



Community and Human Development Department

Mayor
Oscar Leeser

To: Mayor and Council
From: Verónica R. Soto, AICP, Director *RSoto*
Date: November 24, 2014
RE: Low Income Housing Tax Credits 2015 Round

City Council

District 1
Ann Morgan Lilly

District 2
Larry Romero

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Dr. Michiel R. Noe

District 6
Claudia Ordaz

District 7
Lily Limón

District 8
Cortney C. Niland

City Manager
Tommy Gonzalez

Low Income Housing Tax Credits (LIHTCs) are an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. The Texas Department of Housing and Community Affairs (TDHCA) is the state’s designated tax credit allocating agency. A scoring criteria known as the Qualified Allocation Plan (QAP) governs the awarding of LIHTCs and revisions are proposed annually through a public comment process. At the November 13, 2014 TDHCA Board meeting, the 2015 QAP scoring criteria and process for awarding tax credits was approved. As in 2014, municipalities will have an opportunity to offer support Resolutions for projects from the Region competing for tax credits. This is a highly competitive process. The points a project may receive via a support Resolution from the City may be the ones that determine if a project gets an allocation or not. A total of 17 points out of a grand total of 183 can be earned via a support Resolution. In addition, municipal financing support earns additional points. In the interest of fairness to all potential developments, the Community and Human Development Department will once again administer the process to review and vet applications for consideration for a support Resolution using the following process.

Timeline

- December 1, 2014 – Presentation to City Council on LIHTCs and the city’s role
- December 8, 2014 – “Request for Support Resolution from the City of El Paso – 2015 Housing Tax Credits” submittal form released
- Tuesday, January 12, 2015 – Deadline for Requests to be submitted to the Department
- Early March 2015 – City Council to consider Support Resolutions

Evaluation criteria:

- Developers capacity and experience with similar projects
- Total Development Cost, including cost per square foot
- Location of Proposed Development and location within a Redevelopment area
- Compliance with City’s Comprehensive Plan
- # of Dwelling Units (Does it fit)
- Dwelling Units Mix (1,2,3,4 Bedrooms)
- Percentage of Population Served: (60%, 50%, 30% AMI) and Populations with Special Needs
- List of Development Amenities
- Proximity to Transportation Corridors, Medical Facilities, Shopping (Grocery)
- If a Rehab project, will project require permanent relocation of tenants (if seeking additional funding from City)
- Detailed Financing proposed including possible terms for HOME funding (if seeking additional funding from City)
- Will project comply with Section 3 HUD requirements (if seeking additional funding from City)
- Alignment with City’s Strategic Plan

Developers will also be asked to meet Local Public Notification requirements to be considered. If you have questions, please contact me at (915) 212-0138 or SotoV@elpasotexas.gov. Thank you.

Cc: Mathew McElroy, City Development Department Director
Cary Westin, Economic Development Department Director

Verónica R. Soto, AICP, Director
City 3 | 801 Texas Ave, 3rd Floor | El Paso, Texas 79901 | (915) 212-0138

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SAMPLE OF SELF-SCORE SHEET FOR TDHCA. NOTE HIGHLIGHTED ITEMS.

Competitive Housing Tax Credit Selection Self-Score

The Applicant is responsible for understanding whether the Development qualifies under each

Criteria Promoting Development of High Quality Housing			MAXIMUM
Point Item Description	QAP Reference	Points Selected	POINTS
Unit Sizes	§11.9(b)(1)(a)	0	8
Unit Features	§11.9(b)(1)(b)	0	7
Sponsor Characteristics	§11.9(b)(2)	0	1
High Quality Housing Total		0	16

Criteria to Serve and Support Texans Most In Need			
Point Item Description	QAP Reference	Points Selected	
Income Levels of Tenants	§11.9(c)(1)	0	16
Rent Levels of Tenants	§11.9(c)(2)	0	13
Tenant Services	§11.9(c)(3)	0	11
Opportunity Index	§11.9(c)(4)	0	7
Educational Excellence	§11.9(c)(5)	0	3
Underserved Area	§11.9(c)(6)	0	2
Tenant Populations with Special Needs	§11.9(c)(7)	0	2
Serve and Support Texans Most in Need Total		0	54

Criteria Promoting Community Support and Engagement			
Point Item Description	QAP Reference	Points Selected	
Local Government Support	§11.9(d)(1)		17
Commitment of Development Funding by Local Politica	§11.9(d)(2)		14
Declared Disaster Area	§11.9(d)(3)	0	10
Quantifiable Community Participation	§11.9(d)(4)		9
Community Support from State Representative	§11.9(d)(5)		8
Input from Community Organizations	§11.9(d)(6)		4
Community Revitalization Plan	§11.9(d)(7)		6
Community Support and Engagement Total		0	68

Criteria Promoting the Efficient Use of Limited Resources and Applicant Accountability			
Point Item Description	QAP Reference	Points Selected	
Financial Feasibility	§11.9(e)(1)	0	18
Cost of Development per Square Foot	§11.9(e)(2)	0	12
Pre-application Participation	§11.9(e)(3)	0	6
Leveraging of Private, State, and Federal Resources	§11.9(e)(4)	0	3
Extended Affordability or Historic Preservation	§11.9(e)(5)	0	4
Right of First Refusal	§11.9(e)(6)	0	1
Funding Request Amount	§11.9(e)(7)	0	1
Efficient Use of Limited Resources and Applicant Accountability Total		0	45

Total Application Self Score		0	183
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Low Income Tax Credit Program and Municipal Participation to Support Developments



Community & Human Development Department

December 1, 2014



Purpose

Present on the Low Income Tax Credit Program as administered by the State and explain how the City can impact the tax credit allocation process by supporting certain developments

Proposed Process

- Community and Human Department to Administer review process and make recommendations to Council
- Set Deadline for Requests for Support Resolutions
- Set criteria by which to evaluate proposals
- Delineate criteria by which to evaluate developments that could garner additional financial commitments
- Issue Support Resolutions before end of March 2015



What are Low Income Housing Tax Credits?

- Enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing.
- Tax credits are awarded to developers of qualified projects.
- Developers often sell credits to investors to raise capital (or equity) for their projects; Investors use the tax credits to offset a portion of their federal tax liability.
- Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents.
- There are set asides for non-profit developments and housing at-risk of becoming unaffordable



What Types of Tax Credits Exist?

9% vs. 4% Tax Credits

- Generally, the LIHTC is designed to subsidize either 30 percent or 70 percent of the low income unit costs in a project. The **30 percent subsidy**, which is know as the 4 percent tax credit, is utilized in conjunction with tax-exempt revenue bonds.
- The **70 percent subsidy**, or 9 percent tax credit, support a significant portion of the cost of development.
- The 9% tax credits are highly competitive.
- About \$2 million dollars in tax credits are expected for the Region the City of El Paso is in.



How are Low Income Housing Tax Credits allocated?

- The Texas Department of Housing and Community Affairs (TDHCA) is the only entity in Texas with the authority to allocate tax credits. They are allocated by Region.
- TDHCA adopts a Qualified Allocation Plan (QAP) annually establishing the procedures and requirements for an award allocation.
- The QAP scoring includes:
 - Criteria Promoting Development of High Quality Housing
 - Criteria to Serve and Support Texans Most In Need
 - **Criteria Promoting Community Support & Engagement**
 - Criteria Promoting the Efficient Use of Limited Resources and Applicant Accountability



TDHCA Timeline for Applications

- Dec. 2, 3, 4, 2014 – Training on the 2015 QAP for applicants.
- January 2, 2015 – Application Acceptance begins
- January 8, 2015 – Pre-Application Deadline
- January 8, 2015 – Notifications to local elected officials
- February 27, 2015 – Full Application Deadline
- April 1, 2015 – Final Input from Elected Officials, **including Resolution for Local Government Support**
- June 13, 2015 – Deadline for Public Comment
- July 2015 – Final Awards



What is the City's Role in the process?

- Local Government Support – Seventeen (17) points for a City Council adopted resolution in support and fourteen (14) points for a resolution noting no objection
- Commitment of Development Funding by Local Political Subdivision – Up to 14 points

Eleven	(11) points	-	\$15,000 per unit
Ten	(10) points	-	\$10,000 per unit
Nine	(9) points	-	\$ 5,000 per unit
Eight	(8) points	-	\$ 1,000 per unit
Seven	(7) points	-	\$ 500 per unit

Two (2) points - for firm commitment by resolution

One (1) point – If Grant/In-Kind Contribution/Permanent Loan minimum term of 15 years, minimum amortization of 30%, maximum interest of 3%



Request for Support Resolutions Process & Criteria

- 1 Deadline for all Developments; 1 application per project.
- Same requirements for all developments seeking tax credits, similar to the TDHCA pre-application requirements
- Additional requirements for developments seeking City financial support (financial documentation)
- If a proposed development is located within the boundary of an existing neighborhood association, notification to the association is required
- Developments must place a notice on the property advising that a development is seeking tax credits



Local Factors

- Location of Proposed Development
- Location within a Redevelopment/Revitalization Area (Sustainable City Centers, BRT line)
- Compliance with City's Comprehensive Plan
- # of Units (Does it fit)
- Make-Up of Units (1,2,3,4 Bedrooms)
- Percentage of Population Served (60%, 50%, 30% AMI)
- Amenities including Architectural Features and Site Design
- Proximity to Transportation Corridors, Medical Facilities, Shopping (Grocery)
- Alignment with City's Strategic Plan and consideration of additional City investment in the service area or project



Next Steps

- Department to issue “Request for Support Resolution from the City of El Paso – 2015 Housing Tax Credits” submittal forms on Monday, Dec. 8, 2014
- Deadline to submit requests will be Monday, January 12, 2015 (week after TDHCA pre-application deadline).
- Department will evaluate proposals and make recommendations for consideration by City Council in March 2015.



Questions?