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OFFICE OF THE CITY MANAGER

MEMORANDUM

TO: Mayor and Council

FROM: Susie Byrd, City Representative, District #2

DATE: February 22, 2008

RE: Back up for Agenda Item 12B/State Legislative Agenda regarding Low Income Housing Tax Credits

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Dear Mayor and Council:

As you recall, one of our guiding principals for Downtown Redevelopment is that 30% of all new housing will be affordable. We established this goal because we recognized that cities that have not anticipated and planned for significant increases in rents and housing prices as a result downtown redevelopment often find low-income and median-income families being priced out of the downtown housing market and surrounding neighborhoods. We want Downtown El Paso to be a place for everyone, a place where families of all income can afford to live.

In order to achieve this very aggressive goal of 30% of affordable housing for Downtown, we are going to need to tap all sources of available financing and financing tools for affordable housing. Low Income Housing Tax Credits (LIHTC) represent a significant source of funding for affordable multifamily housing. While low income housing tax credits might not always work for Downtown affordable housing projects, I would like them to be an option for Downtown housing developers. There are two limitations on the current program for Low Income Housing Tax Credits that make it difficult for developers to use tax credits for affordable housing Downtown.

Next week, there will be Senate Hearing on the Low Income Housing Tax Credit Program. I would request that the City support a position that would abate these two limitations in order to make low income housing tax credits a better option for financing Downtown affordable housing.

**Limitation #1.** When land prices are as high as they are in Downtown El Paso, it is often impossible to make an affordable housing project pencil out unless you have a mix of rent-restricted units and market rate units. The combination of market rate rents and subsidies for the rent-restricted units can make a project financially viable.

Also, mixed income communities benefit the community by increasing tolerance of class difference and by providing more access to opportunities for low income families who are often cut off from equal access to resources, education and job opportunity as a result of living in neighborhoods that are segregated by income.

The current low income tax credit scheme provides extra points for 100% low income complexes and makes it very difficult to successfully compete for tax credits for a mixed income project. The City of El Paso should join Fort Worth, Texas and other municipalities in asking that the Texas Department of Housing and Community Affairs actively support mixed income projects that provide at least 20% affordable units for

Mixed income projects should not be disadvantaged when competing against projects that are a majority rent-restricted, especially if the number of units being built is comparable.

**Limitation #2.** The rules governing Low Income Housing Tax Credits state that the census tract that a development is in can't exceed a multifamily concentration rate of 1,432 units per square mile. There is a high concentration of multifamily units in and around Downtown El Paso. Some of the census tracts surrounding Downtown would be ineligible for low income housing tax credit projects because of this restriction and as a result our options for the placement of these types of projects would be limited.

In addition, density is a land use issue that should be left to the sole jurisdiction of home rule municipalities. If municipalities are trying to build affordable housing in dense neighborhoods that is a decision that should be left to the local community.

My motion on this item will be:

Resolve that the City Council support legislation that removes barriers and increases incentives for the use of low income housing tax credits in Downtown or other revitalization areas identified as priorities by local municipalities.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Susie Byrd". The signature is written in a cursive, flowing style.

Susie Byrd

City Council Representative, District 2