

PROMOTING THE PRESERVATION OF EXISTING AFFORDABLE HOUSING USING LIHTCs

HB 663 Sponsored by Representative Philip Cortez



OVERVIEW

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, there is an At-Risk Set-Aside that provides 15% of the total competitive tax credit pool to help facilitate the preservation of existing affordable housing. Without this set-aside, it is near impossible for these projects to be competitive in the regional pools that primarily fund new construction.

PURPOSE OF HB 663

The eligibility requirements for the At-Risk Set Aside are currently too narrow. HB 663 will help many existing affordable housing developments to avoid either falling into disrepair or being converted to market rate housing because they are currently ineligible for the At-Risk Set-Aside due to minor technical issues in statute. Non-profit developers evaluate properties with the mission of acquiring and preserving existing affordable housing. What they are finding, time and time again, is that many aging properties do not qualify under current At-Risk statute. HB 663 will help create a viable preservation route.

HB 663 WILL ADDRESS THE FOLLOWING:

- Current language includes only developments with “expiring” affordability requirements to be eligible, but there are properties that are at the cusp of expiration or have already expired. Arguably, these properties are most at risk of being converted to market rate units and should be eligible for the Set-Aside. HB 663 will give these properties a path to preservation under the competitive LIHTC program.
- Current language includes only developments with “HUD-insured or HUD-held mortgage”. While the current language does not specifically state “original” mortgage, this lack of clarity allows for interpretation by TDHCA that may exclude existing mortgages that are fully repaid, prepaid or refinanced without capital improvements. HB 663 will clarify that these developments do qualify for the At-Risk set aside.

COVID RECOVERY

Affordable senior housing keeps older adults independent and out of institutional settings which are unfortunately higher risk for infection. Additionally, the economic impact of COVID is creating more demand for affordable housing long term. HB 663 will contribute to helping to preserve existing affordable housing.



Before



After Tax Credit Renovation in Huntsville, TX

CONCLUSION

Given the critical shortage of affordable housing in Texas and nationwide, it's imperative that existing affordable housing developments have the opportunity to be preserved. Without the ability to compete in the At-Risk Set Aside, they are highly unlikely to be competitive in the regional tax credit pools. HB 663 will assist vulnerable residents by correcting the At-Risk language to help prevent existing affordable housing developments from either falling into disrepair and or converting to market rate housing.