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February 4, 2026

The Honorable Paul Bettencourt
Chairman
Committee on Local Government
Texas Senate
Sam Houston Building, 475
Austin, Texas 78701

Subject: Request for Interim Study on Leveraging the One Big Beautiful Bill Act (H.R.1) to Increase Housing Supply in Texas

Dear Chairman Bettencourt,

I am writing on behalf of the Texas Affiliation of Affordable Housing Providers (TAAHP) to request the Senate Committee on Local Government study and make recommendations related to affordable housing during the current interim. TAAHP, with over 800 housing industry professionals, is the leading voice for affordable housing in Texas.

As part of that request, we respectfully propose the following interim charge language for the Committee's consideration:

Maximizing the One Big Beautiful Bill Act (H.R. 1) Housing Credit Expansion to Increase Housing Supply in Texas

Review how current state policy and the Texas Department of Housing and Community Affairs (TDHCA) rules governing the 9% Housing Credit program affect Texas' ability to fully leverage the expanded federal Housing Credit investment enacted under the One Big Beautiful Bill Act (H.R. 1). Evaluate whether current program design allows that expanded investment to produce the maximum feasible number of affordable housing units statewide.

The One Big Beautiful Bill Act (H.R. 1), signed into law on July 4, 2025, permanently increased the per-capita 9% Housing Credit amount by 12 percent beginning in calendar year 2026. For Texas, this raises the per-capita credit from \$3.00 in 2025 to \$3.42 in 2026. When applied to Texas' growing population, this change results in a significant increase in the state's population-based 9% Housing Credit authority—raising annual allocation authority from roughly \$94 million to approximately \$107 million¹ before accounting for carryover or returned credits.

With this expanded federal investment now in place, the question before the Legislature is whether Texas policy is set up to produce as many affordable housing units as this investment can support.

¹ TDHCA estimates annual 9% Housing Credit authority by multiplying the most recent 2025 IRS Texas population figure available 31,290,831 by the per capita amount. Because the IRS typically releases updated population counts in April, TDHCA initial estimate relies on the prior year's population. 2025: pop × \$3.00 = \$94M. 2026 draft: pop × \$3.416 = \$107M, likely closer to \$108M once the updated IRS population is released.

That same question is actively being examined at the federal level, where agencies are monitoring implementation of the One Big Beautiful Bill. At President Trump's cabinet meeting on January 29, HUD Secretary Scott Turner highlighted the role of the One Big Beautiful Bill in expanding housing production. Secretary Turner noted that "the One Big Beautiful Bill has been tremendous, making the Low-Income Housing Tax Credit increase," and emphasized HUD's work "with Secretary Bessent at Treasury to produce more projects and more homes in America." Given the scale of this federal investment and the continued federal focus on its implementation, it is important for Texas to ensure that state policy is structured to maximize housing production and fully leverage the expanded Housing Credit authority.

One of the primary levers shaping how effectively Texas turns expanded Housing Credit authority into actual housing production is the \$2 million per development Housing Credit cap. The cap was set in 2011 through Senate Bill 1 and codified in Texas Government Code Section 2306.6711(b)², when construction costs were far lower and a capped award could still support significantly larger developments.³

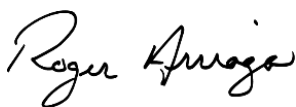
Today, the same statutory limit yields fewer units per award. In the 2025 9 percent Housing Credit award cycle, nearly half of awarded developments reached the \$2 million ceiling⁴, and roughly one third of all awards were urban new construction projects capped at that level, averaging about 87 Housing Credit units per property. Region 6 Urban, which includes the Houston metro area, reflects the same pattern. Nine of ten awards hit the \$2 million cap, and the remaining award came in about \$2,500 short of the cap and produced 64 Housing Credit units.

This is not just a statewide pattern; it is visible in your district's award results over the past decade. A 2015 development delivered 126 Housing Credit units, while a similar 2025 development produced 90 units, roughly a 30 percent reduction in Housing Credit units per development. That decline tracks with what national research on the Housing Tax Credit Program shows about scale: developments in the 100 to 200 unit range tend to spread fixed costs and deliver more units per credit dollar. When awards yield smaller developments below that range, Texas ends up producing fewer affordable units for the same level of public investment.

This interim charge would provide the Committee with a timely opportunity to examine whether current state policy structures remain aligned with today's cost environment and the expanded federal Housing Credit investment, and whether adjustments are needed to ensure Texas continues to maximize housing production at a moment when substantially more federal resources are available.

TAAHP would welcome the opportunity to visit with you or your committee staff, either in person or virtually, to provide additional context or answer any questions. Thank you for your consideration, and we look forward to working with you and the Committee on this important issue.

Sincerely,



Roger Arriaga, Executive Director

CC: Meghan Cano, President
Kathryn Saar, President-Elect, Government Affairs Chair

² While the statutory ceiling has stayed the same since 2011, the effective cap has not: TDHCA reduced it by rule to \$1.5 million in 2013, then restored it to \$2 million in 2022.

³ In 2011, a \$2 million dollar Housing Credit award supported a development in League City that produced 180 HTC units.

⁴ Some developments cannot request the full cap because the Regional Allocation Formula limits credit authority by subregion, and other awards fall below the cap due to preservation structure or lower credit needs.