

# Mayor and Council Communication

DATE: 11/09/21

M&C FILE NUMBER: M&C 21-0845

LOG NAME: 192022POLICYFOR4AND9PERCENTHOUSINGTAXCREDITS

## **SUBJECT**

(ALL) Adopt Policy for Review of Applications to the Texas Department of Housing and Community Affairs for 2022 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 review of applications to the Texas Department of Housing and Community Affairs for 2022 Competitive (9%) and Noncompetitive (4%) Housing Tax Credits Housing Tax Credits, and commitments of development funding from the City of Fort Worth

## **DISCUSSION:**

The purpose of this policy is to provide criteria for affordable housing developers requesting a *Resolution of Support* or *Resolution of No Objection* from the City Council to submit with their applications for Competitive (9%) and Noncompetitive (4%) Housing Tax Credits (9% HTC and 4% HTCs, respectively) to the Texas Department of Housing and Community Affairs (TDHCA).

Each year TDHCA implements a Qualified Allocation Plan (QAP) which outlines the scoring criteria for 9% HTC applications. The draft 2022 QAP states that 9% HTC applications can receive 17 points for a *Resolution of Support* from the governing body of the municipality in which the development is sited. *Resolutions of No Objection* from the governing body are worth 14 points. The draft 2022 QAP also provides that 9% HTC applications can receive one additional point for a commitment of development funding from the city or county in which the development is located. Documentation of development funding must include a letter from a city or county official stating the jurisdiction will provide a loan, a grant, reduced fees or contribution of other value for the benefit of the development. Once this letter is submitted to TDHCA, it cannot be withdrawn.

The 4% HTCs are awarded to eligible applicants as a source of equity financing for the development of affordable housing. The 4% HTC program is coupled with the Multifamily Housing Revenue Bond Program so that the bonds finance at least half of the cost of the project. Unlike the 9% HTC program, TDHCA's approval of a 4% HTC application is tied to a checklist rather than the scoring of an application. A public hearing by the City Council is required by TDHCA for a developer to obtain a *Resolution of No Objection* from the Council. There is no provision for a commitment of development funding under the 4% HTC program.

The proposed policy for 9% and 4% HTCs was presented at City Council Work Session on November 2, 2021.

Staff requests that the City Council consider the following policy for requests for *Resolutions of Support* or *No Objection* and commitments of development funding for applications for 9% HTCs, and *Resolutions of No Objection* for 4% HTC applications:

Requests or actions noted with an asterisk (\*) will require the applicant, as part of the application to the City, to request such action, in writing.

### **Nine Percent (9%) HTC Applications**

#### ***Resolutions of Support***

A development will be considered for a *Resolution of Support* under the 9% HTC program if the development meets the following **three** requirements:

1. A minimum of ten percent of the total units are available for lease to households earning at or above 70% of area median income (AMI). However, the Council may consider granting a waiver, at its discretion, if the property is subject to existing restrictions, such as an existing Housing Assistance Payment contract or Land Use Restriction Agreement (LURA); **AND**

2. At least ten percent of the total units in the development will be set aside for households earning at or below 30% of Area Median Income (30% AMI tenants). Developers are responsible for securing contracts and resources for rental assistance and supportive services for the 30% AMI tenants; **AND**

3.a. The applicant demonstrates that the development is eligible for opportunity index points by virtue of being located entirely within a high opportunity area as defined under TDHCA criteria in the QAP Section §11.9(c)(4)(A); **OR**

3.b. The development is located entirely within one of the following City-designated revitalization areas: a Neighborhood Empowerment Zone (NEZ), a community or regional mixed-use growth center as defined in the City's Comprehensive Plan, a Tax Increment Financing District (TIF) or Urban Village; **OR**

3.c. The development is located entirely within the federally designated Choice Neighborhoods Implementation (CNI) Grant area.

\* A letter in support of a development that contributes more than any other to a concerted revitalization plan (CRP) area, will only be provided to the extent that the TDHCA awards points for the receipt of the letter. If two or more developments are in the CRP area, only one development may receive a CRP letter. Determination of which development will receive a CRP letter will be based on the degree to which the development exceeds requirements of Subsections 1 and 2 above and the property and neighborhood amenities provided.

### ***Resolutions of No Objection***

City Council may consider granting a *Resolution of No Objection* to a development applying for 9% HTC if the development does not meet the *Resolution of Support* criteria because it does not meet one of the Subsection 3 requirements noted above.

### **\* *Commitment of Development Funding – City Fee Waivers***

City Council, at its discretion, may also choose to offer developments that receive a *Resolution of Support* a commitment of no more than \$2,500.00 in the form of a partial waiver of development fees. Factors for consideration of a commitment of development funding may include:

- evidence of a preliminary Memorandum of Understanding or letter of commitment between the developer and a public entity (e.g., the City, Fort Worth Housing Finance Corporation (FWHFC), Fort Worth Housing Solutions, Tarrant County, Tarrant County Housing Finance Corporation, and/or Tarrant County Homeless Coalition) for project-based vouchers or other rent vouchers, or a commitment to pay for PSH services or services for 30% AMI tenants;
- commitment to pay for a service provider for PSH or 30% AMI tenants; or,
- a financial commitment and/or other financial support from the City and/or FWHFC (e.g., property acquisition, gap financing, rental assistance).

Developments located entirely within a NEZ are eligible to apply for basic incentives through a separate application. If certified, the development may receive additional fee waivers.

### **Four Percent (4%) HTC Applications**

#### ***Resolutions of No Objection***

A development will be considered for a *Resolution of No Objection* under the 4% HTC program if the development meets the following requirement:

1. At least ten percent of the total units in the development will be set aside for households earning at or below 30% of AMI. Developers are responsible for securing contracts and resources for rental assistance and supportive services for the 30% AMI tenants.

#### **Additional Requirements for both 9% and 4% HTC Applications**

A developer must take the following additional actions to be considered for a resolution :

1. Submit a completed application to the City with all required supporting documentation by **December 31, 2021**.
2. Notify in writing, the Council member for the district where the proposed development will be located at least **45** days prior to submission of an application to the City for a Resolution.
3. Notify in writing, City staff in the Neighborhood Services Department at least **45** days prior to submission of an application to the City for a Resolution.
4. Notify in writing, City staff in the Community Engagement Office at least **45** days prior to submission of an application to the City for a Resolution.
5. Notify in writing, the Superintendent of the school district that serves the proposed development at least **45** days prior to submission of an application to the City for a Resolution.
6. Notify in writing, any neighborhood and/or homeowner associations that are within **1/4** mile of the proposed development site at least **45** days prior to submission of an application to the City for a Resolution.
7. Conduct a minimum of **one** information session with all applicable neighborhood and/or homeowner associations by **December 24, 2021**. Each neighborhood/homeowner association must be notified of the information sessions at least **7** days in advance of each meeting and such notice must include the time, date, and location of the meeting, as well as information about the proposed development. An information session does not have to be held at a scheduled neighborhood/homeowner association meeting, and may include all applicable associations. Additionally, information sessions may be held in a virtual format due to social distancing restrictions as a result of COVID-19, and should be recorded to demonstrate proof if requested by staff. If staff deems necessary, additional information sessions may be required.

Acceptable proof of written notification includes return receipt from certified mail, written response from the recipient, or electronic delivery receipt.

#### **\*City and/or FWHFC Financial Support**

Developments awarded HTCs by TDHCA may receive an award of City and/or HFC funds. Developments will have the opportunity to apply for City or FWHFC funds in conjunction with their application for a Resolution of Support or No Objection. Terms and award of funds from the City or FWHFC should not be assumed and may only be provided upon negotiation and availability of funds.

Awards to 9% HTC developments will be allocated in descending order based on highest final TDHCA application score. Awards to 4% HTC developments will be evaluated at the time of application. Developments with existing City and/or FWHFC commitments will be excluded from this allocation process.

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.

**Submitted for City Manager's Office by:** Fernando Costa 6122

**Originating Business Unit Head:** Victor Turner 8187

**Additional Information Contact:** Amy Connolly 7556  
Chad LaRoque 2661