



## TEXAS AFFILIATION OF AFFORDABLE HOUSING PROVIDERS

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October 10, 2025

Multifamily Finance Division  
Texas Department of Housing and Community Affairs  
Attn: Cody Campbell, Director of Multifamily Programs  
221 East 11th Street  
Austin, Texas 78701

Re: 2026 Draft Qualified Allocation Plan

Dear Mr. Campbell:

Thank you for the opportunity to provide public comment on the 2026 Draft Qualified Allocation Plan ("QAP"). The Department's collaboration with the development community in crafting impactful, functional policy ensures that Texans receive the greatest benefit these programs offer. Below are a few modifications that we believe best represent the mutual aims of the TDHCA and development community.

#### [§11.101 \(b\)\(1\)\(A\)\(viii-xi\) Ineligible Developments](#)

##### **(ix) Per-Unit Cost Cap**

TAAHP supports maintaining the \$500,000 per unit cap as a safeguard against excessive costs and recommends clarifying that projects with extraordinary and well-documented cost drivers, such as historic rehabilitation, infrastructure improvements, or urban infill, may be considered through the existing waiver process. This approach maintains accountability while allowing reasonable flexibility for developments with legitimate cost factors.

##### **(x) Minimum Score**

TAAHP recommends lowering the minimum eligibility score from 150 to 120 points. This figure represents roughly 75% of the average point threshold for awarded deals over the last 2 years and helps developments in hard-to-build areas achieve financial feasibility.

#### [§11.9 \(d\)\(7\)\(C\) Opportunity Zone Points](#)

The addition of Opportunity Zones under this subsection aligns with both federal and state community reinvestment initiatives. TAAHP recommends no further changes.

## §11.302(e)(1)(A)(iii) & §11.302(d)(4)(D): “Cash-Out” on Identity of Interest Transactions

TAAHP recommends the following refinements.

- Define what is *not* cash-out
- Seller-note expectations
- Clarification on the Appraised Value
- Higher starting debt coverage ratio (1.5 DSCR in year one)

### **TAAHP Recommendation**

#### §11.302(e)(1)(A)(iii)

(iii) TDHCA prohibits cash-out to a related-party seller in an identity of interest transaction for Competitive Housing Tax Credit Applications (This section does not apply to Existing Developments funded by USDA). For purposes of this paragraph, cash-out is defined as the as-is restricted appraised value (**determined by an independent 3<sup>rd</sup> party appraisal**) minus the payoff of any third-party debt unrelated, **documented notes or capital advances from a related party including accrued interest at market rate to the seller and minus the principal balance of any seller note to remain in place post-acquisition**. Holding costs and operating expenses, such as broker fees, property taxes, deferred maintenance, or deferred management fees, shall not be considered in calculating or justifying seller cash-out.

At application, amortization schedules and projected loan balances at closing for all existing unrelated third-party debt are required to substantiate the calculation of cash-out and to support Department underwriting. All seller notes in identity of interest transactions must comply with the following requirements:

- (I) The term sheet and note must be cash-flow contingent, with no required payments unless surplus cash is available;
- (II) The term sheet and note must have no debt coverage ratio (DCR) requirements for payment eligibility;
- (III) The term sheet and LPA must state that the seller note is paid after deferred developer fee.

#### §11.302(d)(4)(D)

(D) Acceptable Debt Coverage Ratio Range. Except as set forth in clauses (i) or (ii) of this subparagraph, the acceptable first year stabilized pro forma DCR must be between a minimum of 1.15 and a maximum of 1.35 (**maximum of 1.50 for Housing Tax Credit Developments with seller notes required by §11.302(e)(1)(A)(iii), and for Housing Tax Credit Developments at cost certification**).

#### §11.302 (e)(6) & §11.302 (e)(10) General Contractor Fee & Soft Cost

TAAHP understands and supports the initiative to categorize and appropriately size fees paid to partner entities. However, the proposed 2026 language re general contractor fees and soft costs runs counter to this objective, resulting in increased funding gaps. We welcome the opportunity to work with the department in crafting meaningful and functional language to this subsection for 2027. We strongly recommend removal of this language for 2026 as it does not serve its intended purpose.

We hope the above recommendations meet with your approval. Thank you for your partnership in serving Texans and your responsiveness to the realities of a changing development world. Please contact Karsten Lowe or Emily Abeln of the TAAHP QAP Committee for any follow-up discussion.

Sincerely,



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