



MEMO

TO: San Marcos City Council
FROM: Planning & Development Services Department
DATE: October 15, 2019
RE: San Marcos Low-Income Housing Tax Credit Properties and Policy

Background

The City of San Marcos adopted a Low Income Housing Tax Credit (LIHTC) Policy as part of the Workforce / Affordable Housing Policy in March, 2017 with amendments in June, 2018, and May, 2019. The LIHTC Policy includes criteria in order to determine whether a resolution of support will be recommended for consideration by the City Council.

Summary of Low-Income Housing Tax Credit Projects in San Marcos

Staff has included a summary of all low-income housing tax credit properties in San Marcos including basic information such as the total number of housing tax credit properties that already exist, the status of each property, the age of each development, basic metrics, and staff input on how the program is addressing the City's housing needs. This information was provided to the Committee to provide context and guidance on the requests for a resolution of support/no objection of LIHTC projects.

Proposed Amendments

The Committee began discussing potential amendments to the LIHTC Policy at their June 17, August 21, and September 9, 2019 Workforce Housing Committee meetings. At their September 9, 2019 meeting, the Committee provided direction to staff to amend the LIHTC Policy. Background information on these amendments is provided in the memo. The amendments are as follows:

1. Allow tax exemption requests when certain criteria are met;
2. Remove the criteria that requires 20% market rate units;
3. Require private transportation services for projects that do not meet the minimum distance required to a proposed or existing bus stop; and
4. Amend criteria #9 to add additional criteria for reviewing proposed amenities and support services to ensure balanced support services are provided.

Summary of Low-Income Housing Tax Credit Projects in San Marcos

Housing Tax Credit Program, A Refresher

The Housing Tax Credit (HTC) program is administered by Texas Department of Housing and Community Affairs (TDHCA). The program awards tax credits to eligible participants in order to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing. The HTC program is designed to provide a source of equity financing for the development of affordable housing while maximizing the number of affordable units added to the state's housing supply. When tax credits are awarded by TDHCA to a developer, the developer is able to sell the credits to an equity provider in exchange for capital needed to construct the project. This capital and the reduction in borrowed debt allows the development of high-quality construction that can be offered at a more affordable price point. Investors benefit from the reduced tax liability in exchange for their investment and communities benefit from quality developments that are required to operate as rent restricted housing for up to 30 years or more.

In contrast to Section 8 properties and other public housing authority properties, HTC rents are not based on a percentage of the tenant's actual income but are instead restricted to a maximum rent they are allowed to charge. Maximum rents are based on Department of Housing and Urban Development (HUD) median income limits that are published on an annual basis. While Section 8 properties may increase only as the occupying household's income increases, HTC rental rates may increase or decrease annually based on published limits. These limits account for household income level as well as the number of bedrooms in the unit. Tenants earning up to 60% of the area median family income for the area and for their household size and who meet the screening and eligibility restrictions of the property may qualify for the reduced rent units available through the HTC program. HUD has published the below income limits that have been updated for the 2019 fiscal year.

FY 2019 MTSP Income Limits										
FY 2019 MTSP Income Limit Area	Median Family Income	Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Austin-Round Rock, TX MSA	\$95,900	50 Percent Income Limits	\$33,150	\$37,850	\$42,600	\$47,300	\$51,100	\$54,900	\$58,700	\$62,450
		60 Percent Income Limits	\$39,780	\$45,420	\$51,120	\$56,760	\$61,320	\$65,880	\$70,440	\$74,940

HUD User, 2019 Multifamily Tax Subsidy Income Limits

In addition, TDHCA has developed the below tool to estimate applicable income and rent limits the Department expects to use when monitoring.

Income Limits

AMFI %	Number of Household Members							
	1	2	3	4	5	6	7	8
20	\$ 13,260	\$ 15,140	\$ 17,040	\$ 18,920	\$ 20,440	\$ 21,960	\$ 23,480	\$ 24,980
30	\$ 19,890	\$ 22,710	\$ 25,560	\$ 28,380	\$ 30,660	\$ 32,940	\$ 35,220	\$ 37,470
40	\$ 26,520	\$ 30,280	\$ 34,080	\$ 37,840	\$ 40,880	\$ 43,920	\$ 46,960	\$ 49,960
50	\$ 33,150	\$ 37,850	\$ 42,600	\$ 47,300	\$ 51,100	\$ 54,900	\$ 58,700	\$ 62,450
60	\$ 39,780	\$ 45,420	\$ 51,120	\$ 56,760	\$ 61,320	\$ 65,880	\$ 70,440	\$ 74,940
70	\$ 46,410	\$ 52,990	\$ 59,640	\$ 66,220	\$ 71,540	\$ 76,860	\$ 82,180	\$ 87,430
80	\$ 53,040	\$ 60,560	\$ 68,160	\$ 75,680	\$ 81,760	\$ 87,840	\$ 93,920	\$ 99,920
120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Rent Limits

AMFI %	Number of Bedrooms					
	0	1	2	3	4	5
20	\$331	\$355	\$426	\$492	\$511	\$605
30	\$497	\$532	\$639	\$738	\$823	\$908
40	\$663	\$710	\$852	\$984	\$1,098	\$1,211
50	\$828	\$887	\$1,065	\$1,230	\$1,372	\$1,514
60	\$994	\$1,065	\$1,278	\$1,476	\$1,647	\$1,817
65						
70	\$1,160	\$1,242	\$1,491	\$1,722	\$1,788	\$2,120
80	\$1,326	\$1,420	\$1,704	\$1,968	\$2,196	\$2,423

Texas Department of Housing and Community Affairs, Project Income and Rent Tool

The HTC application process is governed by Section 42 of the Internal Revenue Code, TDHCA rules, and TDHCA's annually updated and adopted Qualified Allocation Plan and Rules or "QAP". The QAP defines a series of point-based selection criteria to ensure the proposed housing is consistent with the program's and state's goals. The top scoring criteria for the competitive 9% low income housing tax credits are laid out in statute and local government resolutions are a significant scoring item. Similarly, applications received by TDHCA under the non-competitive 4% program must receive resolutions showing "no objection" to the proposed development to demonstrate alignment with local community goals and support.

Housing Tax Credit Properties in San Marcos, Where Are We?

To date, there are eleven TDHCA Board approved multifamily apartment projects in San Marcos. Ten of those eleven multifamily properties are actively renting units and one project (Mission Trails at El Camino) is currently under construction. In addition, there are two proposed multifamily complexes that have received a resolution of support or no objection from the City but have not yet been approved by TDHCA and there are two projects that have requested a resolution of no objection from the City and are still under review. A map of these projects and their status can be viewed in Exhibit A-San Marcos Housing Tax Credit Properties. A table of these project with total unit counts is shown below.

Completed or Under Construction			
	Income Restricted Units	Market Rate Units	Total Units
Asbury Place	64	0	64
Champions Crossing	156	0	156
Country Oaks	160	0	160
Encino Pointe	252	0	252
La Vista Retirement Community	150	50	200
Mariposa Apartments	182	0	182
Sienna Pointe	228	0	228
Stone Brook Seniors	206	0	206
Sunrise Village (Phase 2 Only)	60	0	60
Villas at Willow Spring	135	85	220
Mission Trails at El Camino	283	69	352
Total	1,876	204	2,080
Resolution Approved-Under TDHCA Review			
Riverstone	336	0	336
Villas Del San Xavier	156	0	156
Redwood	298	38	336
The Reserve at San Marcos (Cottonwood Creek)	304	76	380
Total	1,094	114	1,208
Resolution Application Under Review			
The Lantana on Bastrop	216	0	216
Total	216	0	216
Grand Total	3,186	318	3,504

Texas Department of Housing and Community Affairs and City of San Marcos, Total Income Restricted and Market Rate Units

To date, a total of 1,593 income restricted units have been constructed through the HTC program. Upon the completion of the Mission Trails at El Camino complex, an additional 283 income restricted units will be added by the program. The five pending projects under review by the City and TDHCA (Riverstone, Redwood, The Reserve, and Villas Del San Xavier, and Lantana on Bastrop) propose to add an additional 1,310 income restricted units for a total of 2,970 units restricted to households making 60% of area median income (AMI) or less.

The majority of the City's apartments utilizing housing tax credits entered the program in the mid 90's through early 2000's and have a 30-year affordability period. Sienna Pointe is the newest housing tax credit project in San Marcos and is not scheduled to reach the end of its affordability period until 2044. Country Oaks is the oldest housing tax credit project in San Marcos and is scheduled to complete its period of affordability in 2025. A full list containing each property's period of affordability is provided below.

Housing Tax Credit Projects Affordability Period			
	End of Affordability Period	Years from Now	Total Affordability Period
Country Oaks	12/31/2025	6	30
Sunrise Village (Phase 2)	12/31/2028	9	30
Champions Crossing	12/31/2031	12	30
Stone Brook Seniors	12/31/2031	12	30
Mariposa Apartments	12/31/2036	17	30
La Vista Retirement Community	12/31/2039	20	40
Asbury Place	12/31/2040	21	40
Encino Pointe	12/31/2040	21	30
Villas at Willow Spring	12/31/2042	23	40
Sienna Pointe	12/31/2044	25	30

Texas Department of Housing and Community Affairs and City of San Marcos, Period of Affordability

In general, HTC projects are primarily located on the south side of the city. Newly approved and currently under review complexes specifically, are located in the southeast portion of the city in the vicinity of Wonder World Drive and Highway 123 south to Old Bastrop Road and Highway 123. For the locations of these properties please see Exhibit A-San Marcos Housing Tax Credit Properties.

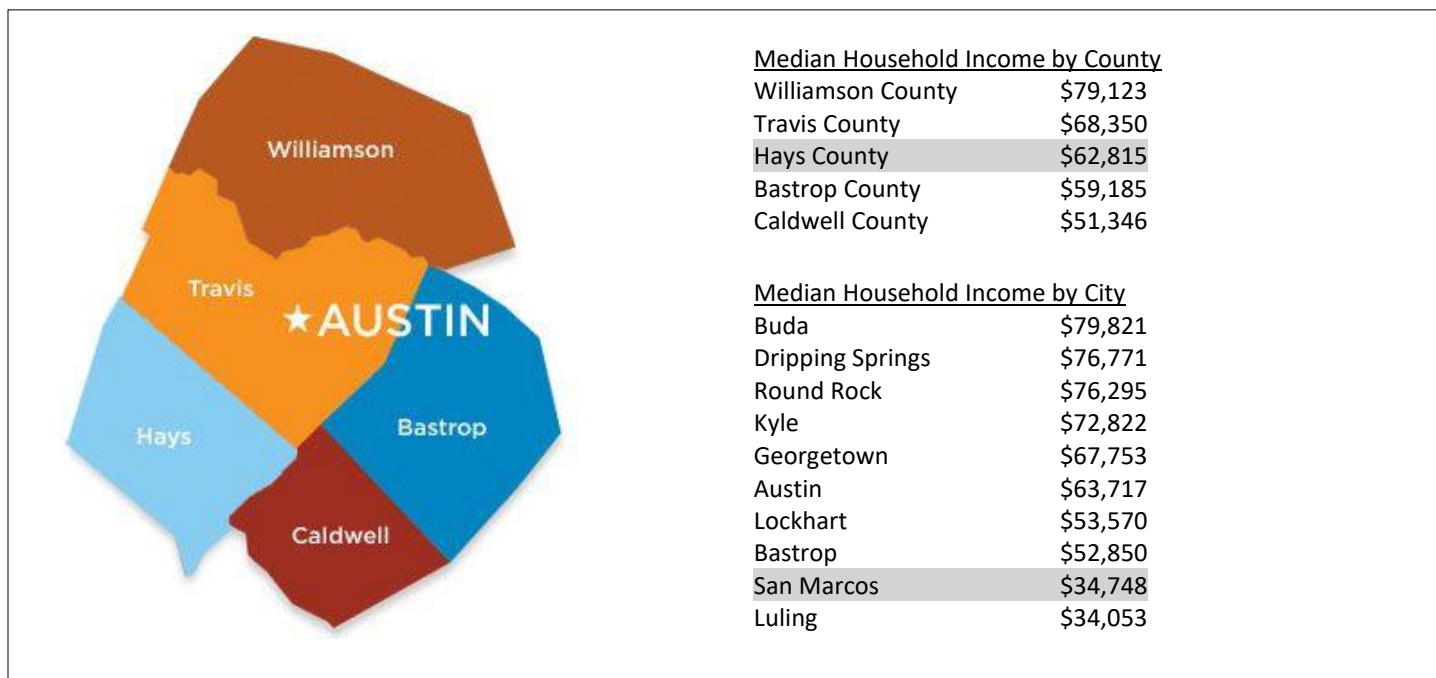
Meeting San Marcos Housing Needs

In an effort to better understand and address housing challenges in San Marcos the City commissioned Root Policy Research to conduct a thorough housing needs assessment in 2018-2019. The primary findings from the assessment indicate the need for: 1) additional affordable rentals for residents earning less than \$25,000, 2) displacement prevention, 3) family homes priced near or below \$200,000 and increased ownership product diversity, and 4) improved condition and accessibility of existing housing stock.

The LIHTC program is a key policy tool for preserving and expanding the supply of affordable rental housing. Between 1987 and 2015 the program has placed 45,905 properties and 2.97 million housing units into service (HUD 2017). The program is the longest running national affordable rental housing program producing new units and by many accounts, it has been quite successful as a housing production tool, particularly when compared with other federal rental housing production programs. Despite these successes, the program has limitations, particularly in addressing the City's lowest income residents, and shouldn't be viewed as a "silver bullet" in addressing the City's housing needs. Some shortcomings of the program in addressing the primary findings from the housing needs assessment are outlined below for consideration.

HUD Designated Income Limits are not Representative of San Marcos Incomes

The income and rent limits utilized by the HTC program are informed by area median income (AMI). AMI is defined annually based on HUD market studies and is used as a measure of how a family's income compares with the median income of all families in a geographic area. It is commonly used by HUD to determine eligibility for housing programs to ensure that programs are properly targeted to those who need them. San Marcos is part of the Austin Metropolitan Statistical Area (MSA) and shares AMI designation with the broader metro area. In comparing local household incomes to other cities within the Austin MSA it's apparent that the median income for San Marcos residents is significantly lower than incomes throughout the rest of the metro area. As AMI is calculated for the entire MSA, the income limits determined by the AMI are not necessarily reflective of the local San Marcos market.



Austin-Round Rock Metropolitan Statistical Area, Media Household Income by County and City

TDHCA Income Limits for LIHTC Program			San Marcos Median Household Income	
Household Size	50% AMI	60% AMI	Household Type	Median Income
Household of 1	\$34,550	\$41,460	All households	\$34,478
Household of 2	\$39,500	\$47,400	Family households	\$49,551
Household of 3	\$44,450	\$53,340	Non-family households	\$25,367
Household of 4	\$49,350	\$59,220		

*Texas Department of Housing and Community Affairs, Project & Income Rent Tool
Root Policy Research, San Marcos Housing Needs Assessment (based off 2017 ACS 5-year estimate)*

LIHTC Units Are Typically Only Restricted to 60% AMI

Approximately 85% of existing and proposed HTC units in San Marcos are only required to be restricted to those making 60% or less of the AMI. Based on the current AMI of \$95,900 and TDHCA’s estimated rent restrictions, this means that the vast majority of typical HTC units in San Marcos are only required to limit rents to between ~\$990-\$1,640 (depending on number of bedrooms, see TDHCA estimated rent restrictions table on page 3 of the memo).

Name	Units Restricted >30% AMI	Units Restricted 31-50% AMI	Units Restricted 51-60% AMI	Units Restricted 61%-80% AMI	Market Rate Units	Total Units
Asbury Place	0	20	44	0	0	64
Champions Crossing	0	0	156	0	0	156
Country Oaks	0	0	160	0	0	160
Encino Pointe	14	0	238	0	0	252
La Vista Retirement Community	0	45	105	0	50	200
Mariposa Apartment Homes	0	0	182	0	0	182
Sienna Pointe	12	0	216	0	0	228
Stone Brook Seniors	0	0	206	0	0	206
Sunrise Village 2	0	24	36	0	0	60
Villas at Willow Spring	0	41	94	0	85	220
Mission Trails at El Camino	0	0	283	0	69	352
Riverstone	0	0	336	0	0	336
Villas Del San Xavier	0	0	156	0	0	156
Redwood	0	38	260	0	38	336
The Reserve (Cottonwood Creek)	0	0	304	0	76	376
Total	26	168	2,776	0	318	3,288

Texas Department of Housing and Community Affairs and City of San Marcos, Number of Units by Income Restriction

Based off data included in the San Marcos Housing Needs Assessment, the 2017 median rent in San Marcos was \$898 for a 1-bedroom apartment and \$1,423 for a 4-bedroom apartment. As the majority of LIHTC units are only required to restrict rents to 60% AMI, the program has the potential to produce units priced higher than the City's median rent.

Rental Size	TDHCA Estimated Rent Limits at 60% AMI	San Marcos 2017 Median Rent
Efficiency	\$994	\$845
1 bedroom	\$1,065	\$898
2 bedrooms	\$1,278	\$973
3 bedrooms	\$1,476	\$1,297
4 bedrooms	\$1,647	\$1,423

*Texas Department of Housing and Community Affairs, Project & Income Rent Tool
Root Policy Research, San Marcos Housing Needs Assessment*

LIHTC Units Are Generally for Small, Able-Bodied Households

According to the San Marcos Housing Needs Assessment, families with children and large households may have a particularly difficult time finding affordable units as only 7% of non-student apartments in the City have three plus bedrooms and the median rent for these bedrooms ranges from ~\$1,300-\$1,450. Rent limit estimates available from TDHCA indicate that the rent for new, income restricted units of this size may be even higher (see income and rent limit estimates tool).

Unrestricted Units						
Name	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Total Units
Asbury Place	0	0	24	40	0	64
Champions Crossing	0	0	60	72	24	156
Country Oaks	0	48	80	32	0	160
Encino Pointe	0	12	132	96	12	252
Sienna Pointe	0	24	108	83	13	228
Villas at Willow Spring	0	0	132	88	0	220
Mission Trails at El Camino	0	110	107	100	33	350
Riverstone	0	36	144	132	24	336
Redwood	0	36	144	132	24	336
The Reserve (Cottonwood Creek)	0	124	180	56	20	380
Total	0	390	1,113	831	150	2,484
Age Restricted Units						
La Vista Retirement Community	0	100	100	0	0	200
Mariposa Apartment Homes	0	113	69	0	0	182
Stone Brook Seniors	0	60	146	0	0	206
Sunrise Village 2	0	60	0	0	0	60
Villas Del San Xavier	0	96	60	0	0	156
Total	0	429	375	0	0	804
Total (All Units)	0	819	1,488	831	150	3,288

Texas Department of Housing and Community Affairs, Unit Mix by Bedroom Count

Approximately 4.5% of existing and proposed units constructed under the HTC program have four bedrooms. Nearly half of the units constructed through this program are (or are proposed to be) two-bedroom units.

The San Marcos Housing Needs Assessment also points out that in addition to general affordability challenges, there are specific population groups that have unique housing and/or supportive needs. According to the 2011-2015 HUD CHAS (Comprehensive Housing Affordability Strategy) referenced in the report, there were 4,815 households containing at least one household member with a disability. The report also found that two in five San Marcos residents with disabilities and in-home accessibility needs live in housing that does not meet their needs. By statute, 2% of all HTC units in a project are required to be set aside for the vision and hearing impaired and 5% are required to be set aside for the mobility impaired.

Name	Accessible Units	Percentage of Total Units
Asbury Place	11	17%
Champions Crossing	13	8%
Country Oaks	8	5%
Encino Pointe	19	13%
La Vista Retirement Community	32	16%
Mariposa Apartment Homes	14	8%
Sienna Pointe	17	7%
Stone Brook Seniors	12	6%
Sunrise Village 2	6	10%
Name	Accessible Units	

		Percentage of Total Units
Villas at Willow Spring	22	10%
Mission Trails at El Camino	25	7%
Riverstone	20	6%
Villas Del San Xavier	9	6%
Redwood	20	6%
The Reserve (Cottonwood Creek)	28	7%
Total	256	8%

Texas Department of Housing and Community Affairs, Accessible Units

LIHTC Units Don't Address the Rental Gap

As part of the Housing Needs Assessment a gap analysis was performed that compares the supply of housing at various price points to the number of households who can afford such housing. In instances where there are more housing units than households, the market is “oversupplying” housing at that price range. Conversely, if there are too few units, the market is “undersupplying” housing. The analysis showed a rental gap of 5,950 units for renters making less than \$25,000 and an oversupply of units for renters with incomes greater than \$25,000. The vast majority of units constructed via the HTC program do not have income limits that address this gap.

Gaps in Rental Market, City of San Marcos, 2017

Renter Incomes	Maximum Rent + Utilities per Month	Renter Households		Rental Units		Gap
		Number	Percent	Number	Percent	
Less than \$5,000	\$125	2,045	13%	49	0%	(1,996)
\$5,000-\$9,999	\$250	1,187	7%	68	0%	(1,119)
\$10,000-\$14,999	\$375	1,496	9%	212	1%	(1,285)
\$15,000-\$19,999	\$500	1,264	8%	297	2%	(968)
\$20,000-\$24,999	\$625	1,498	9%	916	6%	(583)
\$25,000-\$34,999	\$875	2,445	15%	4,163	26%	1,718
\$35,000-\$49,999	\$1,250	2,555	16%	6,354	40%	3,799
\$50,000-\$74,999	\$1,875	2,013	12%	2,660	17%	647
\$75,000-\$99,999	\$2,500	944	6%	1,123	7%	179
\$100,000+	\$2,500+	809	5%	44	0%	(765)
Total/Low Income Gap		16,256	100%	15,884	100%	(5,950)

Source: 2017 5-year ACS and Root Policy Research.

Overview of Proposed Amendments to Workforce Housing / Affordable Housing Policy

Amendment 1: Provide criteria for tax exemption requests for Low Income Housing Tax Credit (LIHTC) projects

Background

With the adoption of a Low Income Housing Tax Credit (LIHTC) Policy in 2017, criteria #1 of the Policy states that “no exemption from local taxes is provided”. Prior to the LIHTC Policy, proposed LIHTC projects could request local tax exemptions by partnering with a non-profit who is eligible for an exemption under Texas Tax Code.

Currently, applications must meet at least 6 of the 9 criteria below, including criteria #1, in order to receive a staff recommendation for a resolution of support. Staff received a LIHTC application (Redwood) requesting a tax exemption from local taxes in August. The Committee has discussed leveraging future requests for tax exemptions in order to help meet the needs of the community and provide future benefits for our most vulnerable populations. The Committee recommends revising criteria #1 to add additional requirements:

Recommendation: Staff / Committee recommends revising criteria #1.

1. No exemption from local taxes ~~is provided~~ may be considered unless the project meets the criteria listed below. The purpose of this criteria is to help increase the City’s inventory of affordable units and ensure that units benefiting from the program are reserved for low income households that need them.
 - a. A minimum of 10% of all units within the project shall be affordable to households at or below 30% of the AMI for the duration of the tax exemption.
 - b. A minimum of 10% of the units affordable to households at or below 30% of the AMI shall be ADA accessible.
 - c. A minimum of 35% of the units within a project that is not age-restricted shall include a minimum of three bedrooms in each unit.
 - d. The project shall include these criteria in the Texas Department of Housing and Community Affairs Land Use Restriction Agreement (LURA).
 - e. When considering a recommendation of support, preference should be given to projects that utilize a local entity for such tax exemptions.

Analysis:

Proposed Criteria	Analysis
a. <i>A minimum of 10% of all units within the project shall be affordable to households at or below 30% of the AMI for the duration of the tax exemption.</i>	One of the key findings from the Housing Needs Assessment as part of the Strategic Housing Action Plan states that “we need additional affordable rentals for residents earning less than \$25,000.” Approximately 38% of households in San Marcos earn 30% of AMI or less (< \$25,800). LIHTC projects are a tool to provide housing for our most vulnerable populations, and if local tax exemptions are requested, staff

	recommends requiring a minimum of 10% of all units be affordable to households at or below 30% of the AMI for the duration of the tax exemption.
<i>b. A minimum of 10% of the units affordable to households at or below 30% of the AMI shall be ADA accessible.</i>	One of the key findings from the Housing Needs Assessment as part of the Strategic Housing Action Plan states that “we need to improve the condition and accessibility of existing housing stock.” As part of the Housing Needs Assessment, two in five San Marcos residents with disabilities and in-home accessibility needs (43%) live in housing that does not meet their accessibility needs (ramps, grab bars, wider doorways). Currently, LIHTC projects are required to set-aside 2% of all units for the hearing impaired and 5% of all units for the mobility impaired. Staff recommends requiring that a minimum of 10% of all units affordable to households at or below 30% of the AMI shall be ADA accessible. This does not increase the total number of ADA units, however, it is ensuring that a percentage of ADA units be provided in the most affordable units.
<i>c. A minimum of 35% of the units within a Project that is not age-restricted shall include a minimum of three bedrooms in each unit.</i>	As part of the SMTX 4 All Housing Initiative, a strong theme that was identified is that it is difficult for families to find affordable rentals. The Housing Needs Assessment indicated that only 7% of non-student apartments have three or more bedrooms. Median rent for those units is \$1,300 to \$1,450. Currently, 33.4% of all un-restricted (un-restricted projects are not age restricted such as a senior development) units are providing three-bedrooms. There is an identified need for additional units for families in San Marcos, therefore staff recommends that LIHTC projects provide a minimum of 35% of all units with a minimum of three-bedrooms in each unit.
<i>d. The project shall include these criteria in the Texas Department of Housing and Community Affairs Land Use Restriction Agreement (LURA).</i>	A Land Use Restriction Agreement (LURA) is an agreement between the TDHCA and the development owner which is a binding covenant upon the development owner and successors in interest, that, when recorded, encumbers the development with respect to the requirements of the programs for which it receives funds. The LURA is enforced by TDHCA.
<i>e. When considering a recommendation of support, preference should be given to projects that utilize a local entity for such tax exemptions.</i>	LIHTC projects can partner with non-profits which then qualify the project to receive local tax credits. While there are many partners in the central Texas area, staff recommends adding language to show preference to local partners for tax exemptions, such as the Housing Authority or other local non-profits, if available. Utilizing local entities can ensure that revenues remain in the community.

Amendment 2: Remove criteria #8 that requires 20% market rate units

Background

Criteria #8 of the HTC resolution application requires that the project be “mixed income and provide at least 20% market rate units.” Staff and the Committee recommend that this condition be removed because it is in conflict with the affordability needs of our community and is challenging for LIHTC developers to meet. In addition, the concept of “mixed income” may more appropriately be achieved at a neighborhood or area scale, rather than at a single parcel scale.

While the definition of mixed-income housing is broad and encompasses many different types of dwellings and neighborhoods, generally speaking, a mixed-income housing development is one that includes a diverse product mix for people with a range of income levels. A mixed-income housing development can more appropriately be achieved on a neighborhood or area scale with consideration to the many uses and building types of a neighborhood which offer housing at various price points and serve varying needs.

LIHTC developers have most recently not been inclined to provide market rate housing within their project. LIHTC projects often contain 100% affordable units even though investors are allowed to develop mixed-income housing (which would mean offering some affordable units through LIHTC investments while offering the rest at market rate rents). The primary reason for this is because tax credits can only be used for affordable units thus creating an incentive for 100% affordable developments that maximize the amount of equity raised for the projects.

Another consideration is whether market rate units in LIHTC projects serve the needs of San Marcos residents. Based off data included in the San Marcos Housing Needs Assessment, the 2017 median rent in San Marcos was \$898 for a one bedroom apartment and \$1,423 for a four bedroom apartment. As the majority of LIHTC units are only required to restrict rents to 60% AMI, the program already has the potential to produce units priced higher than the City’s median rent.

The Consolidated Appropriations Act of 2018 provides a structure to serve income ranges below 60% more easily. The Act created a new minimum set aside option commonly referred to as “income averaging”. This option allows applicants to qualify for tax credits on units serving those earning as much as 80% of AMI, so long as the **average** income and rent limit in the property is 60% or less of AMI. Applicants electing the income averaging option must commit to having at least 40% of the units in the property affordable to eligible households. Under the averaging option, the higher rents that households with incomes in the above 60% of AMI range could theoretically offset the lower rents for extremely low and very low-income households thereby allowing the developments to maintain financial feasibility while providing a deeper level of affordability than may have been possible otherwise.

Recommendation: Removing the requirement for 20% market rate units provides developers flexibility to meet the current needs of our community by providing additional affordable units that are below market-rate. Staff / Committee recommends removing criteria #8.

~~8. The project is mixed income and provides at least 20% market rate units.~~

Amendment 3: Amend criteria #6 to require a private shuttle service if a project does not meet the minimum distance required to a proposed or existing bus stop.

Background

Criteria #6 of the LIHTC Policy states that a project must be located within one quarter (.25) mile walking distance of a proposed or existing bus stop on a current or planned transit route. The Workforce Housing Committee recommends that if a project does not meet this requirement, the requirement can alternatively be met if the development provides a private shuttle service.

The Texas Department of Housing and Community Affairs includes language for optional transportation supportive services:

- Shuttle, at least three days a week, to a grocery store and pharmacy and/or a major, big-box retailer that includes a grocery store and pharmacy, OR a daily shuttle, during the school year, to and from nearby schools not served by a school bus system for children who live at the Development
- Monthly transportation to community/social events such as mall trips, community theatre, bowling, organized tours, etc.

The City of San Marcos is in the process of developing a five-year transit plan. The plan will detail the actions required to coordinate San Marcos Transit and Texas State University Bobcat Shuttle into one transit system that better serves the entire community. Stakeholder and community meetings will be held throughout the development of the strategic plan to get public input. This transit plan may provide additional guidance on how LIHTC projects relate to transit routes in the future.

Recommendation: Staff / Committee recommends amending criteria #6.

6. The project is located within one quarter (.25) mile walking distance of a proposed or existing bus stop on a current or planned transit route. If the project is not located within one quarter (.25) mile walking distance of a proposed or existing bus stop on a current or planned transit route, a private shuttle service for residents is provided in accordance with TDHCA requirements.

Amendment 4: Amend criteria #9 to add additional criteria for reviewing proposed amenities and support services.

Background

TDHCA requires that projects seeking low income housing tax credits must provide an array of amenities to their project. The 2019 Qualified Allocation Plan provides five general categories of Development Requirements and Restrictions related to amenities. The project receives a certain amount of points towards their application for each amenity/service provided.

- **Development Amenities (Mandatory)** (laundry connections, blinds, energy rated appliances, etc.)
- **Common Amenities (Optional)** (community space, learning center, health / fitness, community resources)
- **Unit Requirements (Mandatory)** (internal design of units and some site design requirements)
- **Resident Support Services (Optional)** (transportation, child / adult services, health)
- **Accessibility (Mandatory)** (internal and throughout development)

The Common Amenities and Resident Support Services categories provide a list of various amenities that the Workforce Housing Committee would like to see incorporated in LIHTC projects. The Workforce Housing Committee recommended added criteria to evaluate amenities and support services proposed in the LIHTC projects as well as adding surety of their installment.

Recommendation: Staff / Committee recommends amending criteria #9.

9. The project incorporates wraparound support services that provide flexible voluntary social, economic, or education benefits to the residents. Proposed support services should:
 1. Meet the needs of the local community;
 2. Utilize local support services and resources;
 3. Exceed the minimum TDHCA requirements for amenities; and
 4. Submit to the City the Project's TDHCA Application for Low Income Housing Tax Credits and includes the list of amenities in the Project's Land Use Restriction Agreement (LURA).

Analysis

Proposed Criteria	Analysis
1. Meet the needs of the local community;	This criteria allows the City Council to consider the unique needs of a particular project with regards to location, access to services, population, or partnerships.
2. Utilize local support services and resources;	This criteria can encourage LIHTC projects to partner with local services and groups such as the San Marcos Consolidated School District, employers, non-profits, and other entities that are providing resources to the project.

<p>3. Exceed the minimum TDHCA requirements for amenities;</p>	<p>Consideration should be given to projects that exceed the minimum TDHCA amenity/support service requirements.</p>
<p>4. Submit to the City the Project's TDHCA Application for Low Income Housing Tax Credits and includes the list of amenities in the Project's Land Use Restriction Agreement (LURA).</p>	<p>Staff will require that applications for a LIHTC provide their TDHCA application and Land Use Restriction Agreement (LURA) indicating what amenities and support services they are proposing to provide. A LURA is an agreement between the TDHCA and the development owner which is a binding covenant upon the development owner and successors in interest, that, when recorded, encumbers the development with respect to the requirements of the programs for which it receives funds. The LURA is enforced by TDHCA.</p>