

## **AGENDA ITEM: #2**

**POSTING LANGUAGE:** Briefing and possible action related to recommended changes to the City's policy for the issuance of Resolutions of Support and Resolutions of No Objection for applicants seeking Housing Tax Credits from the Texas Department of Housing and Community Affairs [Lori Houston, Assistant City Manager; Verónica R. Soto, Director, Neighborhood and Housing Services]

**TV:** Housing Tax Credit Policy Changes

**DEPARTMENT:** Neighborhood & Housing Services Department

**DEPARTMENT HEAD:** Verónica R. Soto, FAICP, Director

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Briefing and possible action related to recommended changes to the City's policy for the issuance of Resolutions of Support and Resolutions of No Objection for applicants seeking Housing Tax Credits from the Texas Department of Housing and Community Affairs.

### **SUMMARY:**

This item outlines the Neighborhood and Housing Services Department's recommended revisions to the City's current Housing Tax Credit Policy. The Housing Tax Credit Policy governs the issuance of Resolutions of Support and Resolutions of No Objection for applicants seeking Housing Tax Credits (HTC) from the Texas Department of Housing and Community Affairs (TDHCA).

The policy outlines the scoring criteria to be used for considering applications as well as the minimum requirements for developers seeking a Resolution of Support or a Resolution of No Objection. The recommended criteria are designed to ensure transparency and fairness in evaluating applications, as well as alignment with new state rules and city priorities.

The current policy was adopted on October 31, 2019. The Neighborhood and Housing Services Department (NHSD) updates the City's HTC Policy every two years to ensure the City's policy aligns with other affordable housing related City plans, the state's rules, and to allow the policy to reflect the priorities of each new Council.

### **BACKGROUND INFORMATION:**

Housing Tax Credits (HTC) (also known as Low Income Housing Tax Credits or LIHTC) are federal tax subsidies for the construction, rehabilitation, reconstruction, and adaptive reuse of rental properties for vulnerable populations including families, elderly residents, and other special

populations with low income. The HTC program is one of the primary means of directing private capital toward the development and preservation of affordable rental housing in Texas. The HTCs offset a portion of the developer's federal tax liability. The Texas Department of Housing and Community Affairs (TDHCA) distribute the HTCs allotted to the state by the federal government.

TDHCA administers two HTC programs, a Competitive 9% HTC program and a Non-Competitive 4% HTC program. The Competitive 9% HTC program has a single, annual application period and covers approximately 70% of development costs. The Competitive 9% HTC applications and all supporting documentation, including Resolutions of Support or Resolutions of No Objection issued by a municipality are due to TDHCA on March 1, 2022. The Non-Competitive 4% HTC program is available year-round and covers roughly 30% of development costs. To successfully apply for HTCs, a developer needs a Resolution of Support or a Resolution of No Objection from City Council.

While updating this policy, NHSD surveyed HTC practitioners about the application process; met practitioners of the HTC programs including Community Housing Development Organizations (CHDOs); issued a public survey through SA Speak Up; hosted a hybrid in-person and virtual public meeting; held a public comment period for the draft policy; and briefed the Development Process Task Force (DPTF), the Housing Commission, and Councilmembers.

#### **ISSUE:**

NHSD collected input from HTC practitioners, CHDOs, Housing Commissioners, City Council Members, DPTF, and the public to inform the updated policy. Staff also worked with VIA to incorporate points for proximity to transit.

NHSD developed and issued a survey for affordable housing developers, service providers, and CHDOs. The survey collected information about the city's HTC Resolution process and was open from July 5 through August 4. Feedback from those who have applied for a Resolution using the current policy found:

- Generally, San Antonio's process is considered on par or better than the process of other Texas cities.
- The process is largely clear and easy to complete. Staff are responsive.
- The 100-point scoring system is a good measurement tool.
- The process is largely fair and transparent.
- The City's timeline for issuing Resolution is adequate.

NHSD hosted 3 developer HTC practitioner focus groups. The goal of these focus groups is to work with practitioners to find a balance between city priorities, the state's rules, and what is feasible in today's market. Topics discussed included options for:

- Increasing points for being close to high frequency public transportation stops
- Public engagement points
- How to treat deals outside city limits
- Simplification of the application process and treatment of potential bond projects
- Encouraging rehabilitation projects and projects for older adults

NHSD released a SA Speak UP survey to understand what the public values especially the kinds

of resident services offered and desired tenant amenities. The survey was distributed on social media, through service providers, Homeowners Associations, and Neighborhood Organizations, Strategic Housing Implementation Plan (SHIP), and other stakeholders.

NHSD met individually with City Council Members to discuss their priorities for the HTC policy. Finally, a draft of the policy was posted on NHSD's website for public comment from October 14-October 24.

Housing Commission was briefed on the process and timeline in August and September of 2021. The final draft of the policy was reviewed by the Housing Commission on October 27, 2021. The final adopted policy will be considered by City Council in November. This timeline will allow the policy to guide the next round of Competitive 9% HTCs. NHSD plans to open the Competitive 9% HTC Request for Application on November 29, 2021.

Based on the feedback received NHSD is recommending the following changes to the HTC Policy:

**Two new scoring categories: 1) Partner with local businesses and contractors and 2) Transportation**

- New categories are to encourage developers to work with local businesses both in the construction of projects and the delivery of resident services. Transportation will be scored individually and layer with target areas especially as we continue to encourage units affordable to households earning less than or equal to 30% AMI.
- The addition of these categories led to decreasing points in some other categories in order to maintain the 100-point scale viewed favorably by HTC practitioners. Points were taken from the Owner/General Partner/Property Management Experience and Project Readiness categories.

**Additional Ways to Receive Public Engagement Points**

- The developer meetings and developer mailers remain options. Staff recommends adding an option for developers to submit letters from HOAs, Neighborhood Organizations, or Community Organizations showing the developer has engaged with the community. Council District 3 also asked for a point to be available for developers who show they have engaged in two-way communication with the neighborhood, such as responding to questions raised by community members outside of a meeting.

**9% priority for City Housing Bond Projects**

- Housing Bond projects will be prioritized for "contributing most" language in Concerted Revitalization Plan Resolutions if approved by council before the City's annual 9% application opens.
- TDHCA may remove the City's ability to add the language to Resolutions, NHSD is requesting this change not be made. If there is more than one project meeting the above criteria, all qualifying projects will receive the appropriate language in their Resolution of Support or Resolution of No Objection.

**New Scoring Criteria with Proposed Changes:**

Category	2020 Points	2022 Recommendation
Owner/General Partner/Property Management Experience	15	7

Nonprofit Organization Participation, HUB, SBEDA	5	5
Partner with local businesses and contractors	-	2
Targeted Areas	10	10
Transportation	-	10
Proximity to Jobs	5	5
Project Feasibility & Readiness	15	11
Project Amenities & Resident Services	20	20
Deeper Affordability	20	20
Public Engagement	10	10
<b>Total</b>	<b>100</b>	<b>100</b>

During the Planning and Community Development Committee meeting on November 8, 2021, Councilwoman Castillo motioned to include two amendments to the Housing Tax Credit Policy before forwarding the item to full council.

- List the Tenant Protection Policy in the Additional Information section along with the City's Non-Discrimination Ordinance; the City's Notice of Tenants' Rights Ordinance; the Housing Choice Voucher Policy; and the Housing Tax Credit Policy.
- Amend the Deeper Affordability section to state up to 15 points will be awarded to developments that reserve at least 15% of their units for households with less than or equal to 30% area median income and, 20 points will be awarded to developments that reserve at least 20% of their units for households with less than or equal to 30% area median income.

Staff requested time to determine the anticipated impact of the recommended amendments, as stated, on applicants' ability to meet the threshold for Resolutions of Support and Resolutions of No Objection and impact for our region to be competitive for awards. Staff also, requested time to discuss the amendments, as stated, with the development community.

Staff will provide a final recommendation during the next scheduled Planning and Community Development meeting.

#### **ALTERNATIVES:**

Planning and Community Development Committee may choose not to forward the policy for full City Council approval which would result in the current policy continuing to guide staff recommendations.

Planning and Community Development Committee may recommend changes to the policy before forwarding the policy for full City Council approval.

#### **FISCAL IMPACT:**

There is no fiscal impact.

**RECOMMENDATION:**

Staff recommends approval of the City's Housing Tax Credit Policy and forwarding the policy to full City Council for consideration.