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MEMORANDUM
from
William C. Blount

TO: Travis County Judge and County Commissioners
Board of Directors of
Travis County Housing Finance Corporation

DATE: February 13, 2013

RE: Consideration of request to provide loans for developers of multifamily residential tax credit properties in the 2013 9% tax credit round

Agenda Date: February 19, 2013

Several developers have contacted the housing finance corporation staff regarding the possibility of the corporation and/or Travis County providing loans to the developers in order to assist the developers with obtaining additional points in the very competitive tax credit application process administered by TDHCA.

9% Tax Credit System

The 9% tax credit program is a Federal government program available to developers of affordable housing in their efforts to provide housing to low income residents. Essentially, a developer is awarded tax credits which it can then sell (or syndicate) in exchange for equity contributions which provide a portion of the funds to acquire and construct the project. In Texas, TDHCA administers the program and publishes a Qualified Allocation Plan ("QAP") to set forth the rules on which it will base its awarding of 9% tax credits in Texas. The process is quite competitive and this year, the region which includes Travis County is expected to generate 18 applications with only 2 applications expected to be awarded tax credits (3 is possible but not likely). TDHCA's plan sets out the standards which it will apply to award applicants points for various aspects of their project, such as sponsor characteristics, low-income set asides, tenant services, proximity to schools, community support, etc. The full QAP is online at http://www.tdhca.state.tx.us/multifamily/htc/docs/13-QAP.pdf.

A revised criteria for obtaining points this year is the provision of development funding by a unit of general local government. Essentially, an applicant may gain a relatively large number of points by obtaining local support in the form of a development loan from the local government. For a proposed project in the county but outside of any city limits, that support can come from an entity such as TCHFC. For a project inside of a city, that support can come from the city or the county government.

Developer Proposal

The developer proposal is for the developer to pledge a certificate of deposit or similar cash collateral to the governmental entity (the County or TCHFC) providing the loan, therefore there would be no risk to TCHFC or the County of nonpayment. The loan would be for a stated term of 5 years, however, these loans are generally repaid within 30 to 180 days of the developer closing on its funding and it is not anticipated that the loan would be outstanding for longer than 180 days. It is anticipated that the developer would pay an application fee, pay for all costs (legal, etc.) of documenting the loan and pay an origination fee in order to obtain the loan.

Tax Credit applications from the developers are due to TDHCA on March 1. The developers at this point would only need a letter stating that the developer has applied for funding. However, the staff does not want to provide the confirmation letter if the loan program is something that neither the Commissioners Court nor the Board of TCHFC desire to establish. The actual loan transaction would occur in August. The loans would only be made to developers who received allocation from TDHCA so, while TCHFC has received 3 inquiries from developers, there will not be 3 loans made.

cc: Karen Thigpen
Andrea Shields
John Hille