4% Credit?

- 4% Credit is used in tandem w/Private Activity Bonds.
- States have $105 per capita limit on ALL Private Activity Bonds, also called Volume Cap.
  - ✓ Texas receives annual allocation of approximately $2.97 billion
  - ✓ Eligible Uses are many – from sewage plants to student loans to affordable housing
  - ✓ Approximately $654 million is reserved in Texas for multifamily housing bonds, to be issued by TDHCA, TSAHC, and Local Issuers
- When used with Private Activity Bonds, the 4% Credit is a 10 year Credit (Compliance is 30 years).

4% Credit, continued.

- **Issuers of Bonds can be Housing Finance Agencies, Housing Authorities, Public Facility Corporations, Texas State Affordable Housing Corporation (TSAHC) or TDHCA, but only TDHCA can award the 4% tax credits and application must be filed timely.**
- ***New Requirement (effective 9/1/13): Must have local resolution of NO OPPOSITION, regardless of bond issuer.***
- **No TDHCA scoring applies to 4% Tax Credits, but must meet Threshold Requirements of the QAP, including notifications, design, amenities, site requirements, etc.**
- **Texas Legislature has established development requirements for ‘tiers’ of competition based on affordability factors, and also provided a system for allocating bond cap throughout the 13 Regions.**
- **Undersubscribed for past nine years, but OVERSUBSCRIBED in 2017.**
- **The amount of the credit floats monthly and is not fixed at 4%. #fixthefour**

How Do Tax Credits Become $$$?

- **The Developer/GP will sell 99.99% of these credits to an investor who will become the Limited Partner (LP) in Partnership.**
- **The amount of equity an LP is willing to pay depends on the degree of risk.**
- **In late 2007, investors were paying prices in the $.90 range; in 2008, after the financial crisis, pricing was at $.68 to $.73 IF YOU COULD FIND AN INVESTOR!**
- **In early 2016, pricing in many areas was over $1.00. However, following the election, investors pulled back from the market waiting to see what Tax Reform would hold. The result of investors (generally large corporations/banks) going from a 35% bracket to a 21% bracket is about a 15% reduction in credit pricing.**

What Do the Investor/GP Negotiate?

- Price for Tax Credits
- Pay-in Schedule
- Early and Late Delivery “Adjustors”
- Schedule for Developer Fee payments
- Cash Flow Waterfall (including distributions to LP and GP)
- Reserves – what kind, how much, and how long
- Guaranties – by whom and caps on amounts
- Management Fees
- Asset Management Fees to Investor

What Determines How Much an Investor Will Pay?

- Strength of Developer & General Partner
  - Financial strength (deep pockets)
  - Experience on similar projects
- Location of Development
  - Bank needs CRA Credit
  - Strong market for proposed housing type/population served
  - Major metropolitan areas are favored today
- New Construction vs Rehab
- Timing of capital contributions
  - Aggressive pay-in = Lower $$
  - Time is Money

What is Eligible Basis?

- The majority – but not all – of development costs are considered eligible to be counted toward the *basis* on which the tax credit award will be determined as defined in IRS Code Subsection 42.

  Generally this includes construction and development costs, but does not include land and costs associated with syndication and permanent loan financing.

- Credits on any deal are calculated by multiplying the “Eligible Basis” by the “credit percentage” to determine the amount of the award.
- The percentages are set federally and published monthly and are used to determine the portion of eligible costs that count toward the potential tax credits The 9% Credits have been locked at 9% for three years now; however, 4% credits float and the current rate is 3.32%.

What are 9% Credits Worth?

$17,500,000	Cost to develop
$15,000,000	“Eligible Basis” costs
X .09	Monthly credit percentage
$ 1,350,000	Annual Credit Allocation
X 10	Years
$13,500,000	10 Year Credit Allocation
X .92	Today’s Credit Pricing
$12,420,000	Potential Purchase Price
X 99.99%	Investor Percentage
$12,295,800	**Investor Equity**

What About 4% Credits?

$17,500,000	Cost to develop
$15,000,000	“Eligible Basis” costs
X .0332	Monthly credit percentage
$ 498,000	Annual Credit Allocation
X 10	Years
$ 4,980,000	10 Year Credit Allocation
X .92	Today’s Credit Pricing
$ 4,581,600	Potential Purchase Price
X 99.99%	Investor Percentage
$ 4,581,141	**Investor Equity**

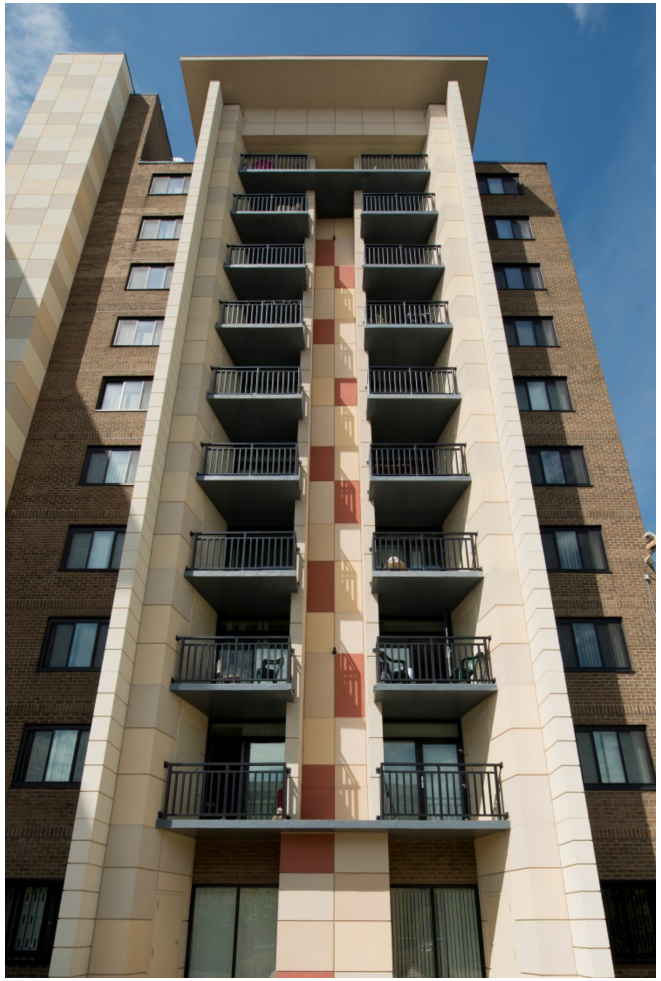
“The Boost”

By Federal law, housing constructed in a Qualified Census Tract (QCT) is eligible for a credit boost of 30%. Under HERA, States were granted the right to allocate a 30% credit boost for certain areas or project types. The Texas 2019 QAP will allow this boost for developments that are:

- Located in a QCT that has less than 20% Housing Tax Credit Units per total households; if supported by the City through resolution, the boost will be given for areas with greater than 20% HTC units (New Construction/Adaptive Reuse only – Rehab exempt from this requirement)
- Located in a Small Area Difficult Development Area (SADDA)
- Competing for 9% Credits, and qualify as follows:
    - Rural
    - Supportive Housing (debt free)
    - Located in areas meeting criteria for Opportunity Index
    - Deep Targeting: an additional 10% units at 30%AMI
    - Located in Concerted Revitalization Plan (but not elderly)
    - Located in a Qualified Opportunity Zone

These projects qualify for 130% tax credits instead of 100%, resulting in more credits to sell to the investor.

What Can Be Built?



Housing Types – can be multiple types (both new construction and rehab) but must meet the definition of "qualified residential rental property"

- ✓ Multifamily Rental, e.g., family, workforce housing
- ✓ Senior Rental (age 55+)
- ✓ Single Room Occupancy (SROs) for Homeless

Who Can Live in a Tax Credit Community?

- **Individuals or Families or Seniors or Persons with Disabilities with incomes at or below 80% of Area Median Income are eligible to live in Tax Credit Housing – however, since there is no rent subsidy, they must be able to afford the rent. (Existing developments will continue to have 60% AMI restrictions.)**
- ***A resident with a voucher from a housing authority can live in Tax Credit Housing and pay 30% of his or her income for rent.***

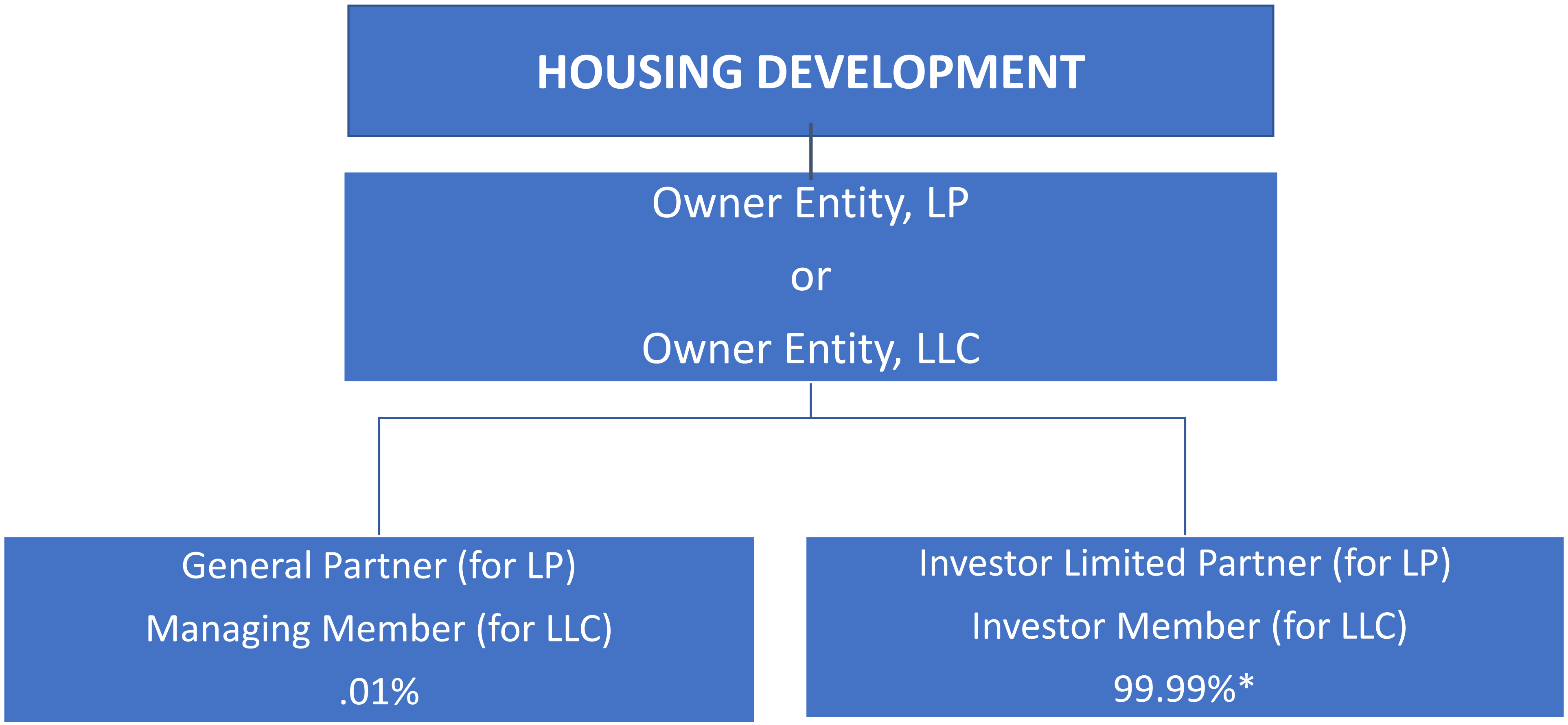
How Is a Tax Credit Rent Calculated?

Two Bedroom Rent assumes 3 person family (1.5 persons per bedroom)

Imputed income at 60% of AMI:	$41,700
Multiplied by:	x30%
Maximum Annual Rent:	$12,510
Divided by (months):	÷12
Maximum Monthly Rent:	**$1,042***

**must include both rent and utilities – e.g., if the utility allowance on 2BR is $120. Max rent would be $922.*

Typical Ownership Structure



Development Owner

HTC Developments create an ownership entity, a limited partnership or a limited liability company, to serve as the Development Owner. This structure is necessary to allow the tax credits to flow through to the Limited Partner (Investor).

Managing General Partner (GP)

- Responsible for the Asset – both during construction and throughout compliance. Provides personal and corporate $$ guaranties.
- Compensation is through cash flow during operations, asset management fees, back end residuals, developer fees, guaranty fees, etc.
- Hires the team, including the developer.
- Can be an individual, a partnership, a corporation.
- Usually is an LLC, with ownership interest of .01%.
- Can be made up of more than one entity.

Limited Partner (Investor/Equity Partner)

- Buys the credits: receives tax benefits (10 yrs) + depreciation (15 yrs) + generally a small cash flow distribution (15 yrs).
- Sets certain performance requirements for the development.
- Owns the largest share of the limited partnership (generally 99.99%).
- Monitors the project throughout the compliance period, receiving an asset management fee for this service.

Special Limited Partner

- Special Limited Partner can be used to bring special skills and resources to the partnership, sometimes structured as a Class B partner.
- Nonprofits and/or inexperienced developers can benefit by having a Guarantor in this role.
- Frequently, an Investor creates a SLP for a different purpose, possibly to serve in the role of GP, if removal of the Managing GP is necessary.

Developer

- Can be for profit or nonprofit. May also be a joint venture of one or more developers.
- Puts the transaction together & sees it through stabilization; compensation is all or a portion of the "Developer Fee."
  - Fees to the developer are limited to 15% of the eligible basis, including any fees to consultants
- The Developer may be affiliated with the General Partner e.g., common ownership, but this is not essential.
- Frequently asked to provide financial guaranties.

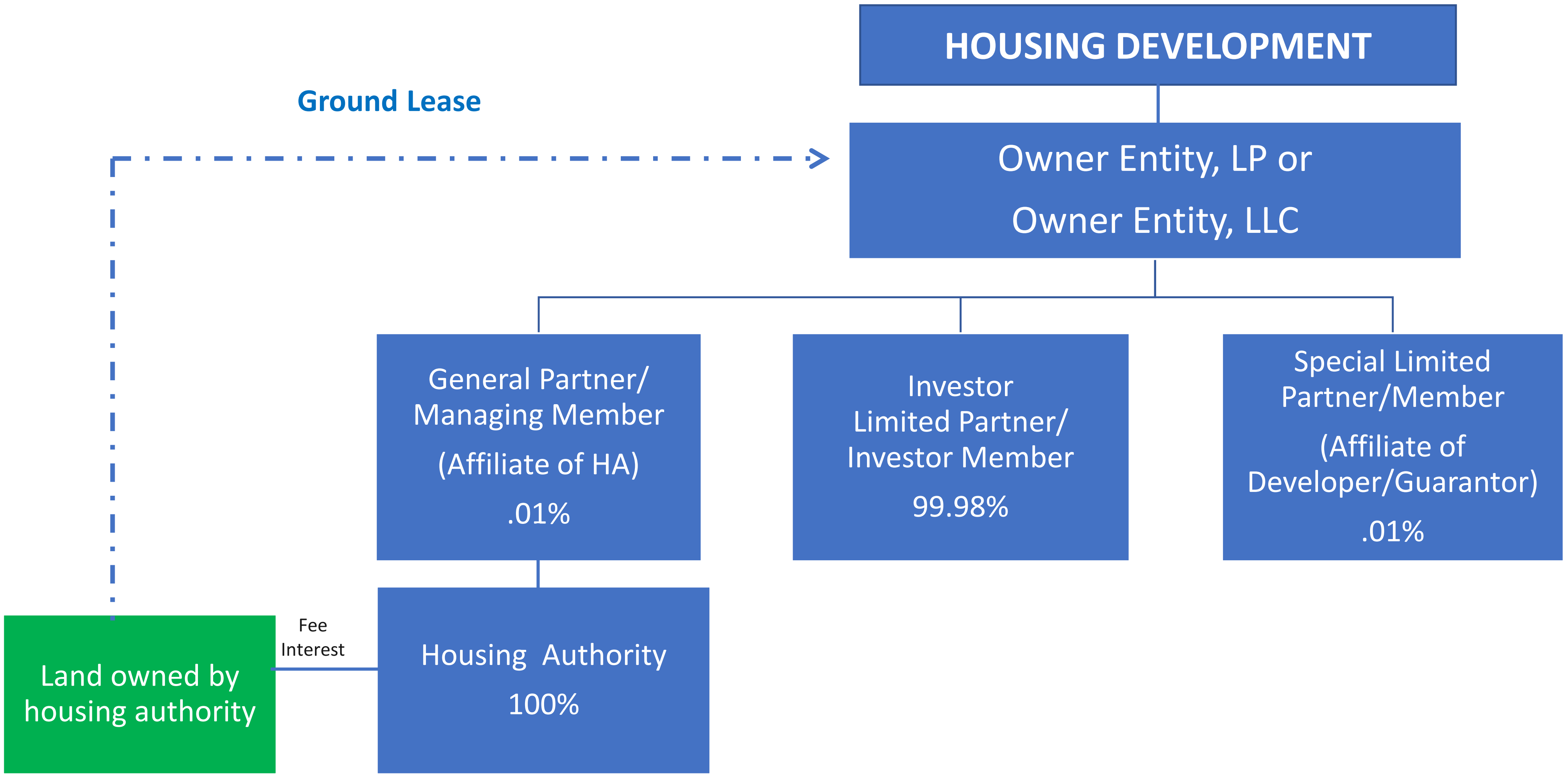
Other Development Team Members

- Tax Credit Consultant
- Architect
- Engineers (Civil/Structural/MEP)
- Contractor
- Market Analyst
- Accountant
- Attorney(s)
- Lender (Construction and Permanent)
- Title Company
- Property Management Company
- Service Providers
- Bond Deals: Trustees, Underwriters, Bond Counsel, etc.

Ownership Structure – Ground Lease

- Used in transactions with housing authorities or housing finance corporations in order to obtain a property tax exemption.
- Same LP or LLC ownership structure, with key differences:
  - The housing authority has legal title to the land and ground leases it to the LP/LLC owner
  - LP/LLC owner develops, owns, and operates the project.
  - Typically includes a special limited partner or member that is an affiliate of the developer/guarantor.

Ownership Structure (Ground Lease)



How Do You Get 9% Tax Credits in Texas?

The Qualified Allocation Plan (QAP)

Every state is required to prepare a Qualified Allocation Plan (QAP) governing its Tax Credit Program.

- ✓ **The QAP outlines the policy objectives and application processes. It has three elements: 1) Set-asides, 2) Threshold Requirements, and 3) Preferences (Scoring)**
- ✓ **In Texas, the administering agency for the Housing Tax Credit Program is the Texas Department of Housing and Community Affairs (TDHCA)**
- ✓ **In Texas, the State Legislature establishes certain parameters for the operation of the program, including major scoring criteria.**

The QAP, continued

- Each year, TDHCA posts a draft QAP in early September for public comment.
- TDHCA implements the legislated requirements, both state and federal, as part of its QAP. QAP must be signed by the Governor no later than November 30.
- TDHCA accepts applications on an annual basis.
- Credits must be allocated by July 31 of each year.
- Each year’s application may be different due to changes in the QAP.

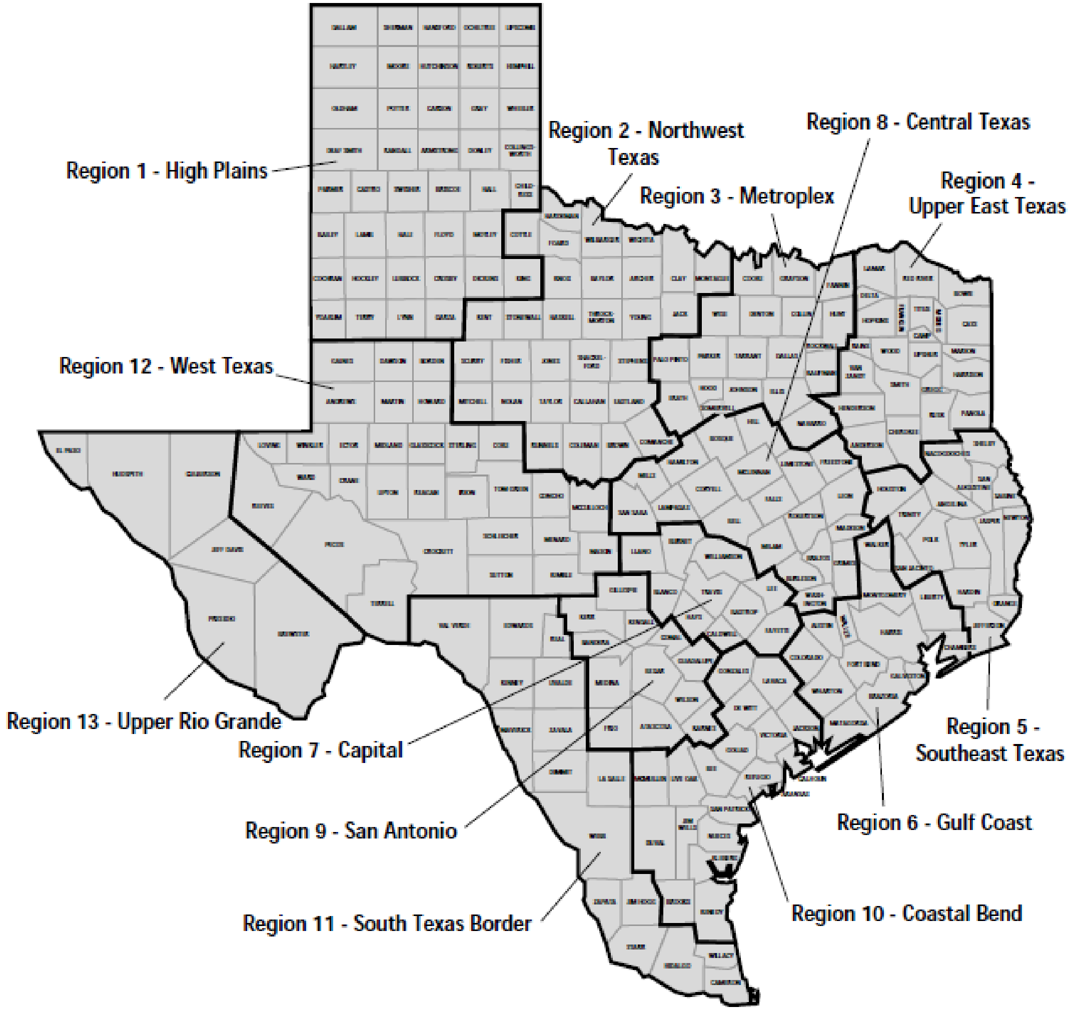
How are 9% Credits Allocated Statewide?

TDHCA prepares a formula for distribution, known as the Regional Allocation Formula (or RAF), to the 13 State Regions based on population, housing conditions and participation in other funding programs.

- **Allocation for each Region is split between Urban and Rural, referred to as sub-regions. An Applicant cannot apply for more than 150% of the amount available in the sub-region.**
- **Additionally, there are mandated set-asides:**
  - ✓ Nonprofit – 10% (Statewide) *
  - ✓ "At Risk" – 15% (Statewide) – of this, 1/3 is allocated for Rural Development (USDA financing): *in 2014 Public Housing Projects became eligible to compete in the "At Risk" category and in 2016 this was expanded to include RAD and HUD Held mortgages, such as Section 202.*

****Not a true set-aside, as nonprofits compete in all categories but if 10% don't rise to top, they trump other projects.***

13 State Regions



Region 3

Counties: Collin, Cooke, Dallas, Denton, Ellis, Erath, Fannin, Grayson, Hood, Hunt, Johnson, Kaufman, Navarro, Palo Pinto, Parker, Rockwall, Somervell, Tarrant, Wise

Each Region’s total allocation is divided into two pots of funds based on population: Urban and Rural

- In 2018, there was a total allocation of $15,306,000 in the Region 3 Urban Setaside; $641,000 in the Rural setaside. One award in the City of Dallas for $1.5M.

Is the Tax Credit Program in Texas Competitive? YES!

- 2016: TDHCA received 382 Pre-Applications and 142 Applications. Of these 66 received awards. This equates to a 46% success rate (or 1 in 2.2) for full applications – or if you factor in pre-apps, a 17% survival rate!
- 2017: TDHCA received 380 Pre-Applications and 149 Applications. Of these 69 received awards. This equates to a 47% success rate (or 1 in 2.1) for full applications – or if you factor in pre-apps, an 18% survival rate!
- 2018: TDHCA received 362 Pre-Applications and 138 Applications. Of these, 73 received awards. This equates to a 53% success rate (or 1 in 2) for full applications – or if you factor in pre-apps, a 20% survival rate!

Threshold Requirements (Apply to both 9% & 4%)

- **Project Size:** Minimum of 16 units. No greater than 80 units in a Rural Community for 9% credits; 120 units for 4% Bonds. No other limitations.
- **Developer Experience:** Developer must meet minimum experience requirement, the development of at least 150 units.
- **Architectural Design/Drawings:**
  - ✓ Must meet minimum energy standards
  - ✓ Comply with 504 accessibility guidelines
  - ✓ Provide an amenity package (common area and units)
  - ✓ Minimum unit sizes
- **Site Control, acceptable to TDHCA**

Threshold Requirements, continued

- **Third Party Reports:** Market Study, Environmental Study, Appraisals for "identity of interest" transactions and Rehab, Property Condition Assessment (PCA) for Rehab
- **Preliminary commitments from lenders and investors**
- **Notifications to public officials**
- **Applicant must not have any unresolved compliance issues**
- **No development may be located within 100 year flood plain.** Finished floor elevations must be at least one foot above, and parking and drives no lower than six inches below. (certain exceptions/mitigations for rehab)

Threshold: Undesirable Site Features

TDHCA will not allow sites that are located:

- W/i 300’ of junkyard, solid waste facility, sanitary landfill, or sexually-oriented business
- W/i 100’ of high voltage transmission lines
- W/i 500’ of active railroad tracks (excluding commuter, light rail, or Quiet Zones)
- W/i 500’ of heavy industry
- W/i 10 miles of a nuclear plant
- W/i accident potential zones or runway clear zones of any airport
- W/i 2 miles of refineries, or
- Sites that contain pipelines carrying highly volatile liquids

Threshold: Neighborhood Risk Factors

TDHCA considers the following as Neighborhood Risk Factors:

- Census tract that has a poverty rate above 40%
- Census tract where rate of violent crime is greater than 18 per 1,000 person annually (neighborhoodscout.com)
- W/i 1,000' of blighted structure(s)
- W/i attendance zone of schools that do not have a Met Standard rating by TEA (Elderly Developments exempt)

Should these factors exist, the Applicant MUST submit a Neighborhood Risk Factors Report following TDHCA guidelines, along with a plan for mitigation.

Threshold: Rehab Cost Requirements

TDHCA has minimum Rehab cost requirements for building costs and site work, as follows:

- USDA set-aside: at least $25,000 per unit
- Bond Developments: less than 20 years old/$20,000 per unit; greater than 20 years old/$30,000 per unit
- All others, including 9% deals: $30,000 per unit

Threshold: Mandatory Development Amenities

- Units must be wired for cable/data
- Laundry connections
- Bathroom exhaust vents
- Screens on operable windows
- Disposal and energy-star rated dishwasher (rehab may be exempt)
- Energy-Star Refrigerator
- Oven/range
- Blinds or window coverings for all windows
- Energy-Star rated ceiling fans
- Energy-Star rated lighting
- Heating/AC
- Adequate parking (consistent with local code), including accessible spaces
- Energy-Star rated windows

Threshold: Common Amenities

All tax credit developments must have common amenities selected from a list of 37 possible choices in the areas of:

- **Community Space for resident supportive services**
- **Safety**
- **Health/Fitness/Play**
- **Design/Landscaping**
- **Community Resources**

The number of units determines the number and sizing of amenities.

Threshold: Unit Sizes

TDHCA has established the following minimum unit sizes:

- **Efficiency: 500sf**
- **One Bedroom: 600sf**
- **Two Bedroom: 800sf**
- **Three Bedroom: 1,000sf**
- **Four Bedroom: 1,200sf**

Threshold: Resident Supportive Services

TDHCA requires resident supportive services, from among 20 choices in the following categories:

- Transportation Supportive Services
- Children Supportive Services
- Adult Supportive Services
- Health Supportive Services
- Community Supportive Services

Scoring (Only Applies to 9%)

The Texas Legislature has statutorily mandated the following scoring items in descending order:

- ✓ Financial Feasibility
- ✓ Local Government Support
- ✓ Income Level of Tenants
- ✓ Quality of Units
- ✓ Rent Levels
- ✓ Cost of Development per SF
- ✓ Tenant Services
- ✓ Declared Disaster Area
- ✓ Quantifiable Community Participation
- ✓ State Representative Support

Scoring, continued

The Legislature has also mandated lower scoring items of Leveraging and Local Funding Contributions (reduced in statute in 2015 from high scoring to low scoring).

TDHCA has the right to add additional scoring items as long as the points for these items do not exceed the "top ten". TDHCA typically gives points for:

- ✓ **High quality development**
- ✓ **Serving those most in need**
- ✓ **Promoting community support and engagement**
- ✓ **Promoting the efficient use of resources and applicant accountability**

Effective with the 2018 QAP, the State Legislature has mandated that "Educational Quality" NOT be a scoring item. It can, however, be a threshold item.

Scoring Priorities (2019)

Criteria: Promoting Development of High Quality Housing

- Size & Quality of Units (TX Statute) 15 pts.
    - 6 points for unit sizes above minimums
    - 9 points for unit features / amenities
- Sponsor Characteristics (HUB or NP) (TDHCA) 2 pts.

Scoring Priorities (2019)

Criteria: To Serve and Support Texans Most in Need

- **Income Levels of Tenants (TX Statute)** — **up to 16 pts**

  (40% at 50% AMI or IA Election at 54%)

- **Rent Levels (TX Statute)** — **up to 13 pts**
  - **Maximum 13 points for Supporting Housing under NP Set Aside**
  - **Maximum 11 points for other developments**

  (Used to support deep targeting – units at 30% AMI)

- **Resident Services (TX Statute)** — **up to 11 pts**
  - **Maximum 11 points for Supportive Housing under NP Set Aside**
  - **Maximum 10 points for other developments**

Scoring Priorities (2019)

Support Texans Most in Need, Continued.

• Opportunity Index (TDHCA)*	up to 7 pts
• Underserved (TDHCA)*	up to 5 pts
• Special Housing Needs (TDHCA)	2 pts
• Proximity to Urban Core (TDHCA)	5 pts
• w/i 4 miles for cities 750,000+	
• w/i 2 miles for cities 200,000 – 749,999	
• Readiness to Proceed in Disaster Counties (TDHCA)	5 pts

Scoring Priorities (2019)

Criteria: Promoting Community Support and Engagement

• Local Government Support (TX Statute)*	up to 17 pts
• Commitment of Funding from LPS (TX Statute)	1 pt
• Declared Disaster Area (TX Statute)	10 pts
• Quantifiable Community Participation (TX Statute)*	up to 9 pts
• Support from State Representative (TX Statute)	up to 8 pts
• Support +8/Neutral 0/Opposition -8	
• Community Support Other than QCP (TDHCA)	up to 4 pts
• Concerted Revitalization Plan (TDHCA / Remedial Plan directed)*	up to 7 pts

Scoring Priorities (2019)

Criteria: Promoting Efficient Use of Limited Resources and Applicant Accountability

• Financial Feasibility (TX Statute)	up to 18 pts
• Cost of Development per Square Foot (TX Statute)	up to 12 pts
• Pre-Application Participation (TDHCA)	6 pts
• Leveraging Private, State, Federal Resources (TX Statute)	up to 3 pts
• Extended Affordability (TDHCA)	2 pts
• Historic Preservation (TDHCA)	5 pts
• Right of First Refusal (TDHCA)	1 pt
• Funding Request Amount (TDHCA)	1 pt

PENALTY POINTS! **Applicants can have points deducted for claiming points without proper documentation & also points may be deducted for bad behavior (missing deadlines, not building what you said you would) on previous tax credit awards.**

Scoring Detail (2019)

Opportunity Index (TDHCA/Remedial Plan directed) up to 7 pts total

Part A

Located in CT with Poverty Rate of less than the greater of 20% or median poverty rate for the region and meets one of the requirements below:

- **Entirely within a CT that has poverty rate of less than the greater of 20% or median poverty rate for the region, and a median household income rated in the two highest quartiles within the region (2 pts)**
- **Entirely within a CT that has a poverty rate less than the greater of 20% or the median poverty rate for the region, and a median household income in the third quartile within the region, and is contiguous to a CT in the 1^{st} or 2^{nd} quartile, without physical barriers such as highway or river and is no more than 2 miles from the boundary between CTs. (1 pt)**

Scoring Detail: Opportunity Index, continued

Part B: Only applications scoring under Part A, can get points in Part B.

- **Accessible route to public park, no further than ½ mile (1 pt)**
- **Access to public transportation w/i ½ mile (1 - 2 pts, depending on frequency of service)**
- **1 mile from full-service grocery (1 pt)**
- **1 mile from pharmacy (1 pt)**
- **3 miles from health-related facility (1 pt)**
- **2 miles from licensed child care or pre-K (1 pt)**
- **CT with property crime rate of 26 per 1,000 pop or less (1 pt)**
- **Within 1 mile from public library (1 pt)**
- **Within 5 miles from accredited university or community college (1 pt)**
- **CT where % of adults age 25 and older with an Associate's Degree or higher is 27% or higher (1 pt)**
- **Within 1 mile of indoor recreation facility (1 pt)**
- **Within 1 mile of an outdoor recreation facility (1 pt)**
- **With 1 mile of community, civic or service organizations providing services (1 pt)**
- **Site is in the current service area of Meals on Wheels or similar (1 pt)**

Scoring Detail (2019)

Underserved Area: Up to 5 points. If qualify for points under Opportunity Index, then not eligible for points under (A), (B), or (F). Points are not cumulative.

- (A) Colonia (2 pts)
- (B) Economically Distressed Area (1 pt)
- (C) Located in a CT that does not have another TC awarded in past 30 years (3 pts)
- (D) Located in CT w/o TC award in past 15 years (2 pts)
- (E) CT and contiguous CTs do not have TC awards in past 15 years (5 pts) (only in communities of more than 100,000 pop)
- (F) CT has both a poverty rate greater than 20% and a median gross rent for a 2 BR unit greater than its county's 2016 HUD FMR. (2 pts)
- (G) An At risk or USDA placed in service at least 30 years ago, still occupied and not receive federal funding or tax credits for the purposes of Rehab (3 pts)

Scoring Detail: Resolutions of Support

Applications receive:

- **17 points for a resolution of support voted on and adopted by the local governing body (e.g., city or county), or**
- **14 points for a resolution of no objection.**

For developments located in Extra Territorial Jurisdictions (ETJs):

- **8.5 points for resolution of support or 7 points for resolution of no objection from City, and**
- **8.5 points for resolution of support or 7 points for resolution of no objection from the County.**

Scoring Detail: Concerted Revitalization Plans (CRP)

- **Applicants in Urban Areas can get <u>up to 7 points</u> for having a valid revitalization plan which has been adopted and approved by the local government. The Area targeted for revitalization must be larger than the housing footprint and show that improvements are underway. (4 pts)**
- **An applicant can receive <u>two additional points</u> if the City selects it as the most deserving revitalization project – and a city can only designate one project in each Plan area each year. (2 pts) This resolution is due with the Application.**
- **An applicant can receive <u>one additional point</u> if it is in a location that would score at least 4 points under the Opportunity Index. (1 pt)**

Scoring Detail: Quantifiable Community Participation (QCP)

- **Support from a Neighborhood Organization on record w/Secretary of State or County 30 days prior to the beginning of the Application Acceptance Period.**
- **Must be an organization of persons living near one another with a purpose to maintain/improve general welfare of neighborhood and not formed by a tax credit applicant**
  - ✓ **Group that has opposed other developments in past 3 years but supports yours = 9 points**
  - ✓ **Support Development = 8 points**
  - ✓ **Group that has opposed other developments in past 3 years but neutral about yours = 6 points**
  - ✓ **No neighborhood organization or one that remains neutral = 4 points**
  - ✓ **Oppose Development = 0 points**

If no Neighborhood Organization exists that includes site, or if one exists that is neutral, applicant can qualify for additional points (up to 4) for community support letters from local nonprofits and civic organizations.

Tie Breakers & Other Limiting Conditions (9%)

Tie Breakers:

1) **Lowest poverty rate/rent burden**

2) **Furthest distance from another tax credit property serving same type population and awarded credits less than 15 years ago**

Other Limitations:

Two Mile Same Year Rule: **In Counties over 1M population (Dallas, Tarrant, Harris, Bexar, Travis), two projects within two miles of each other cannot be funded in the same year.**

Maximum Credit Allocation in Texas: **$1.5M in credits for single project ($2M for At-Risk) and $3M cap per individual Applicant.**

Elderly Development Limitations **in Regions with County Population over 1M**

CRP: **Highest scoring CRP must be funded in Regions with County Pop. over 1.7M**

2019 Program Calendar (9%)

01/09/19	Preapplications Due
03/01/19	Full Application Due (to include city resolutions)
04/02/19	Market Study Due
07/25/19	Awards Announced
12/31/21	Certificates of Occupancy MUST be issued

Involvement by Local Government

A Local Government can have a policy in place to direct what development activities they will support and where. It can have priorities, but it can't be in violation of Fair Housing laws. Areas where government action is needed:

- **Resolution of Support or No Opposition (9% Only)**
- **Resolution of No Opposition (4% Only)**
- **Concerted Revitalization Plans and Most Favored Project Status (9%)**
- **Deconcentration***
  - **2 x per capita resolution**
  - **1 mile three year resolution**
  - **Ineligible census tracts resolution**
- **City Funding Resolution (de minimus amount of $500)**

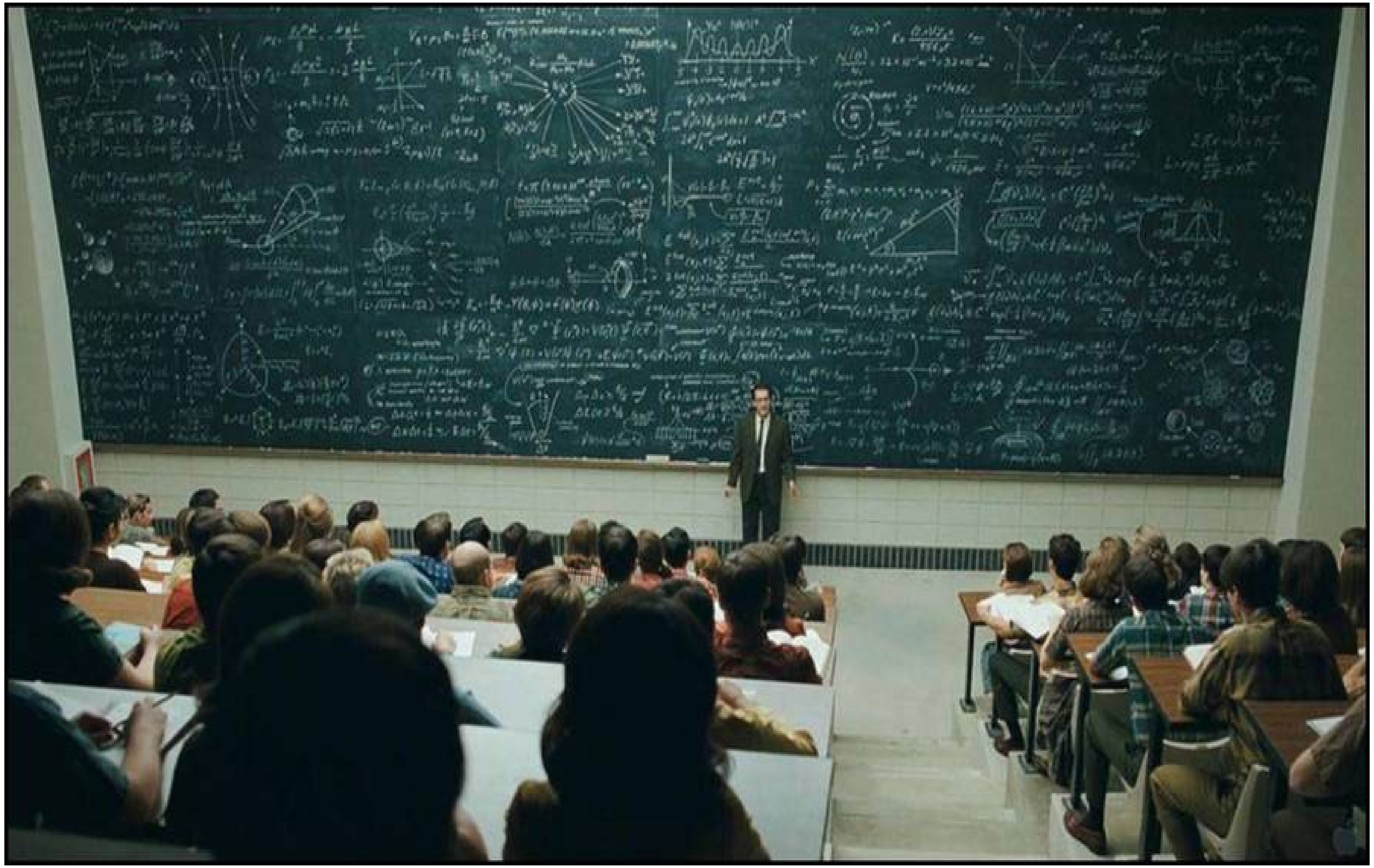
City Involvement on Deconcentration

A resolution of support from the City and/or County is required in order to "overrule" the following:

- The 1 mile/3 year rule (Bexar, Tarrant, Dallas, Harris, and Travis Counties, only): A new tax credit development cannot be approved within one mile of a development of the same type that has received a tax credit award in the past three years.
- The 2x "per capita" rule: No development can be funded in a municipality that has more than twice the state average of units per capita supported by HTCs.
- Prohibition of additional units in a Census Tract with more than 20% HTC units per total households, unless municipality has population less than 100,000. Rehab projects are exempt.

These resolutions are due at the time a 9% Tax Credit Application is submitted to TDHCA and for a 4% Application two weeks prior to TDHCA Board action.

And thus, dear students, we have arrived at the formula for understanding the Housing Tax Credit Program . . .



Questions & Answers

Diana McIver, President
DMA Development Company, LLC
dianam@dmacompanies.com
www.dmacompanies.com