Prevent Valuable Resources From Being Wasted...

Support Consistency In

Property Appraisals

For Affordable Housing Developments

The Issue

Housing Tax Credit property owners often face inflated property tax assessments due to inconsistent appraisal methods that fail to account for the unique restrictions and conditions required for affordable housing, leading to costly disputes, financial instability, and difficulty in securing investments.

- **Inaccurate Tax Assessments:** Traditional property tax appraisal methods typically rely on market value. However, these methods fail to account for the fact that housing tax credit property owners are subject to rent restrictions imposed by HUD and are prohibited from selling their properties for a minimum of 15 years, potentially extending up to 45 years. As a result, conventional property appraisal approaches are inapplicable.
- **Endless Legal Disputes:** The lack of consistency in Texas' LIHTC appraisal methods among appraisal districts causes costly disputes and inaccurate valuations. Developers spend millions each year protesting unfair appraisals, making it difficult for owners to secure financing or invest in property improvements, ultimately jeopardizing affordable housing.
- **Lack of Transparency:** Central Appraisal Districts (CADs) are required by Texas law to post the rate by which properties are assessed by January 31st. But many do not explain how those specific rates were determined.
- **Wide Variability:** Property assessment rates vary significantly across Texas, making it difficult to plan for annual tax obligations. Some CADs set a specific rate, others have a wide range, and some also provide different rates based on property class.

Solution

Provide Clear, Concise, Appraisal Methodology

Establish uniform guidelines for evaluating tax credit properties, saving the industry millions that can be reinvested in the property and allocated to tenant services.

Increase Transparency to Reduce Yearly Litigation

Require CADs to publicly share their methodology and hold hearings for property owner input.

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Support Common Sense Changes that

Supply the Demand

for Workforce, Retiree & Veteran Housing

2 Mile-Rule Goes Too Far

Unintended Consequences of the Current Two-Mile Rule

Slows Supply of Mixed-Income Workforce Housing Development

The Two-Mile Rule is a "deconcentration factor" intended to prevent the "concentration of poverty." However, today's housing tax credit developments already serve mixed income families — consisting of households earning anywhere from 30% AMI (poverty level) to 120% AMI (market-rate).

Mixed Income Residents

Requires Senior, Veteran & Workforce Housing Development to Compete with One Another

Affordable housing is usually built to target specific populations, such as seniors, veterans, workforce and others. The Two-Mile Rule applies to all housing tax credit applications – regardless of the target population.

Limits Workforce Housing Needed to Support Economic Development

City economic development organizations work feverishly to bring employers to their localities. However, the current rule prevents an adequate level of affordable housing to be built to support new employment centers and the staff they hire.

Fast Growing Cities Have Their Hands Tied — Preventing Adequate Housing Supply to Meet Demand

Fast-growing cities compete for tax credits or lose out altogether. Flexibility to respond to local housing needs is limited when developments that could benefit from proximity job centers and services are "bumped" in favor of others in less strategic locations.

More on Back

How Can We Fix It?

- Reduce 2-Mile Rule to 1-Mile Rule
- Allow Large Cities to Waive the Rule According to Local Needs

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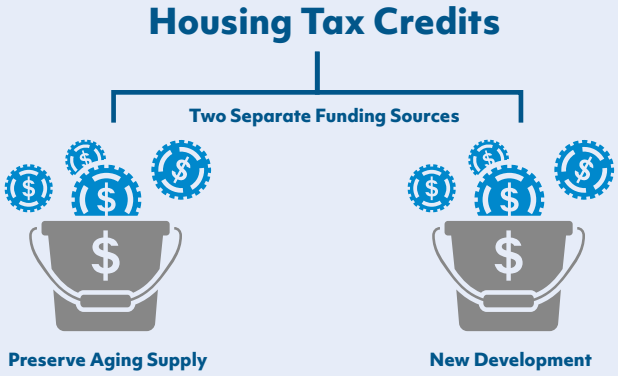
Modernize the 2-Mile Rule in Section 2306
for Workforce, Retiree & Veteran Housing

Unintended Consequences of the Current Two-Mile Rule

Current Regulation Forces Housing Rehabilitation to Compete with New Development

The Two-Mile Rule does not differentiate between housing tax credit applications for the rehabilitation of existing affordable developments vs. new construction developments — preventing or delaying opportunities for adding supply of affordable housing where it is needed.



Adds cost to build new affordable housing

Currently, developments that are funded through the "at-risk" set aside, are prioritized over new construction developments. This delays the production of new housing units — resulting in higher construction costs, interest rates and other economic factors that increase the overall cost per unit. In most instances, even if the new development is approved in subsequent years, housing providers are forced to offset development costs by delivering fewer units and serving fewer residents than originally planned.

Restricts Cities Ability to Respond to Disaster Recovery Needs

All Texas cities need flexibility to address rapid rebuilding efforts in the wake of natural disasters.

Speeds Up Gentrification

As Texas cities grow, higher growth regions are pushing long-time residents out with higher property taxes being passed along to renters through increased rent. Modernizing the rule allows development in high-need areas most vulnerable to gentrification. Tax credit developments create a sustaining presence of high-quality affordable housing despite gentrification pressures.

Why You Should Support

Brings Mixed-Income Housing Closer to Jobs & Services

Flexibility & Efficiency: Fewer restrictions equals more housing development in the right places.

Encourages Net Gain in Affordable Housing Supply: In land-locked city centers, simultaneously preservation of existing affordability while adding to supply makes sense.

Reduces Displacement Risks: Help prevent displacement and keep communities intact.

Supports Long-Term Housing Stability in City Centers: The existence of high quality, tax credit housing results in long term affordability which stabilizes neighborhoods.

Rule is Duplicative: There are already other "deconcentration" rules in place, making the Two-Mile Rule duplicative and unneccesary.

How Can We Fix It?

- Reduce 2-Mile Rule to 1-Mile Rule
- Allow Large Cities to Waive the Rule According to Local Needs

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Let Common Sense Prevail

Excessive Regulation

Means Supply Can't Keep Up with Demand

Two-Mile Rule Goes Too Far

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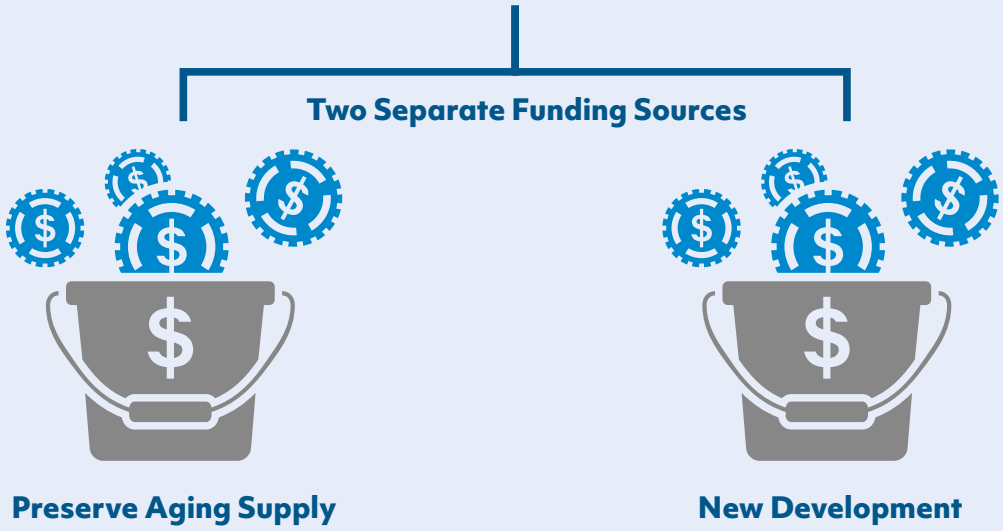
Housing Tax Credits



Delays Add Cost to Build New Affordable Housing

Currently, developments that are funded through the "at-risk" set aside, are prioritized over new construction developments. This delays the production of new housing units — resulting in **higher construction costs, interest rates and other economic factors** that increase the overall cost per unit. In most instances, even if the new development is approved in subsequent years, housing providers are forced to offset development costs by delivering fewer units and serving fewer residents than originally planned.

It's an Easy Fix...

- [x] **Remove Existing Affordable Housing Restricted Developments from Two-Mile Rule**

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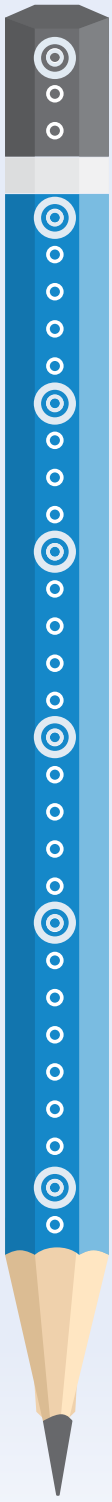
Support Common Sense Changes that

Address Negative Impacts

of Educational Quality Requirements for Workforce Housing Development

Unintended Consequences of Educational Quality Threshold



Prevents Inclusion of Mixed-Income, Affordable Housing in Urban Neighborhood Revitalization Efforts

Urban neighborhoods with high population growth and rising housing costs are often shut out of the tax credit process — adding to housing shortages and gentrification pressures.

Doesn't Support Employers & Local Business Needs

Economic Development organizations work hard to bring jobs to urban centers to support and grow the local economy. However, many of those would-be employees can't afford to live in the city center where these jobs are located.

Government Spends More $$$ on Transportation Infrastructure

When residents have to drive to suburban and rural areas to find housing they can afford, long commutes to the job centers increases traffic volume. Additional congestion spurs need for more to be spent on road expansions.

Negative Impact on Students & Family Life

Studies have shown that when parents are present and involved in their children's lives, those children thrive. Forcing income eligible families to live far from job centers means less time for parental involvment.

Doesn't Consider Positive Impact of Mixed-Income Development on Underperforming Schools

Today's tax credit developments are, by nature, mixed-income developments — serving households earning 30% AMI up to 120%+ AMI (market-rate) — creating a more diverse demographic where it may not have existed historically.

Negative Impact on Enrollment Stability and Teacher Retention Efforts for Urban School Districts

Large urban school districts are grappling with decreasing enrollment and teacher shortages — widely attributed to high housing costs. When families and teachers are moving out of the district in search of affordable housing, the school district suffers with decreased funding, underutilized school buildings and the inability to retain good teaching staff that would positively contribute to the performance of its schools.

Current Rule Creates Uncertainty in the Wake of Ongoing Policy Debates of a Non-Housing Related State Agency

Housing providers are concerned that the inconsistent nature of school ratings can have long lasting impacts to neighborhoods where quality affordable housing provides community stability and is most needed.

How Can We Fix It?

- ☑ **Remove educational quality as a requirement in the Qualified Allocation Plan (QAP)**
- ☑ **Unlock the potential for housing developments in areas where they are most needed, particularly in Texas' fast-growing cities.**

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Support Common Sense

Demystify the State Representative's Role in Housing Tax Credit Development Applications

The Issue

State Representatives have the ability, but not always the interest, to weigh-in on applications for housing tax credit funded housing in their districts.

As part of the application, Housing Tax Credit Applicants, in collaboration with local officials, will ask their representative to write a letter in support of developments that provide budget sensitive, below market rents for qualifying residents and local workforce in their districts.

According to Current Statute

State Representatives Have Three Options When Responding: Support | Neutral | Oppose

Confusing Language & Scoring Rule Robs Representatives of Their Option to Remain Neutral

Impact of Current Statute

Neutral = Oppose

The law intended to give Representatives an option to take a neutral position in order to have no impact on the application process. In practice, taking a neutral position is no different than opposing the development. Since a single point difference on a 9% Housing Tax Credit application can make or break a developer's chance for an award, a neutral or oppose position makes an application non-competitive with no chance of survival.

> *The Representative was unaware that this neutral position would have an adverse effect on the scoring of the application. The Representative is a freshman and was unfamiliar with the specific TDHCA scoring requirements related to input from State Representatives.* – ***TDHCA March 2024 Board Meeting***

Keep it Simple & Let Common Sense Prevail

- Taking a neutral position implies that there will be no impact – positive or negative.
- Make the process simple and easy to understand for representatives, applicants and the TDHCA alike.
- Allow Representatives who seek neutrality to maintain a truly neutral position by allowing the decision to be made by local authorities who are most in tune with the housing needs of their communities.
- Support housing affordability and government efficiency – reducing costly and unnecessary delays.

Legislative Fix

Modify the statute to redirect scoring points to the local jurisdiction when a neutral letter is submitted. This solution mirrors how a "no response" is treated in the current statute and will, in practice, align with the original intent of the law .

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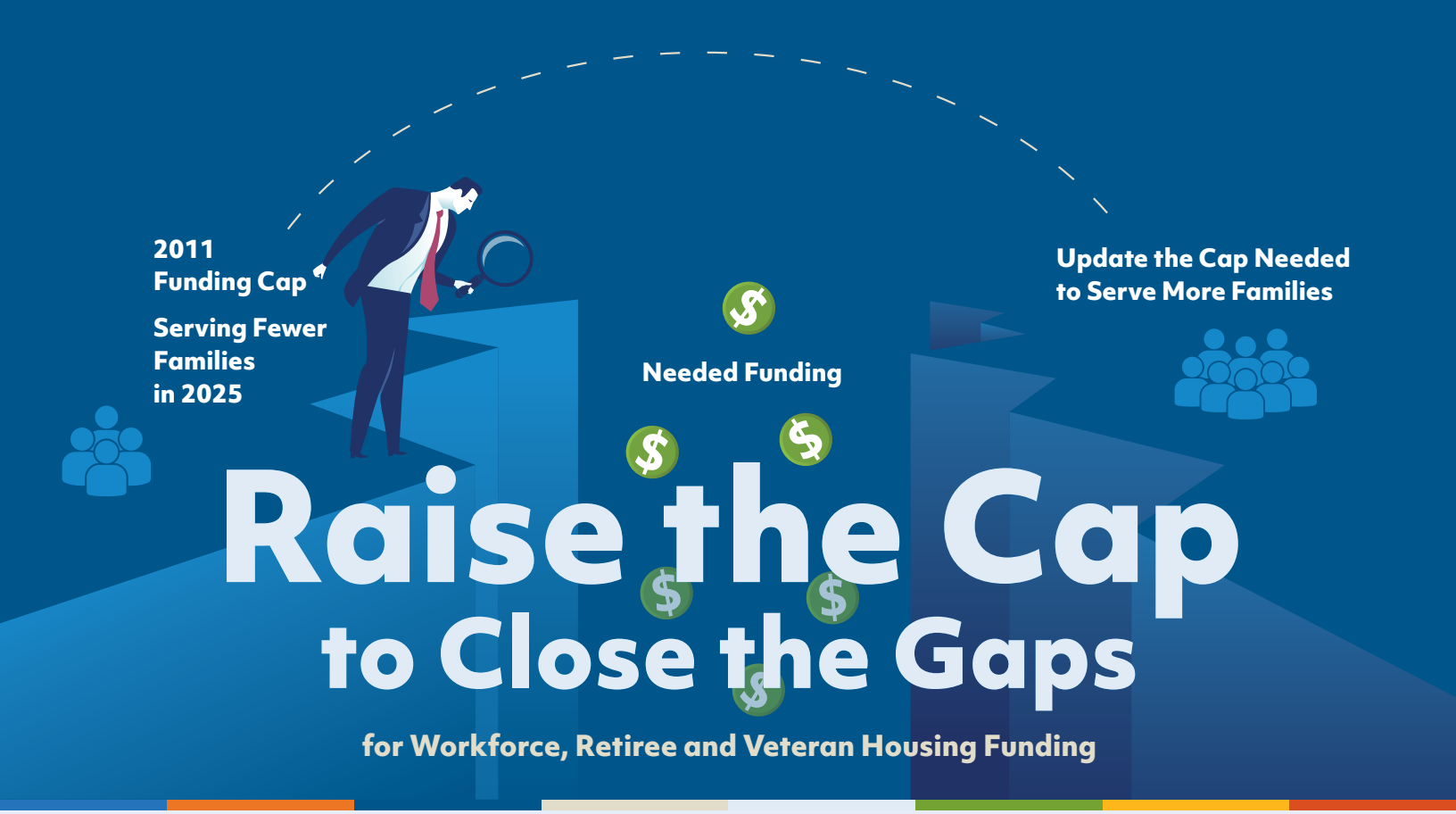

Raise the Cap to Close the Gaps

for Workforce, Retiree and Veteran Housing Funding

The Issue

Texas' housing tax credit program currently has a $2 million cap on the amount of federal tax credits available for individual developments. This cap has remained unchanged since 2011 despite rising inflation, sharp increases in construction costs, interest rates, and insurance costs. In 2025 costs, the $2 Million cap is now insufficient to fund developments serving a larger number of families.

Why it Matters

Current cap per development has been unchanged since 2011 while development costs have increased resulting in fewer housing units per development.

Since **2011** } **$2M** Per Development Cap **70%** ↑ Development Cost Increases

= ↓ **Affordable Homes delivered per development**

Solution

Support HB 1865 & SB 898

Raise the "Per Development Cap" to $3 Million

The Texas Department of Housing & Community Affairs (TDHCA) has consistently expressed an interest in seeing more homes developed per community. Raising the "per development cap" to $3 million will allow housing providers to leverage economies of scale to reduce costs per housing unit in order to deliver more amenities and services while also delivering more homes in each community.

☑ More Efficient and Effective Use of Public Resources

Right-Sized developments reduce per unit costs in order to deliver more amenities and affordable homes per development.

☑ Boosts Investment Interest from Private Sector

Right-Sized developments attract more private investment, reducing reliance on taxpayer funds.

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Don't Object

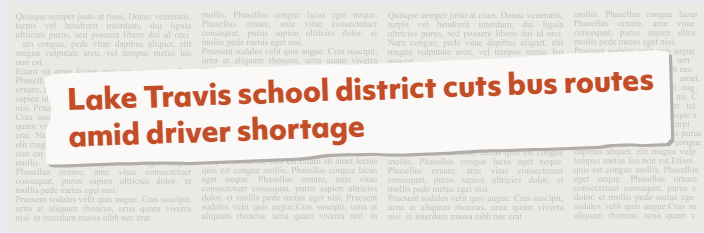
to workers serving our communities

Complex Regulations Prevent Supply of Workforce Housing

The Issue

In Texas, affordable housing developers using the 4% Housing Tax Credit program are required to acquire a "Resolution of No Objection" (RONO) from the local elected body where the development will be built. However, the inconsistent application of RONOs is routinely preventing critical workforce housing from being built. Inconsistency and inaction denies housing affordable to workers providing essential services to local communities such as teachers, school bus drivers, retail workers, grocery store clerks, restaurant workers and others.

Lakeway, Texas - A Cautionary Tale



As reported in the *Austin-American Statesman* in August 2022, the shortage of bus drivers forced the Lake Travis School District to cut routes, leaving families in the lurch and scrambling to seek alternative transportation, spend additional dollars on child care and dramatically increased traffic in the region during peak hours — all due to the area's high cost of living and lack of affordable housing that would allow people working these positions to live in the area.

The Solution — Support HB 627

- Retain the RONO requirement for cities and counties with populations over 600,000 (for cities) and over 1.2 million (for counties) that have an established policy and process.
- And, establish a requirement for the local jurisdiction to make a decision within 90 days.

Results

- Increase supply of affordable housing in areas at risk of losing access to critical workforce.
- Streamline and expedite the process to reduce delays and save costs
- The clearer process provides more certainty for developers, investors, and communities. This promotes investment in housing development & supports the construction of much-needed workforce housing.

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