Texas
Low Income Housing Preservation in 2010

Low Income Housing Tax Credits (9% Tax Credits)

In the 2010 QAP, at least 15% of the allocation to each region is set aside for "at-risk" developments. To be eligible, subsidized properties include those insured under the HUD Section 221(d)(3) and (5), Section 236, Section 202, Section 101; those provided subsidies via project-based Section 8 programs; USDA Section 514, 515, 516; and Section 42 of the IRS Code. The property's contract providing the subsidy must be nearing expiration, or the mortgage must be eligible for prepayment or nearing the end of its mortgage term. Developments must be at risk of losing all affordability on the site and properties must renew or retain any federal assistance for which they remain eligible.

TDHCA allows expiring tax credit properties to apply under the "at risk" set-aside. All rehabilitation proposals (including reconstruction) or adaptive reuse poposals are awarded 3 points.

In the event of a tie, applications involving any rehabilitation of existing apartments will win this first tier tie breaker over applications involving solely New Construction.

In addition, developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum unit restrictions. Rehabilitation developments must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least $15,000 per unit in direct hard costs unless financed with TX-USDA-RHS in which case the minimum is $9,000.

If a developer extends the years of affordability beyond the required 30 by 5 years, 2 points are available - by 10 years, 4 points are available.

Allocations (2003-2009)

Properties Preserved: 183

Apartments Preserved: 17,845

Private Activity Bonds with 4% Tax Credits

Allocations (2003-2009)

Properties Preserved: 49

Apartments Preserved: 8,863

Additional Info: Texas did not allocate any 4% tax credits towards preservation projects in 2009.

Housing Trust Funds

TDHCA's Housing Trust Fund is funded with appropriations, TDHCA revenue transfers, and charitable contributions. In 2010 and 2011 the Trust Fund will receive $10.8 million each year for a total of $27.5 million. The Fund provides loans and grants for rental development or preservation, predevelopment funding, and non-profit capacity building. Of this, over $300,000 was used for multifamily.

Texas' Housing Trust Fund is used to finance new construction, acquisition, or rehabilitation of affordable rental housing. Rehabilitation of housing that is less than five years old, a recipient of tax credits within the last five years, or previously funded by TDHCA is not an eligible activity for this funding.

PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).

Other Preservation Incentives

The Homestead Preservation Act was adopted in 2005 with the passage of House Bill 525. The bill authorizes municipalities to create a Homestead Preservation District that protects homeowners from being forced out of their homes due to rising property taxes and conversion or demolition of affordable housing. Although the legislation does not limit the creation of Homestead Districts to a certain municipality, the legislation was originally drafted to address the growing concerns in East Austin.

TDHCA maintains lists of affordable housing portfolios on its website and classifies each property by its priority for being preserved. The website also provides a bulletin board that allows affordable housing owners interested in selling their properties to get in touch with potential buyers interested in maintaining affordable housing.

TDHCA's demonstration program, the Multifamily Housing Preservation Incentives Demonstration Program, finances existing multifamily rental properties which have previously been financed or subsidized through a state or federal housing program, and which are encumbered by regulatory restrictions to provide housing for families of low, very-low, or extremely low incomes. Eligible activities include acquisition, rehabilitation, acquisition and rehabilitation, or new construction for the purpose of replacing existing or previously existing multifamily properties. The maximum application amount is $20,000 per rental apartment, not to exceed $1,000,000 in total.

TDHCA also drafted a proposed qualified contract policy in the summer of 2005 to assist owners of post-1989 LIHTC properties that want to exit the program after the initial 15-year compliance period. The proposal would allow owners at the end of the 14th year of the compliance period to ask TDHCA to help find a buyer for the property at the qualified contract price. If TDHCA cannot find a buyer in a year, the extended-use commitment would expire, although the three-year federally mandated transition period would remain.

Green Multifamily Preservation Initiatives

Green Incentives in State Tax Credit Allocation Plan

Developments that qualify for and receive Renewable Energy Tax Credits are eligible for a 30% basis boost.

Other Green Incentives Relevant to Preservation

The Department of Housing and Community Affairs administers Texa's Weatherization Assistance Program. Texas encourages using weatherization fundng on multifamily projects. For complete information on TX's weatherization program see: http://www.waptac.org/grantee-contacts.aspx.

Other incentives include rebates for installing energy efficient water systems and solar and wind energy tax exemptions.

For additional information on green initiatives, visit www.aceee.org for more on policies related to energy efficiency or www.dsireusa.org for programs that may be available to developers to incentivize renewable energy or energy efficiency.

Sustainable Communities & Transit-Oriented Development Incentives

Texas's 2010 QAP awards 6 points for projects that use existing housing as part of a community revitalization plan and one point for projects located within a Qualified Census Tract and contributes to a concerted Community Revitalization Plan.

4 points are available for being within ¼ mile of public transportation. Applications within 1/4 mile of existing major bus transfer centers and/or regional or local communter rail transportation stations are eligible for a 30% basis boost.