



# TAAHP Recommendations for the 2026 QAP

*Detailed Summary of Committee Discussion – July 29, 2025*

## REMOVE 50% REHAB CAP FOR SMALL SUBREGIONS

### QAP Section:

§11.6(3)(5)(c)(iii) – *Award Recommendation Methodology* (Page 49)

Previously limited the total amount of 9% credits awarded to rehabilitation projects to no more than 50% of the region's allocation, unless all eligible new construction applications had already been funded.

**Proposed Change:** Remove the 50% cap on rehabilitation projects only in subregions with less than \$2 million in credit availability. Retain the cap in larger urban subregions with greater credit capacity.

### Key Justifications:

- In small and rural subregions, especially those capped at \$750,000, high costs make new construction unworkable—rehab is often the only feasible way to provide or preserve housing.
- The change maintains regional fairness by not altering the Regional Allocation Formula (RAF) or shifting credits between regions.
- The expected 12% increase in federal credit resources (pending IRS notice) adds further capacity to absorb increased rehab activity without sacrificing new supply in other regions.

### Concerns Raised:

- A related proposal to raise the \$750,000 minimum allocation per subregion—a more redistributive alternative—was rejected by 70% of participants due to RAF equity concerns.

**Outcome:**  Consensus Reached. Strong support for a targeted, non-redistributive solution.

## EXPAND SCHOOL-BASED TIEBREAKER TO INCLUDE MIDDLE & HIGH SCHOOLS

### QAP Section:

§11.7(2)(A)(i)(II) – *Tiebreaker Factors: Proximity to Schools* (Page 54)

→ Previously limited to zoned elementary schools only; now broadened to include middle and high schools.


**Proposed Change:** Permit applicants to use zoned middle or high schools—in addition to elementary schools—for the purposes of the school-based tiebreaker.

### Key Justifications:

- Fulfills TDHCA Board request to broaden flexibility.
- Maintains geographic basis only – fully compliant with SB 2137.
- Easy to implement using current methodology and zoning verification.

### Concerns Raised:

- No formal objections were raised.
- A clarification was added to ensure that only zoned campuses qualify—open enrollment and district-wide choice schools are not eligible under this provision.

**Outcome:**  Consensus Reached. The change was viewed as a minor but meaningful improvement.



## CLARIFY HUB PARTICIPATION MUST INVOLVE QUALIFYING INDIVIDUAL

### QAP Section:

**§11.9(b)(2)(A)(i)** – *Sponsor Characteristics: HUB Participation* (Page 61)

→ Requires that the individual(s) who qualified the firm as a HUB must materially participate in development and operations throughout the compliance period.

**Proposed Change:** Clarify that the *certified HUB individual*—not just any member of the entity—must be directly involved in the project’s development and operations.

### Key Justifications for Change:

- Directly addresses TDHCA concerns about nominal or symbolic HUB participation, such as where certification is based on a spouse or family member with no actual involvement.
- Preserves the integrity of the scoring item while avoiding broader changes that could reduce legitimate HUB access.
- Viewed as a practical and measured compromise that signals good faith while maintaining the item’s original intent.

### Concerns Raised:

- Some noted that monitoring may not change dramatically, and the impact could be more symbolic than enforceable in practice.
- Still, members agreed it was better to advance a narrow fix now than risk broader overhauls or deletion of the scoring item later.

**Outcome:**  Consensus Reached. The committee agreed this clarification was a reasonable and strategic way to respond to agency feedback without undermining true HUB entities.

## ELIMINATE ‘QUANTITY OF LOW-INCOME UNITS’ SCORING ITEM

### QAP Section:

**§11.9(b)(3)** – *Competitive HTC Selection Criteria: Quantity of Low-Income Units* (Page 63)

→ This scoring item awarded points for maximizing the total number of restricted units per development.

**Proposed Change:** Delete the scoring item and all subclauses, including the portion incentivizing higher unit counts in rehabilitation developments.

### Key Justifications:

- Originally introduced as a one-year experiment but misaligned with current deal feasibility.
- Developers reported feeling pressured to overstate unit counts to remain competitive, resulting in unsustainable capital stacks and deals that were withdrawn, delayed, or failed to close.
- The rehabilitation subclause conflicted with the Board’s imposed regional cap on rehab awards, creating contradictory incentives within the QAP.
- Removal aligns scoring with rising costs, smaller deal sizes, and sound underwriting.

### Concerns Raised:

- One member proposed retaining a lower-value version of the rehab clause to support preservation of naturally occurring affordable housing (NOAH).
- However, most warned that partial retention would introduce scoring inconsistencies and might unintentionally favor low-impact or low-quality rehab projects.



**Outcome:**  Consensus Reached. 87% of members voted in favor of full removal. The committee strongly favored a clean deletion over incremental reform, viewing the item as well-intentioned but counterproductive under current market conditions.

## REMOVE SECTION 811 SECTION + STANDARDIZE CoC HOLD PERIODS TO 6 MONTHS

### QAP Section:

§11.9(c)(4)(A) – *Competitive HTC Selection Criteria: Special Needs Set-Asides* (Page 66)

§11.9(c)(4)(C) – *Continuum of Care (CoC) Hold Requirement* (Page 67)

### Proposed Change:

- **Remove Section 811 as a scoring item**, reverting to the baseline 5% special needs and 2% CoC set-aside requirements.
- **Standardize the CoC hold period to 6 months for urban subregions**, removing the 12-month requirement in urban subregions and 6-month requirement for rural subregions.

### Key Justifications:

- The 811 scoring item was a temporary, one-year addition; TDHCA staff confirmed its sunset was anticipated.
- Developers reported significant misalignment between Section 811 timelines and HTC application schedules, complicating compliance and underwriting.
- The 12-month CoC hold requirement in urban areas extended beyond initial lease-up periods, leading to delays in placed-in-service timing and credit delivery.
- A 6-month hold requirements for urban subregions balances compliance integrity with development feasibility and improves consistency across markets.

### Concerns Raised:

- Some members suggested exploring even shorter hold periods (e.g., 3 months) or shifting toward a marketing-based compliance model that does not require units to be held vacant.

**Outcome:**  Consensus Reached. Stakeholders broadly supported the change as both a technical cleanup and a practical improvement to facilitate smoother lease-up and credit timelines, especially in urban regions.

## ADD OPPORTUNITY ZONES AS CRP ALTERNATIVE SCORING

### QAP Section:

§11.9(d)(7) – *Concerted Revitalization Plan and Opportunity Zones* (Page 84–85)

→ Adds a new subparagraph that awards 7 points to developments located within federally designated Opportunity Zones.

**Proposed Change:** Allow a parallel 7-point scoring path for developments located in Opportunity Zones (OZs)– without requiring traditional CRP documentation.

### Key Justifications:

- Opportunity Zones reflect state/federal revitalization priorities and provide basis boost benefits.
- Avoids excessive documentation and protects scoring access for 4th quartile areas.
- Widens access for smaller developers without CRP infrastructure.
- Responds to prior TDHCA staff proposal to limit CRPs, which was strongly opposed.

### Concerns Raised:

- Some concern about “overuse” of CRP points, but stakeholders disagreed this was a problem.



- Encouraged TDHCA to clean up submission checklist language.

**Outcome:**  Consensus Reached. The committee broadly supported this addition as a smart, low-burden enhancement that advances revitalization goals while improving geographic equity in the scoring system.

## UPDATE COST OF DEVELOPMENT PER SQUARE FOOT

### QAP Section:

**§11.9(e)(2)** – *Cost of Development per Square Foot* (Page 86)

→ Sets maximum allowable development costs per square foot, adjusted annually.

**Proposed Change:** No change in redline – just an FYI. TDHCA will continue to update cost thresholds annually based on inflation and market conditions. Statutory obligation under Texas Government Code §2306.6710(b)(2).

**Outcome:** No need for consensus. The committee deferred to TDHCA’s annual process for updating it.

## ADD TAX EXEMPTION SCORING OPTION TO LEVERAGING SECTION

### Proposed QAP Section:

**§11.9(e)(4)(A)** – *Leveraging: Property Tax Exemption Path* (Page 88)

→ New subparagraph (A) allows 3 points for developments that do **not** claim a property tax exemption, abatement, or similar benefit for the first 15 years.

### **Proposed Change:**

Create a dual-path scoring structure under the Leveraging section:

- **Subparagraph A:** Applicants certify that no property tax exemption will be claimed through Year 15 (3 points).
- **Subparagraph B:** Applicants pursue revised leveraging thresholds (see next item).

### **Key Justifications:**

- More logically belongs in Leveraging, where the financial impact of tax status is already evaluated.
- Responds directly to Board’s call to reward taxable developments without disincentivizing local policy tools like CRPs or PFCs.
- Multiple participants pointed out that in some cases—such as when local governments automatically offer exemptions through CRP incentives—developers would be unable to refuse the exemption even if they wanted to. In those cases, applicants could default to the leveraging option.

### **Concerns:**

- Some members expressed that most applicants will default to Path B, making the political impact of Path A largely symbolic.
- Interest in eventually collecting longitudinal data on exemption usage to inform future reforms or scoring weight.

**Outcome:**  Consensus Reached. Strong stakeholder alignment on structure and intent. The change preserves developer flexibility while signaling support for local tax contributions.



## RAISE LEVERAGING THRESHOLDS TO REFLECT CURRENT COSTS

### QAP Section:

§11.9(e)(4)(B)(i-iv) – *Leveraging Threshold Scoring* (Page 88)

→ Revised scale increases each point tier by 1%:


**Proposed Change:** Adjust each leveraging point threshold by 1% to account for increased development costs and reduced soft funding availability.

### Key Justifications:

- Brings the QAP in line with real-world capital stack conditions and construction cost escalation.
- Reduces pressure on developers to submit unrealistically low credit requests just to score.
- Viewed as a technical correction that maintains the policy intent without punitive side effects.

### Concerns:

- None. Stakeholders unanimously supported the revision as overdue and needed.

**Outcome:**  Consensus Reached. Participants agreed the update was timely, practical, and aligned with sound underwriting practices.

## ELIMINATE SCORING PENALTY FOR EXCEEDING 100% REGIONAL ALLOCATION

### QAP Section:

§11.9(e)(8) – *Funding Request Amount* (Page 90)

→ Previously awarded 1 point to applications requesting less than or equal to 100% of the region's total credit allocation.


**Proposed Change:** Remove the scoring item that penalizes applicants requesting more than 100% of the regional allocation amount.

### Key Justifications for Change:

- Unfairly penalizes applicants in smaller subregions where most deals—regardless of efficiency—naturally exceed the \$750,000 statutory minimum allocation.
- Creates a structural scoring bias that favors larger regions where even sizable developments remain within allocation limits.
- Encourages developers to artificially shrink their deals just to gain the point, which compromises project feasibility and long-term performance.

### Concerns:

- None. Stakeholders consistently cited this item as one of the most burdensome scoring barriers in rural and lower-credit areas.

**Outcome:**  Consensus Reached - Scoring Item Removed. The committee unanimously supported removal of this provision as a necessary correction to level the playing field across regions.



## PAUSE READINESS TO PROCEED SCORING ITEM

### QAP Section:

**§11.9(e)(9)** – *Readiness to Proceed* (Page 90)


→ Awards points to applicants that can demonstrate advanced site control, financing, and permitting milestones at application time.

### Key Justifications for Reform:

- There is a growing disconnect between this scoring item and actual delivery timelines, especially given TDHCA’s routine granting of placed-in-service extensions.
- Developers are being penalized for market-wide delays such as interest rate shocks, material shortages, and permitting backlogs—factors outside their control.
- Originally added to support disaster recovery cycles (e.g., post-Harvey), this item may no longer serve its intended purpose in the current statewide context.

### Concerns Raised:

- Full elimination may be politically sensitive and could require sign-off from the Governor or TDHCA Board.
- A middle-ground reform—such as clarifying when the penalty is applied or tying scoring to actual force majeure events—was raised as a feasible interim step.
- General sentiment favored pausing rather than permanently removing the item.


**Outcome:**  Consensus Reached. Pause Readiness to Proceed item.

## REMOVAL OF SCHOOL PERFORMANCE-BASED SCORING (SB 2137 COMPLIANCE)

**Mandate:** Senate Bill 2137 (2025) prohibits the use of public school academic performance—such as TEA Accountability Ratings—as a factor in LIHTC eligibility or scoring.

### QAP Sections Affected:

1. **§11.9(c)(5)(B)(i)(XV)** – *Opportunity Index: Urban Scoring Criteria* (Page 71)  
→ Deleted 1 point for being in the attendance zone of a TEA-rated A or B school.
2. **§11.9(c)(5)(B)(ii)(XIV)** – *Opportunity Index: Rural & USDA Criteria* (Page 73)  
→ Deleted 1 point for being in the attendance zone of a TEA-rated A or B school.
3. **§11.101(a)(3)(D)(iii)** – *Neighborhood Risk Factors* (Pages 98–99)  
→ Removed disclosure requirement tied to low TEA-rated campuses.
4. **§11.101(a)(3)(E)(iii)** – *Evidence of Mitigation* (Page 100)  
→ Eliminated mitigation requirements related to school performance.
5. **§11.101(b)(1)(C)** – *Ineligible Development Sites* (Page 102)  
→ Deleted provisions disqualifying sites based on low-rated school attendance zones.

**Outcome:**  Fully Implemented. All education-based provisions were removed to bring the QAP into full compliance with SB 2137.