

Mayor and Council Communication

DATE: 11/12/24

M&C FILE NUMBER: M&C 24-0977

LOG NAME: 192025 HOUSING TAX CREDIT POLICY

SUBJECT

(ALL) Adopt Policy for Approval of Resolutions Related to Applications to the Texas Department of Housing and Community Affairs for 2025 Competitive (9%) and Noncompetitive (4%) Housing Tax Credits and Commitments of Development Funding from the City of Fort Worth

RECOMMENDATION:

It is recommended that the City Council adopt the policy for approval of resolutions related to applications to the Texas Department of Housing and Community Affairs for 2025 Competitive (9%) and Noncompetitive (4%) Housing Tax Credits and commitments of development funding from the City of Fort Worth.

DISCUSSION:

Background

Housing tax credits (HTC) are a federal government tool used to incentivize the creation and sustainability of affordable housing through the private market. These tax credits are sold at a slight discount for use to offset purchaser's federal income taxes with the capital generated from sale of the credits reducing developers' overhead and allowing the developments to offer reduced rents. Since the cost to develop market rate and affordable housing units is the same, this program leverages public funds with private investment to help solve the affordable housing crisis.

The federal government delegates authority to issue HTC to the states based on an annual allocation for Competitive (9%) HTC and the issuance of tax-exempt bonds for Noncompetitive (4%) HTC. In Texas, it is the Texas Department of Housing and Community Affairs (TDHCA) that annually awards 9% and 4% HTC to housing developers for the creation or renovation of eligible affordable housing developments.

9% HTC Program

Each year TDHCA implements a Qualified Allocation Plan (QAP) which outlines the scoring criteria for 9% HTC applications. The award of 9% HTC is a highly competitive process where the difference between an awarded project and a non-awarded project could be a single point.

A portion of the points available under the QAP are tied to a municipality's actions as shown below.

| 9% HTC Program Scoring Criteria | Points |
|---|---------------|
| Resolution from Governing Body (City Council) | |
| Resolution of Support | 17 |
| Resolutions of No Objection | 14 |
| Commitment of Development Funding | 1 |
| Total Possible City-related Points | 18 |

Resolution

An application is not eligible for more than one resolution. Granting a resolution, whether of Support or No Objection, does not eliminate the need to separately apply for any required zoning change or requested financial support (from the City or Housing Finance Corporation), nor does having a resolution mean that zoning changes or other project-related requests will be given preferential treatment. Granting a resolution only communicates to TDHCA that the City Council is aware of the request for tax credits and generally supports the submission of the HTC application. The actual award of HTC is at the discretion of TDHCA. The award of funds and approval of zoning changes are separate City Council actions.

Development Funding

In order to award an application the development funding point, TDHCA requires a letter from a City official committing to providing development

