

Mayor and Council Communication

DATE: 11/14/23

M&C FILE NUMBER: M&C 23-0946

LOG NAME: 192024 HOUSING TAX CREDIT POLICY

SUBJECT

(ALL) Adopt Policy for Approval of Resolutions in Support of Applications to the Texas Department of Housing and Community Affairs for 2024 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 in support of applications to the Texas Department of Housing and Community Affairs for 2024 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. And 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

funding in the form of a loan, a grant, reduced fees or contribution of other value for the benefit of the development. The City frequently provides funding by committing to the waiver of certain development-related fees. Once this letter is submitted to TDHCA, it cannot be withdrawn.

4% HTC Program

TDHCA awards 4% HTC to eligible applicants as a source of equity financing for the development of affordable housing. To be eligible for an 4% HTC award, the project must include tax-exempt bonds as part of its funding, with the bonds financing at least half of the cost of the project.

Unlike the competitive 9% HTC program, TDHCA's approval of a 4% HTC application is tied to compliance with a set checklist rather than the scoring of an application. A required element on that checklist is a Resolution of No Objection, which the City has discretion to either grant or deny. Regardless of whether the City is supportive of a 4% project, the law requires that the City hold a public hearing on the 4% HTC application to gather community input. The 4% checklist does not require a commitment of development funding for the application to be considered complete.

City of Fort Worth 2024 HTC Policy Purpose

The purpose of this policy is to provide criteria that will govern whether the City will provide a resolution of support or no objection for developments that will help the City meet its stated goals to

1. Increase the supply of quality affordable accessible housing;
2. Revitalize neighborhoods;
3. Create mixed-income communities; and
4. Better align housing choice options with multimodal transportation opportunities.

The policy is designed to be as objective as possible in order to avoid claims that subjective decisions are being made on a discriminatory basis. Each year, the policy is revised to adjust to changes made to the QAP and to incorporate local housing policies and strategies as needed.

Summary of Changes Incorporated in the 2024 HTC Policy

- Better define development fees that are eligible for a waiver under this policy & City ordinance
 - Reduce eligible development application fee waivers from unlimited to \$30,000
 - Addition of park dedication fee waivers per HB 1526
 - City will not waive or reduce Transportation Impact fees or Water/Wastewater Impact fee waivers
- Requests for hold harmless zoning letters added to the application.
- Process for receiving hold harmless letter and multifamily revenue bond letters is better explained
- Expanded notification boundary for neighborhood and homeowner association meetings to ½-mile (same as zoning notifications to avoid confusion)
- Language clarified to reflect that a public meeting must occur if there is a neighborhood or homeowner association within the boundary, but no public meeting is required if there is no association within the boundary
- Added quarterly deadlines for the submission of 4% HTC applications to standardize that process and create shared expectations
- Removed requirement to request CFW or FWHFC funding upfront
- Moved submission deadline up 1 week (from January 13 to January 5) to ensure meeting February 13 Council Meeting deadlines

Staff requests that the City Council consider the attached proposed policy for the evaluation of 2024 9% and 4% HTC resolution applications. This policy was presented at the City Council Work Session held on November 7, 2023.

This policy affects all COUNCIL DISTRICTS.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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