TAAHP

TDHCA Working Group on 2026 QAP

June 9, 2025

Tenant Feedback

Amenity Accessibility & Accountability

- Concerns about amenities (e.g., pools, fitness centers) being "for show" due to limited access hours.
- Tenants reported broken security systems, nonfunctioning elevators, and unfinished amenities at some properties.
- Suggestion: TDHCA consider minimum operating hours and explore ways to hold properties accountable for promised amenities.

Food Security & Supportive Services

- Tenant advocates emphasized the value of food pantries as a supportive service.
- Request to increase QAP point values for food pantries (currently 2 points) to encourage more adoption.

Transportation & Emergency Preparedness

- Frustration with inadequate public transit, especially long loops, no sidewalks, or limited hours.
- Suggested QAP incentive for on-site bus shelters for properties near transit routes.
- Request for backup generators or emergency refrigerators for residents during outages, especially the elderly. Option point item.

Accessibility & Large Family Housing

- Need more accessible flat units for disabled residents.
- Requested additional incentives for 4–5 bedroom units for larger families
- Increase solar panels points (currently 2 points)

Eviction Prevention Program

- Tenants and advocates discussed the 2024-launched eviction prevention program:
- Request to expand it to at-risk tenants before delinquency.

Senior Housing Design & Rent Increases

- Unfinished or falsely advertised amenities in senior properties.
- Design problems: bar-height eating areas unsuitable for disabled seniors, lack of outdoor patio space

Tenant Voice & Disability Access

- Applauds the online format for accessibility and urges more tenant-focused forums, including outside of QAP planning.
- Recommends tenant education efforts—many tenants don't know their rights or what amenities they are entitled to.
- Communicate clearly with tenants on what maintenance is covered and how to report problems—consider periodic outreach, especially to residents with disabilities.
- Encourages continued focus on extremely low-income (ELI) households, citing data showing the greatest need is among the lowest income brackets.

Inconsistent and Unclear HFC Fee Reporting

- Developers are not consistently disclosing fees paid to Housing Finance Corporations (HFCs), Public Facility Corporations (PFCs), and similar entities in their Development Cost Schedules.
- These fees are often scattered under soft costs or financing costs—or not reported at all.
- At cost certification, TDHCA frequently discovers that these entities played multiple roles, blurring the lines between developer services, general contractor services, and soft costs. This lack of clarity complicates underwriting and can lead to retroactive fee reclassifications.

TDHCA's Proposed 2026 QAP Changes

1. New Line Items for HFC/PFC Fees

- Developers must now list HFC/PFC fees under distinct line items in the Development Cost Schedule.
- Goal: Improve transparency and enable consistent comparison across applications.

2. Reclassification of HFC/PFC Fees

- TDHCA will formally classify certain HFC/PFC fees under capped categories:
    - **Developer Services Cap**: If the entity supports property tax exemptions or performs other financial roles.
    - **General Contractor Cap**: If the entity facilitates sales tax exemptions or construction oversight.
- Clarifications will be added to both the QAP and Real Estate Analysis (REA) rules.

3. Fee Cap Inclusion

- These payments will now count against either the developer fee or GC fee caps.
- This reduces how much a developer can claim for themselves if an HFC/PFC is involved.

TDHCA's Justification

- These fees represent direct payments for tangible, project-enabling services—not passive costs.
- The aim is to prevent inflation of soft costs, improve underwriting accuracy and reduce unexpected adjustments at cost certification.

Developer Feedback & Concerns

Clarifications Requested

- Developers asked for specific guidance on where different types of HFC fees belong—developer fee, GC fee, or a separate sales tax exemption payment.
- Structures vary, and not all details are known at application time.

Major Concerns

- Developer and GC fee caps are already tight; folding HFC fees into these limits could render projects infeasible.
- Early disclosure is challenging, as HFC agreements are often incomplete at the time of application.
- Only two 2024 bond deals have closed—tightening fee rules could further chill deal flow.

Developer Recommendations

1. **Cap HFC Fees Separately**
   - Set flat fee caps (e.g., $200,000 per service type),
   - Use a “pick two of three” model (e.g., dev fee, GC fee, or cash flow),
   - Cap all HFC/PFC compensation regardless of category.
2. **Increase Transparency Without Penalizing Developers**
   - Developers are open to estimating and disclosing HFC fees early.
   - Request TDHCA collect deal-level data before finalizing rule changes.
3. **Clarify Sales Tax Fee Treatment**
   - If the HFC is acting solely as a sales tax conduit, the fee should count only toward the GC cap, not developer fee.
   - Developers emphasized that these services often deliver minimal value—one deal saved only $65,000 over 15 years after fees.
4. **Exclude Bond Issuance Fees from Cap Calculations**
   - TDHCA confirmed these will not be subject to any fee caps.

Action Item for Developers

Compile a matrix analyzing HFC/PFC fee structures across deals:

- Fee types, amounts, payment methods.
- Impact on total development cost and financial feasibility.
- Comparative practices in other states.

Additional Discussion

1. HUD vs. TDHCA Underwriting Standards: HUD lowered the minimum Debt Coverage Ratio (DCR) to 1.11 and reduced the vacancy rate to 5% for FHA 221(d)(4) loans. TDHCA has not adopted these changes.

- **TDHCA’s Position**: Maintains a 1.0 combined DCR and 7.5% vacancy rate due to market uncertainty and risk concerns.

2. Tiebreakers: Proximity to grocery stores is undervalued; historic property tiebreakers may create unfair advantages.

- **Request**: Emphasize grocery store access in site selection; evaluate regional competitiveness against historic property projects.

3. Developer-CoC Coordination Challenges: Developers struggle to engage CoCs for homeless housing due to fragmented outreach and limited CoC capacity.

- **Request**: State-led, centralized CoC coordination with clear processes, timelines, and tools.