

## Housing Tax Credit Basics – Frequently Asked Questions

### What is the Texas Department of Housing and Community Affairs (TDHCA) Housing Tax Credit (HTC) program?

The HTC program is one of the primary means of directing private capital toward the development and preservation of affordable rental housing for low-income households.

### How is the HTC program funded?

The HTC program is funded by the U.S. Treasury Department and is overseen by the Internal Revenue Service. Federal Regulations guiding the program can be found in IRC Code Section 42.

### What is the purpose of the HTC program?

The HTC program was designed to:

1. Provide a source of equity financing for the development of affordable housing;
2. Maximize the number of affordable units added to the state's housing supply;
3. Ensure that the state's affordable housing supply is well maintained and operated, serving as a credit to the communities in which affordable housing is constructed and operated; and
4. Prevent losses in the state's supply of affordable housing.

### How do Housing Tax Credits Work?

Tax credits are awarded to eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing. The value associated with the tax credits allows residences in HTC developments to be leased to qualified households at below market rate rents.

### Is there more than one type of Tax Credit?

Yes. Tax Credits are awarded under either the 4% or 9% programs. Four percent (4%) tax credits are awarded to developments that use tax-exempt bonds as a financing component and are awarded on a non-competitive basis throughout the year. Nine percent (9%) tax credits are highly competitive; available credits are determined for each region based on a Regional Allocation Formula (RAF). Applicants seeking 9% credits will compete for credits during the annual application cycle that begins based on the date published in the Qualified Allocation Plan (QAP). Applicants will be scored and ranked on criteria such as financial feasibility, local support, size and quality of proposed units, amenities and services to be provided, and other items intended to encourage the construction of quality affordable housing.

### What kind of activities can be completed under the HTC program?

The HTC program funds the development of affordable multifamily rental properties or rehabilitation of existing properties that are willing to maintain affordable rents for an extended period of time.

### Who is eligible to apply for housing tax credits?

Private for-profit and nonprofit multifamily housing developers.

### Who will occupy the multifamily units built by the HTC program?

After the property is developed by the applicant, the applicant will affirmatively market the property in the surrounding community. Tenants earning up to 60% of the area median family income (AMFI) for the area for their household size and who meet the screening and eligibility restrictions of the property may qualify for a reduced rent unit.

### How are HTC units different from Section 8 subsidy?

HTC units offer income qualified tenants a unit at a reduced rental rate that is restricted by annually published rent guidelines. Section 8 determines the rent based on 30% of a tenant's actual income. HTC rental rates may increase or decrease annually based on published limits, but Section 8 rents increase only when the occupying household's income increases or decreases or amended budgets containing proposed rent increases are requested by the Section 8 development owner.

### How do developers apply for Tax Credits?

Nine percent (9%) credit applicants may complete a voluntary Pre-Application; 4% and 9% credit applicants must complete the Uniform Multifamily Application and any supplemental forms requested. Visit the TDHCA Web site, click on the "[Apply for Funds](#)" page to review application materials and guidelines.

### Where can I find additional information about how an application will be scored?

Scoring and general threshold requirements can be found in the Qualified Allocation Plan (QAP), the Uniform Multifamily Rules, and state law. Visit the "[NOFAs and Rules](#)" page for more detail.

### Does the HTC program give preferences to federally subsidized properties or properties owned by nonprofits?

There are set-asides for "at risk" (affordable multifamily federally subsidized or HTC properties that are nearing the end of their contract/affordability terms) and USDA assisted developments; at least 10% of the tax credits allocated every year must be used by qualified nonprofits.

### How can I give my input on a Housing Tax Credit development that is being proposed in my area?

Public comment is taken at all [TDHCA board meetings](#) and is accepted during the application review process. Regional public hearings are held to take public comment on 9% HTC applications and applications for 4% credits have hearings associated with their bond funds. For more information, visit the "[Community Information](#)" page on TDHCA's Web site.

### Who makes the final decisions on whether a tax credit award will be made?

Final funding decisions on all HTC applications are made by TDHCA's Governing Board. For more information or a list of members, visit the [TDHCA Governing Board](#) page on TDHCA's Web site.

### When will final award decisions be made?

Nine percent (9%) HTC applications are considered for approval in July. Four percent (4%) HTC applications are considered for approval throughout the year.

### Are HTC developments monitored after they are constructed?

TDHCA monitors and physically inspects all properties that have received tax credits and/or multifamily funds from any TDHCA program. Property owners who do not follow applicable guiding program rules and regulations and property standards may be subject to certain actions designed to encourage compliance. These actions, if not promptly addressed, may lead to other more serious actions such as the assessment of administrative penalties or, in extreme instances, debarment from TDHCA's affordable multifamily programs.

### How often and for how long will the Department monitor properties that have received funds from TDHCA?

The Department monitors properties on a routine schedule depending on their funding source. Properties that receive HTCs are generally monitored once every three years; additional inspections may be done as a result of complaints or to rectify serious compliance violations. TDHCA will continue to inspect and monitor properties for program compliance for up to 40 years (or the term of their affordability period).

### I have a complaint about an HTC property in my area. Whom should I contact?

Please call the TDHCA Housing Resource Center (HRC) line toll free at 1-800-525-0657. An HRC Representative will connect you with the appropriate contact in the Compliance Division (if the property is in the TDHCA portfolio) or will provide you with a resource number if the property is funded by or under the jurisdiction of another entity.