ENCOURAGING NON-PROFITS TO BUILD AFFORDABLE HOUSING USING LIHTCs.

HB 249 Sponsored by Representative Philip Cortez

National Church Residences   Volunteers of America®   LeadingAge® Texas

BACKGROUND: Texas Department of Housing and Community Affairs (TDHCA) administers the Low Income Housing Tax Credit Program (LIHTC). This program is tasked with funding multi-family affordable housing developments for Texas. The Qualified Allocation Plan (QAP) governs which applications for funding will be selected based on criteria in Texas Administrative Code (TAC) and annual policy initiatives outside of set legislation. Under current TAC, to receive the scoring benefit of a "Qualified Non-Profit, the majority of the board of directors for the non-profit must live within 90 miles of the site for "Urban" applicants or within Texas for "Rural" applicants.

PURPOSE OF HB 249: The Non-Profit definition, which is considered a "Sponsor Characteristic," is a scoring advantage in the QAP. HB 249 will remove barriers that highly qualified regional and/or national nonprofits face when competing for funding in Texas.

HB 249 has the following benefits:

- Improves statewide community access to qualified, regional and national nonprofits with proven affordable housing capacity and experience developing service-enriched affordable housing in Texas.
- Allows regional and national nonprofit developers to compete for LIHTCs to construct specific housing types for vulnerable populations such as homeless, veterans, frail and aging seniors, persons with mental and physical disabilities, and youth aging out of foster care. Nonprofits are mission-driven, bringing more than "bricks and sticks" to the community. Programming for these vulnerable populations, when combined with housing, is proven to improve health outcomes and reduce healthcare spending, a direct savings for Medicaid and Medicare.
- Improves access for smaller urban cities in Texas that do not have a strong nonprofit housing developer in their city to pursue funding with nonprofit-sponsored and service enriched developments.

FREQUENTLY ASKED QUESTIONS:

1. How will low-income residents of Texas benefit from HB 249?

By reducing barriers for national and regional nonprofits, a greater variety of "population specific" affordable housing will be built or preserved. Many nonprofit developers specialize in a specific population, such as elderly, youth aging out of the foster care system, homeless, disabled, etc. Nonprofits have curated programs and design features to enable their target population to succeed and thrive. By removing the board member residency restrictions currently in TAC, communities throughout Texas will be able to receive a greater variety of specialized affordable housing for their most vulnerable citizens.

2. How will HB 249 improve budget and funding challenges in Texas?

Nonprofit developers go beyond the "bricks and sticks" of real estate development by providing a variety of specialized resident services specific to the population they serve. These services, when coupled with safe and decent affordable housing, are proven to REDUCE Medicare and Medicaid spending for which many affordable housing residents rely upon. Data shows that elderly living in affordable housing with service coordination reduced inpatient admission by 18%; medication management in affordable housing reduced Medicaid monthly payments by 21%; and elderly health education services are associated with a decrease of 8% in Medicare Part D payments per enrolled month.

3. Will profits and developer fees from affordable housing developments be sent out of Texas?

Unlike for-profit developers, nonprofit developers use developer fees to reinvest in their social service programs by developing and funding critical social service programs that benefit the residents living within their communities. Also, unlike local nonprofit sponsored developments that are likely to take advantage of significant real estate tax abatements, regional/national nonprofit sponsored LIHTC developments are not typically able to access the same tax abatements. As a result, regional/national nonprofit sponsored developments have the potential to pump in millions of dollars in local and state tax revenue over the life of the project. Like all affordable housing communities, these projects provide local employment and support a variety of local businesses including landscaping, pest control, janitorial services amongst many others.

4. Will this hinder the success of local nonprofits?

This board member residency requirement restricts not only the ability of regional and national nonprofits to compete for these resources, but it also inhibits the ability of smaller, local nonprofits to expand beyond their geographic sphere to serve more communities in need. Local nonprofits will continue to have a significant advantage for successful LIHTC applications, even in a slightly more competitive environment. Furthermore, this legislation will allow and empower local nonprofits to expand their mission outside this arbitrary 90-mile radius, allowing them to expand services and share their expertise across the state. A slightly more competitive LIHTC round in one community would easily be offset by more opportunities in other communities across the state.

5. How are for-profit developers successful without the nonprofit advantage?

For-profit developers are able to use the participation of a Historically Underutilized Business (HUB) to obtain this point in lieu of the local nonprofit point. Since awards often come down to tie-breakers, this point is crucial. While non-local nonprofits can also pursue this option, it requires an enormous portion of developer fees, cashflow and ownership of the project to be given to the HUB. As a result, money that would be used to reinvest into social services and improving resident wellbeing is then diverted.

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