



TDHCA Rules Committee Meeting Recap

May 7, 2025

On Wednesday, May 7, 2025, the Rules Committee of the Texas Department of Housing and Community Affairs (TDHCA) Governing Board convened at the Dewitt C. Greer State Highway Building to discuss preliminary revisions to the 2026 Qualified Allocation Plan (QAP). The QAP is updated annually and governs how housing tax credits are awarded across Texas.

This meeting marked the first formal opportunity for board members and the public to provide input on staff's proposed changes. Stakeholder feedback, drawn from spring roundtables and ongoing engagement, will inform the development of an informal draft this summer, followed by a formal draft and public comment period in the fall.

- [Click here to watch the full hearing](#)
- [Click here to access the Rules Committee Book](#) with TDHCA's full list of 2026 recommendations.

Below is a summary of key proposals discussed, including stakeholder reactions and preliminary outcomes:

Automatic Six-Month Extension for Placing Projects in Service

Problem: Texas developers lose roughly 7 months of the federally allowed development timeline because the state allocates credits in July rather than earlier in the year.

Proposal: TDHCA staff recommends adding a **six-month automatic extension** to the *place-in-service* deadline in the QAP.

- Developers would still need to **submit a request** to receive this extension (for administrative purposes), but it wouldn't require board approval.
- Requests beyond that six months would still go to the board.

Rationale: This would reduce repetitive board discussions on force majeure requests and align Texas more closely with the federal timeline.

Outcome: There was unanimous **support** from board members and no opposition from the public. Staff will move forward with adding the extension into the QAP.

Concerted Revitalization Plan (CRP) Scoring – 30% Poverty Cap Proposal

Proposal: Limit CRP scoring eligibility to census tracts with $\leq 30\%$ poverty (for new construction), replacing a prior income-quartile proposal.

Stakeholder Feedback:

- **Duplicate Penalties:** Stakeholders said adding a 30% poverty cap on top of the existing 40% threshold and city resolution creates unnecessary overlap and restrictiveness.



- **Undermining Local Approval:** Cities and developers argued the cap disregards local planning decisions already made through CRP approvals.
- **Positive Impact Data:** One analysis of 97 CRP deals showed poverty declined in 68 cases, prompting calls for better data review before limiting the program.
- **At-Risk Carve-Outs:** Stakeholders noted that existing affordable housing can skew poverty data, making some tracts look poorer than they are. They urged exemptions for at-risk developments.
- **Feasibility Risks:** Developers stressed CRP areas are often more cost-effective and politically viable. New limits could push projects into pricier, less feasible areas.

Outcome: Staff acknowledged stakeholder concerns and agreed to reevaluate the 30% poverty cap and consider whether CRP scoring rules need further refinement, not just numerical limits. They also invited written data and case studies to help shape the next draft.

Sponsor Characteristics Scoring Overhaul

Proposal: Staff recommended restructuring the 2-point "Sponsor Characteristics" scoring item as follows -

- Retain the nonprofit ownership path (to comply with the federal nonprofit set-aside requirement).
- Revise HUB scoring:
 - Require HUB to be a distinct legal entity (not a subsidiary or internal affiliate).
 - Limit HUBs to five or fewer prior awards to emphasize emerging participants.
- Add two new options (still only 2 points max):
 - Developments that pay full property taxes.
 - Applications sponsored by local housing authorities or housing finance corporations (operating within their own jurisdiction).

Stakeholder Feedback:

- **Strong objections to the 5-deal HUB cap:** Stakeholders across the board pushed back on the proposed limit. Developers, HUB owners, and advocates noted that five deals often do not equate to real capacity—many deals take years to reach completion, and some never do. Women- and minority-owned HUBs in particular described how the HUB point has opened doors to ownership, entrepreneurship, and long-term careers. Arbitrarily capping participation risks shutting out the very groups the program was intended to uplift.
- **Tensions around property tax incentives:** Developers strongly opposed any move that would penalize or deprioritize projects with property tax exemptions. Many noted that exemptions are often critical for feasibility, especially for deeply affordable units or high-cost areas. Some board members expressed concern about school districts losing revenue and suggested requiring notice, consent, or PILOT agreements.

Outcome: The board acknowledged the deep concerns and encouraged staff to refine the proposal. Staff will revisit the HUB cap and explore scoring formats that incentivize tax contributions without undermining equity and inclusion goals.



Tiebreaker Revisions – Amenities and Poverty-Based Prioritization

Proposal:

1. Replacing public parks with another amenity, or expanding the list of amenities and continuing to score based on the three closest.
2. Adding a preliminary tiebreaker that prioritizes applications located in census tracts with poverty rates below 20%—before applying the amenity-distance calculation.

Stakeholder Feedback:

- **Amenity revisions:** General support for expanding the list to 5–6 amenities (scored on 3), with suggestions including licensed healthcare facilities, public transit stops, and middle/high schools. Broad support for keeping parks, but with clearer definitions.
- **Strong opposition to poverty-based first tiebreaker:** Multiple speakers warned that using census tract poverty rates as a first tiebreaker would undermine preservation efforts and disfavor at-risk developments—especially in urban areas. Preservation deals often lie in high-poverty but high-need areas, and applying a 20% poverty cap would skew awards toward suburban tracts, potentially worsening displacement.

Outcome: Avoid using poverty rate as a hard first tiebreaker—too likely to exclude critical urban and preservation projects. Staff will draft language that reflects a "3 of 5" model. Add middle and high schools to supplement elementary schools. Healthcare and transit are desirable but need firm definitions to avoid confusion.

Quantity of Low-Income Units Scoring – Proposed Suspension for 2026

Proposal: Staff recommends **pausing or eliminating** this scoring item for 2026 due to current financial challenges. The scoring pressure to provide more units is clashing with worsening deal economics, potentially delaying or derailing development timelines.

Stakeholder Feedback:

- **Unanimous support for suspension:** There was broad consensus that “winning on paper” is meaningless if deals can’t ultimately close.
- **Developers shared alarming deal fragility:** Plunging equity prices (from \$0.86 to ~\$0.73) are wiping out millions in funding. Soft funds are drying up mid-process. Several shared examples of having to reduce unit counts or defer fees to survive.
- **Link to Property Tax Exemption Surge:** Deputy Executive Director Homero Cabello noted that the Quantity of Units scoring item is indirectly driving more applicants toward property tax exemptions, especially through housing authority partnerships. To fill the equity gap created by this scoring item, developers are turning to exemptions to reduce operating costs.

Outcome: Strong board and staff consensus to suspend the item for 2026. Pausing the item will reduce feasibility risks and decrease unintended reliance on tax-exempt financing.



Minimum Age Requirement for 9% & 4% Resyndication

Proposal: Introduce a 20- or 25-year minimum age threshold for developments to reapply for 9% credits, with waiver options.

Stakeholder Feedback:

- **General support for a 20-year threshold**, especially if waivers are available for urgent rehab needs.
- **Preservation voices flagged concerns:** Year-15 is typically when public entities take full ownership and discover major deferred maintenance. Needs aren't always age-based – weather, tenant base, and location affect property conditions.
- **Request to exclude 4% applications:** Broad agreement that any such policy should only apply to the oversubscribed 9% program, not the underused 4% bond program.

Outcome: Tentative consensus to move forward with a 20-year minimum age, waivers allowed, and restriction limited to 9% deals.

Cash-Out Refinancing in Related-Party Resyndications

Proposal: Limit or restrict cash-out refinancing in related-party 9% rehabs, potentially by requiring cash-outs to be structured as seller notes payable only from project cash flow.

Stakeholder Feedback:

- **Broad Agreement on Abuse Prevention:** Nearly all commenters and board members supported limiting excessive cash-outs, especially when using public subsidies.
- **Developers Request Flexibility:** Stakeholders noted that many deals involve multiple limited partners, and not all want to remain in the deal long-term. If those partners are barred from exiting, they might force a third-party sale, putting affordability at risk. They supported some limits, but cautioned against a total prohibition.
- **Preservation developers and advocates stressed:** Large cash-outs reduce available credits for others and distort competition. Some suggested restrictions should apply at application stage, not cost certification, to avoid inflated budget requests.

Outcome: Staff will research other state models (e.g., Ohio, Illinois) and return with a structured proposal. Expect future discussion of appropriate caps, seller note structures, and timing of limits (e.g., at application vs. cost cert).