



City of Austin

Neighborhood Housing and Community Development

P.O. Box 1088, Austin, TX 78767 -1088

(512) 974-3100 ♦ Fax (512) 974-3112 ♦ www.austintexas.gov/housing

DATE: February 11, 2013

TO: Mayor and Council Members

FROM: Betsy Spencer, Director 

SUBJECT: Requests for Council Action (RCAs) on Low Income Housing Tax Credit Applications

The purpose of this memorandum is to provide additional information on the Low Income Housing Tax Credit (LIHTC) award process and specific information about the proposed Austin projects seeking tax credit financing.

NHCD staff is requesting that Council approve resolutions for a conditional commitment of funds, subject to the award of LIHTCs, for six applications that have been submitted to the City of Austin for Rental Housing Development Assistance Funding. Not all six applications will be awarded tax credits. The Austin projects are competing with 9 other projects in Williamson, Hays, and Travis County. Based on the amount of tax credits allocated to this region, it is likely that no more than two tax credit applications will be awarded tax credits.

Commitment of funds will provide the six Austin applications points necessary to be competitive in the 2013 round of tax credit awards. The resolutions would only commit funding if an Austin project is awarded tax credits. Based on the amount of City funding requested, the maximum amount needed if two Austin projects are awarded tax credits would be \$4.5 million.

Five RCAs are scheduled for the February 14, 2013, Council Agenda. One RCA is scheduled for the February 28, 2013, agenda. All RCAs are requesting resolutions for conditional funding commitments, subject to the award of tax credits.

Low Income Housing Tax Credit Process

The Low Income Housing Tax Credit (LIHTC) program was part of the Tax Reform Act of 1986, and is codified in Section 42 of the Internal Revenue Code. LIHTC incentivizes the use of private capital to develop affordable housing.

Each year the federal government allocates tax credits to each state on a per capita basis. Each state must issue a document annually that sets forth the process by which the tax credits will be allocated. The document is called the Qualified Allocation Plan, or "QAP." The responsible state agency is the Texas Department of Housing and Community Affairs (TDHCA). TDHCA allocates tax credits by region, and Austin is located in Region 7 (Urban) and received an allocation of \$3.3 million.

The QAP describes the scoring process for the LIHTC program, and in Texas, the 2013 QAP contains a section giving a graduated amount of points to an application based on the amount of funding committed by a unit of local government. A funding commitment of at least \$15,000 per unit provides the maximum number of points for that scoring element. The applicant must obtain a resolution passed by the local unit of government to be eligible for the points. TDHCA staff confirmed that a conditional funding commitment, subject to the award of tax credits, would qualify to receive points.

Austin Projects Applying for LIHTC

Six proposed projects located in Austin have applied to the State for tax credits and to the City for funding commitments. A brief description of each project is attached. With \$3.3 million of tax credits allocated to Urban Region 7 and a maximum tax credit award per project of \$1.5 million, it would appear two projects in Urban Region 7 could receive tax credit awards. Austin projects are also competing against projects in Kyle, Liberty Hill, Pflugerville, Cedar Park, and Manor.

Although staff has received questions around the likelihood of Austin projects being awarded tax credits, NHCD staff has stated there is not a way to predict which projects will receive awards until the awards are made by the TDHCA Board this summer. Scores can fluctuate based on interpretations by TDHCA staff, challenges by the applicants, and rulings by the Board.

Please contact me at 512-974-3182 if you have any questions.