

# Mayor and Council Communication

DATE: 11/17/20

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LOG NAME: 1921POLICYFOR4AND9PERCENTHOUSINGTAXCREDITS

## **SUBJECT**

(ALL) Adopt Policy for Review of Applications to the Texas Department of Housing and Community Affairs for 2021 Noncompetitive (4%) and Competitive (9%) Housing Tax Credits and Commitments of Development Funding from the City of Fort Worth

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## **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 2021 Noncompetitive (4%) and Competitive (9%) Housing Tax Credits and for commitments of development funding from the City of Fort Worth.

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## **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 2021 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 2021 QAP also provides that 9% HTC applications can receive one additional point for a commitment of development funding from a 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 Once this letter is submitted to TDHCA, it cannot be withdrawn.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 Bond Program so 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 when one is required. However, due to the current pandemic, this requirement is currently suspended for 4% HTC applications. 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 to the Housing and Neighborhood Services Committee on October 27, 2020.

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% HTCs:

### **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 market rate units. 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.a. At least five percent of the total units in the development will be set aside as zero- or one-bedroom Permanent Supportive Housing (PSH) units for chronically homeless and disabled individuals referred through the Tarrant County Continuum of Care Coordinated Entry. Developers are responsible for securing contracts and resources for rental assistance and case management supportive services for the PSH tenants; **OR**
- 2.b. 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 tenant 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 in 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 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 in the federally designated Choice Neighborhoods Implementation (CNI) Grant area or Opportunity Zone (OZ).

### ***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 is not in a high opportunity area, community or regional mixed-use growth center, or CNI or other City-designated revitalization area.

### ***Commitment of Development Funding***

City Council, at its discretion, may also choose to offer developments that receive a *Resolution of Support* a commitment of development funding in the form of partial or full waiver of development fees. Factors for consideration for 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, 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, or 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 (e.g., property acquisition, gap financing, rent assistance).

### **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 two requirements:

1.a. At least five percent of the total units in the development will be set aside as Permanent Supportive Housing (PSH) units for chronically homeless individuals referred through the Tarrant County Continuum of Care Coordinated Entry. Developers are responsible for securing contracts and resources for rental assistance and supportive services for the PSH tenants; **OR**

1.b. 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; and

2. At least ten percent of the total units are market rate units. However, the Council may consider granting a waiver, at its discretion, if a development is located in a severely distressed census tract characterized by a poverty rate greater than 30%, as defined by 2011-2015 American Community Survey (ACS). Such waiver may reduce or eliminate the minimum percentage market rate set-aside, but the developer must use income-averaging to ensure that the development remains affordable overall to households earning at or below 60 percent AMI. Council may also consider a waiver for developments that are prohibited from incorporating the above unit mix due to existing restrictions, such as an existing Housing Assistance Payment contract or existing Land Use Restriction Agreement (LURA).

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

A developer must take the following additional actions to be considered for a *Resolution of Support* or *Resolution of No Objection* for the 9% HTC program, or a *Resolution of No Objection* for the 4% HTC program:

1. Submit a completed application with all required supporting documentation by January 10, 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/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 **two** information sessions with applicable neighborhood/homeowner associations by January 18, 2021. Each neighborhood/homeowner association must be notified of the information sessions at least seven 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.

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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