

July 29, 2021

Texas Department of Housing and Community Affairs
Attn: Marni Holloway, Director of Multifamily Finance
221 East 11th Street
Austin, Texas 78701
Email: Marni.Holloway@tdhca.state.tx.us

Re: Texas Affiliation of Affordable Housing Providers – Comments Regarding 2022 TDHCA Qualified Allocation Plan

Dear Mrs. Holloway:

The Texas Affiliation of Affordable Housing Providers (“TAAHP”) appreciates the opportunity to submit comments prior to the issuance of the 2022 Qualified Allocation Plan (“2022 QAP”) to the Texas Department of Housing and Community Affairs (“TDHCA”). TAAHP has convened a meeting of its membership to discuss its priorities related to the 2022 QAP. It is TAAHP’s policy to submit only recommendations that represent consensus opinions of membership. On behalf of TAAHP, please accept the following consensus comments and recommendations for consideration in the drafting the 2022 QAP.

- QAP Planning – Focus Groups vs. Roundtables – TAAHP appreciates the fact that the pandemic has limited our ability to hold in-person TDHCA board meetings, roundtable discussions and other worthwhile gatherings. But we have all become accustomed to the many webinar platforms that have dominated our daily lives over the last 15+ months. Access to these tools should make the QAP roundtable discussions easier to manage and more frequently hosted since venue, staffing and travel constraints are mitigated for Staff and stakeholders.

These larger roundtable formats, whether virtual or in-person, provide for a more transparent policy making process and incorporate a broader array of opinion not available through small, targeted focus groups. Similarly, TAAHP’s policy making process always seeks to build consensus around issues important to our collective membership and deliver only those comments to Staff that have broad support i.e., what’s best for the entire group. It would be our hope that Staff’s approach to policy development would continue to work for the good of the whole rather than select developers/consultants/third parties all while following statutory mandates.

TAAHP respectfully requests a return to the transparent roundtable-style approach to policy development, whether virtual or in-person. At a minimum, if TDHCA does hold focus groups in the future, TAAHP requests the TAAHP Executive Director or Board President be invited to participate in any focus group to share TAAHP’s consensus view on topics covered.

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TAAHP Executive Director

- §11.9(c)(7)(B) Proximity to Jobs Area – Proximity to Jobs – TAAHP understands Staff is considering the wholesale removal of the scoring criteria points related to Proximity to Urban Core [§11.9(c)(7)(A)]. TAAHP supports this measure in conjunction with an expansion of the radius used to determine the Proximity to Jobs scoring item from 1-mile to 2-miles.

As has been noted in prior comment, the ‘Proximity to Jobs’ scoring item has been very impactful in last couple of years’ application rounds. It provided an effective alternative to the ‘Urban Core’ point option. However, the 1-mile radius has prioritized commercial sites located along major highways and transportation corridors rather than more traditional residential sites. While not intentional, this prioritization brings added noise pollution for residents and potentially worse air quality, plus smaller, more expensive, and complicated development sites for owners.

As an example, of the seventeen (17) 2021 9% applications requesting ‘proximity’ points in the Houston and Austin urban subregions, the site size was 2.848 acres and cost over \$30 per square foot, on average. In 7 out of the 17 cases, the sites cost between \$50 and \$97 per square foot. In past years, sites outside of the ‘urban core’ point category tended to be larger and a fraction of that cost.

Further, an expanded radius will continue to encourage development around the ‘Urban Core’ of major metros. Providing that additional distance from the ‘Urban Core’ will mitigate some of the substantial costs typically seen of sites within 1-mile of those areas while still offering the services and amenities found within the existing 1-mile radius.

- §11.101(a)(3) & §11.101(b)(1)(C) Neighborhood Risk Factors – While we understand this is somewhat out of TDHCA Staff’s control, TAAHP would like to see the provisions related to school ratings be deleted from the application threshold requirements entirely.

Including schools as a threshold requirement is a remnant from the remediation plan that was developed by TDHCA during the Inclusive Communities Project v. TDHCA litigation, a lawsuit in which TDHCA prevailed, based on the facts on remand. Years later, school ratings remain a part of the QAP.

Based on the Spring 2021 STAAR results released by the Texas Education Agency (“TEA”) in June, the economically disadvantaged and minority student populations saw significantly larger year-over-year declines in test performance as compared to the 2019 results. These declines were consistent whether the district had significant portions of its student population in-person or remote, but those declines were more dramatic for children in remote learning environments. These results will certainly translate to lower school ratings for many communities where safe, quality, and affordable housing is needed most.

Further, what these test results and the pandemic environment has taught is that schools are not just important for the education of our children, but they are places

that provide non-educational aspects that are critical in stabilizing the lives of all children and families, including meal provision, socialization and a place where children can physically go while their parents go to work.

For children that reside in stable housing (or in a stable housing environment) it has been proven there is an increase in school performance. Housing and all schools must go hand in hand to create stable and routine environments for the children who need it most.

The TEA is unlikely to issue school ratings for the 2020-2021 school year. Considering the lack of available ratings or variability in ratings for the 2020-2021 school year, and mostly likely the 2022 school year, using dated ratings as the basis to determine eligibility for a development that won't be under construction until 2023 and may not be leasing until 2024 seems unfounded. TAAHP understands that TDHCA is considering similar action with respect to ratings as was taken in the 2021 QAP but including any school rating as a threshold requirement only serves as a deterrent to developments using the housing tax credit in areas that are otherwise well-suited and in great need of more affordable units and which don't preclude market-rate or other forms of affordable housing from being developed.

To reiterate, TAAHP requests the provisions related to school ratings be deleted from the application threshold requirements entirely. However, if Staff cannot consider that change, TAAHP requests the ability to provide mitigation in all cases, no matter the school rating rather than having to rely on the Board waiver process.

- §11.9(c)(8) Readiness to Proceed in Disaster Impacted Counties (“RTP”) – TAAHP reiterates previous comments requesting the wholesale removal of this scoring provision from the 2022 QAP but appreciates the fact that changes to this item will most likely have to come from the Governor's office. TAAHP believes a postponement of this scoring item like was done in the 2021 QAP would be in order for 2022.

The COVID-19 pandemic has produced unforeseen and often dramatic inflationary pressures, delays in the supply chain, and shortages in labor. Each of these items has resulted in increased costs to be borne by the development community, with little resources available to mitigate. This scoring item restricts a developer's ability to adjust to these changes in market conditions (i.e., increases in construction costs, drops in tax credit equity pricing, etc.), all of which we are seeing play out because of pandemic-related factors. Should an application amendment be needed, an applicant is forced to accept the penalty primarily due to taking appropriate action in the best economic interest of the development.

The RTP deadline has also forced developers to spend significantly more design and pursuit dollars earlier in the process without any certainty of an award. We estimate that at least twice the typical amount of pre-development funds was spent prior to award in 2018-2020 than non-RTP deals, in many cases on developments that did not receive funding because of last minute gyrations in scoring, underwriting, compliance

review, etc., which was the case on several applications this round. That is a waste of resources we could be using to pursue other affordable deals.

Thank you for your consideration of these comments. Please note that representatives from the TAAHP leadership welcome the opportunity to meet with TDHCA staff to discuss these recommendations more fully.

Please contact Nathan Kelley at (281) 782-7078 or nkelley@blazerbuilding.com, or TAAHP Executive Director Roger Arriaga at (512) 476-9901 or roger@taahp.org with questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Nathan Kelley'.

Nathan Kelley
TAAHP QAP Committee Co-Chair

A handwritten signature in blue ink, appearing to read 'Lora Myrick'.

Lora Myrick
TAAHP QAP Committee Co-Chair

Cc: Bobby Wilkinson, TDHCA
Brooke Boston, TDHCA
Marni Holloway, TDHCA
TDHCA Board
TAAHP Membership