



HOUSING TAX CREDIT POLICY

November 18, 2025

ID 25-1392

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Director of Community Services

A vibrant mural on a wall depicting a blue parrot with its wings spread, surrounded by large yellow and pink flowers. The mural is set against a background of green foliage. A diagonal band of blue, white, and red stripes runs across the right side of the image, partially obscuring the mural.

COMMUNITY SERVICES

Agenda

- Housing Affordability in Denton
- Housing Tax Credits
- Rent in Denton over Time
- Projected Need by 2030
- Proposed Changes to Housing Tax Credit Policy

About Area Median Income

- Housing in the U.S.A. looks at income through the lens of area median household income (AMI).
- Typically, housing programs focus on households at 30%, 50%, and 80% AMI. These households are considered "**Low-Income**".
- For the purposes of all federal housing programs, Denton is considered part of the Dallas Metropolitan Statistical Area (MSA), and household income is considered against the collective AMI of the region.
 - As of 2024, Denton's Median Income (\$80,900) was only 73% of the Dallas MSA's Median Income (\$110,300).
 - 46% of Denton's Households are considered Low-Income.

Area Median Income

		Household Size				
		1 	2 	3 	4 	5 
 Low (80%)	Annual Salary	\$65,700	\$75,100	\$84,500	\$93,850	\$101,400
	Hourly Wage (Full-Time)	\$31.59	\$36.11	\$40.63	\$45.12	\$48.75
 Very Low (50%)	Annual Salary	\$41,100	\$46,950	\$52,800	\$58,650	\$63,350
	Hourly Wage (Full-Time)	\$19.76	\$22.57	\$25.38	\$28.20	\$30.46
 Extremely Low (30%)	Annual Salary	\$24,650	\$28,200	\$31,700	\$35,200	\$38,050
	Hourly Wage (Full-Time)	\$11.85	\$13.56	\$15.24	\$16.92	\$18.29
	Minimum Wage (Annual)	\$15,080				
	Maximum SSI (Annual)	\$11,604				

HUD Income Limits Effective April 2025
(Dallas MSA, calculated based on 2023 ACS 1 Year & Adjusted for Inflation)

Affordable for Denton

Housing is considered 'Affordable' if a Low-Income household **spends 30% of their income or less** on housing. Households spending more than that on housing are considered "**Cost Burdened**".

Income-Qualified apartments set rents based on what a household at their target AMI threshold can afford based on this 30% rule.

In Denton, the market rate falls **below** the "Affordable" rent for an 80% AMI unit.

50% and 30% AMI units are **Affordable for Denton**.

	1 Bedroom Apartment Rents
80% AMI Affordable	\$1,655
Median Market (63% AMI)	\$1,308
50% AMI Affordable	\$1,035
30% AMI Affordable	\$621

	2 Bedroom Apartment Rents
80% AMI Affordable	\$1,986
Median Market (64% AMI)	\$1,598
50% AMI Affordable	\$1,241
30% AMI Affordable	\$745

Source: American Community Survey 2024 1-Year
HUD Income Limits

Affordable housing in Denton

- **May 2018:** Housing Tax Credit Policy is Approved
- **January 2021:** Affordable Housing Needs & Market Value Analysis Completed
- **February 2022:** City Council adopts Affordable Housing Strategic Toolkit

Housing Tax Credits

The Housing Tax Credit program is one of the biggest funders of affordable rental homes. Housing Tax Credits are funded federally and administered by states. In Texas, the program is administered by the Texas Department of Housing and Community Affairs (TDHCA).

Housing Tax Credits (HTC) and Property Tax Exemptions are two distinct things:

HTC	• Applied for by a developer with municipality support and issued by TDHCA • Funded by the federal government; not supported by local taxes • One-time funding disbursed over time for multifamily housing with rent restrictions for a set affordability period
Property Tax Exemption	• Achieved through partnership with specific 501(c)(3)'s such as Housing Authorities, Public Facility Corporations (PFC's), Housing Finance Corporations (HFC's), or Community Housing Development Organizations (CHDO's) • Is an ongoing exemption from local property taxes to county, municipality, and school district

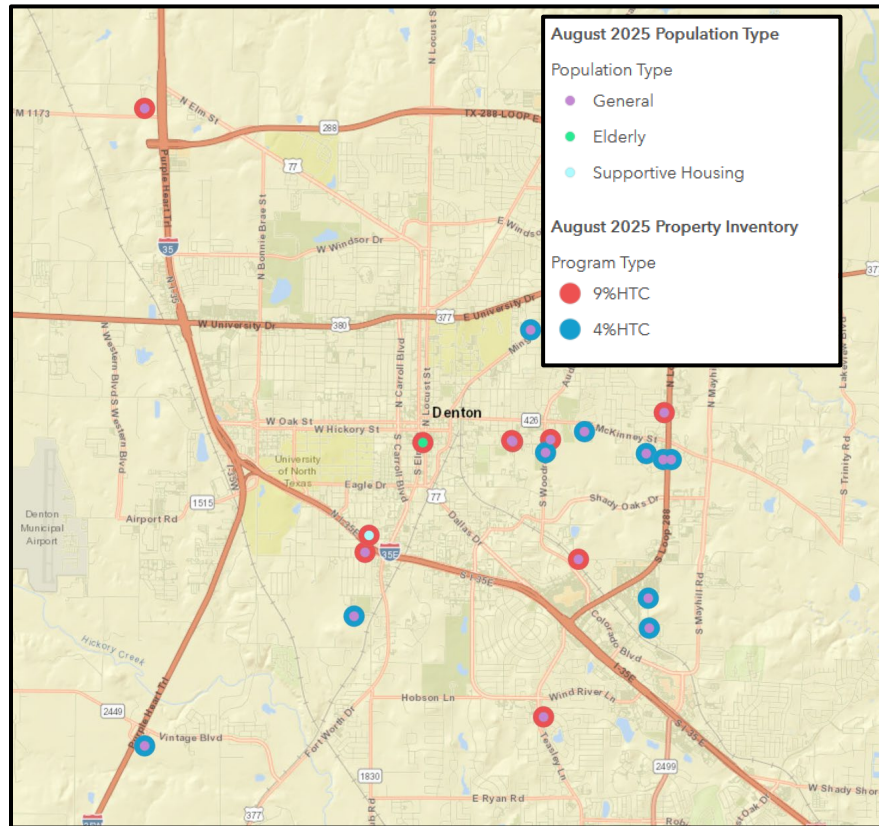
Existing policy

Housing Tax Credit applicants must request a resolution of support or no objection from the local municipality as part of the application process. The City of Denton approved a policy for considering these requests May 8, 2018 (ID 18-756).

The policy set the following preferences:

- Acquisition, rehabilitation or renovation of existing affordable housing
- Senior Housing Developments
- Distance between other HTC projects
- Whether the proposed development will be subject to property tax or demonstrates significant investment into the community
- Designating set-aside units for supportive housing programs to house vulnerable populations including people experiencing homelessness, people with mental illness, chronic health conditions, the disabled, and/or victims of domestic violence.

Housing Tax Credits in Denton



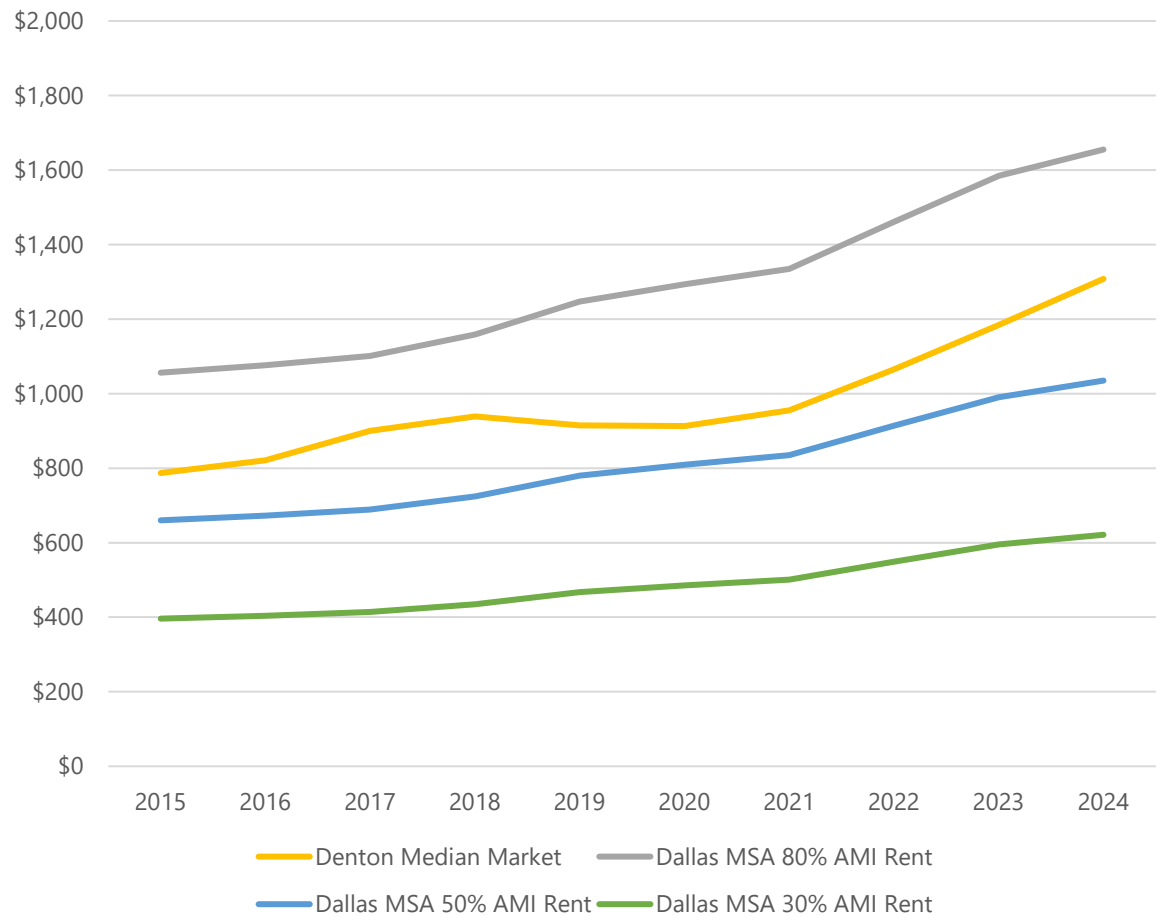
- Since 1993, a total of **3,582** affordable units have been approved.
 - **448** for households 50% AMI or below
 - **1,595** were approved after 2018
- 20 developments
 - 9 were approved after 2018
 - 8 Property Tax Exempt
 - 6 Full Exemptions
 - 2 Half Exemptions
- 5 complete HTC developments with active Tax Exemptions:
 - 102 units are Affordable for Denton (10% of all units)
 - Approx. \$1.1 Million waived City taxes – 2025
 - Approx. \$2.3 Million waived DISD taxes – 2025

Housing Tax Credits in Denton

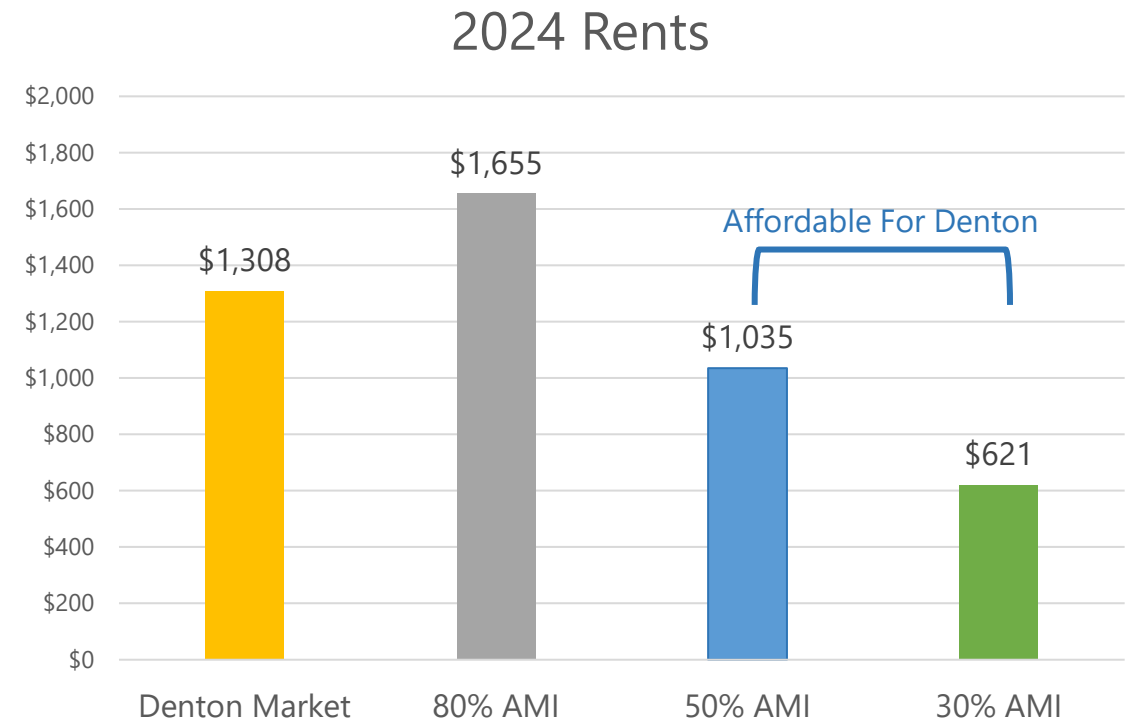
Staff is proposing the following:

- **2025:** Update the Housing Tax Credit Policy to reflect current needs and priorities.
- **Annually:** Provide a Work Session update on housing affordability in Denton
- **Annually:** Receive feedback on City Council's priorities for affordable housing
- **Ongoing:** Bring for Council consideration only specific projects based on Council guidance instead of all applications

Denton rent over time (one bedroom)

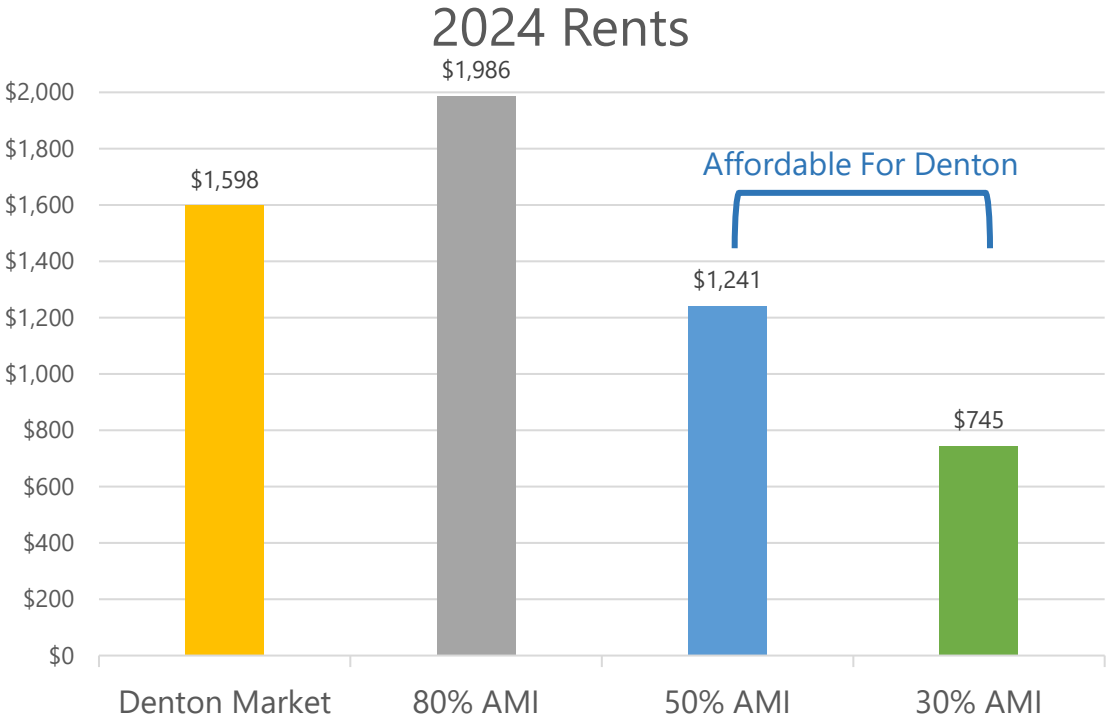
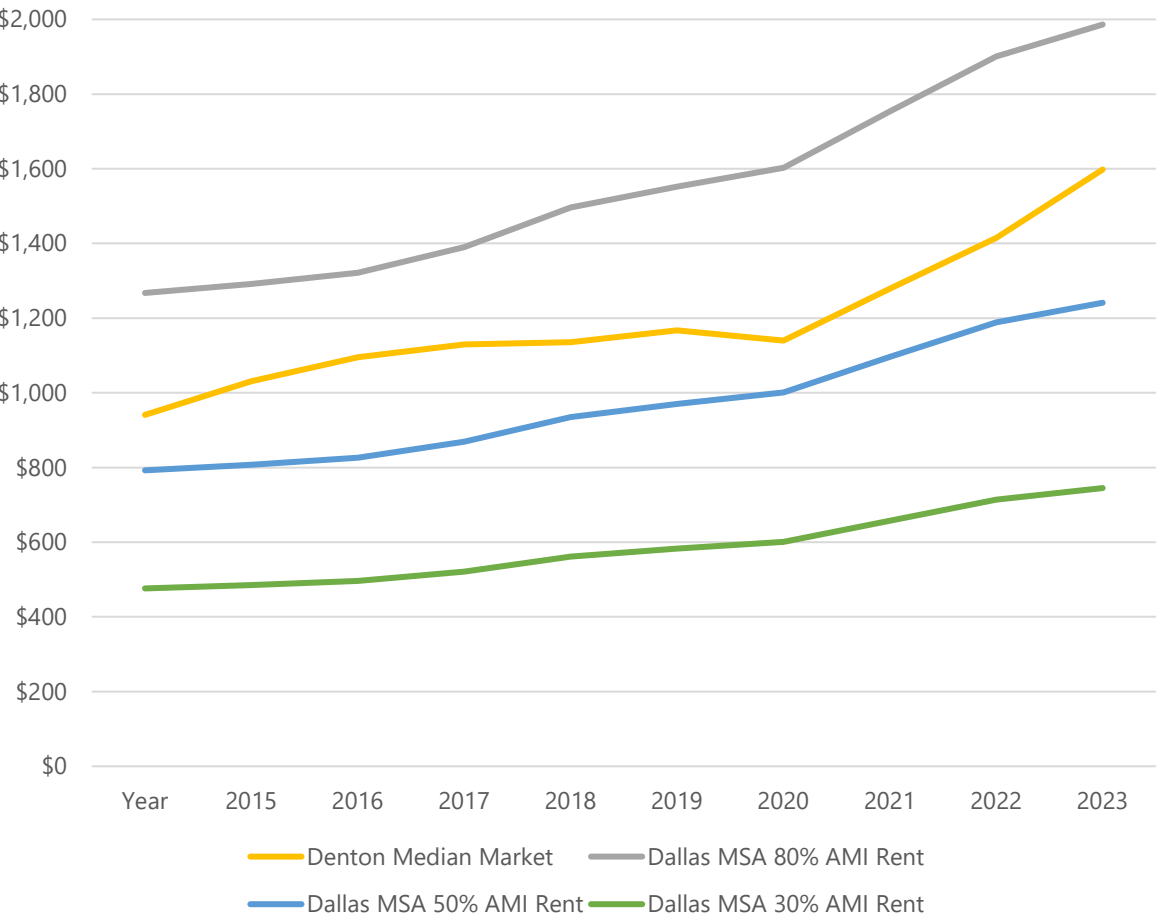


Source: American Community Survey 1-Year
HUD Income Limits



80% AMI Rent: Above Market
50% AMI Rent: Slightly Below Market
30% AMI Rent: Significantly Below market

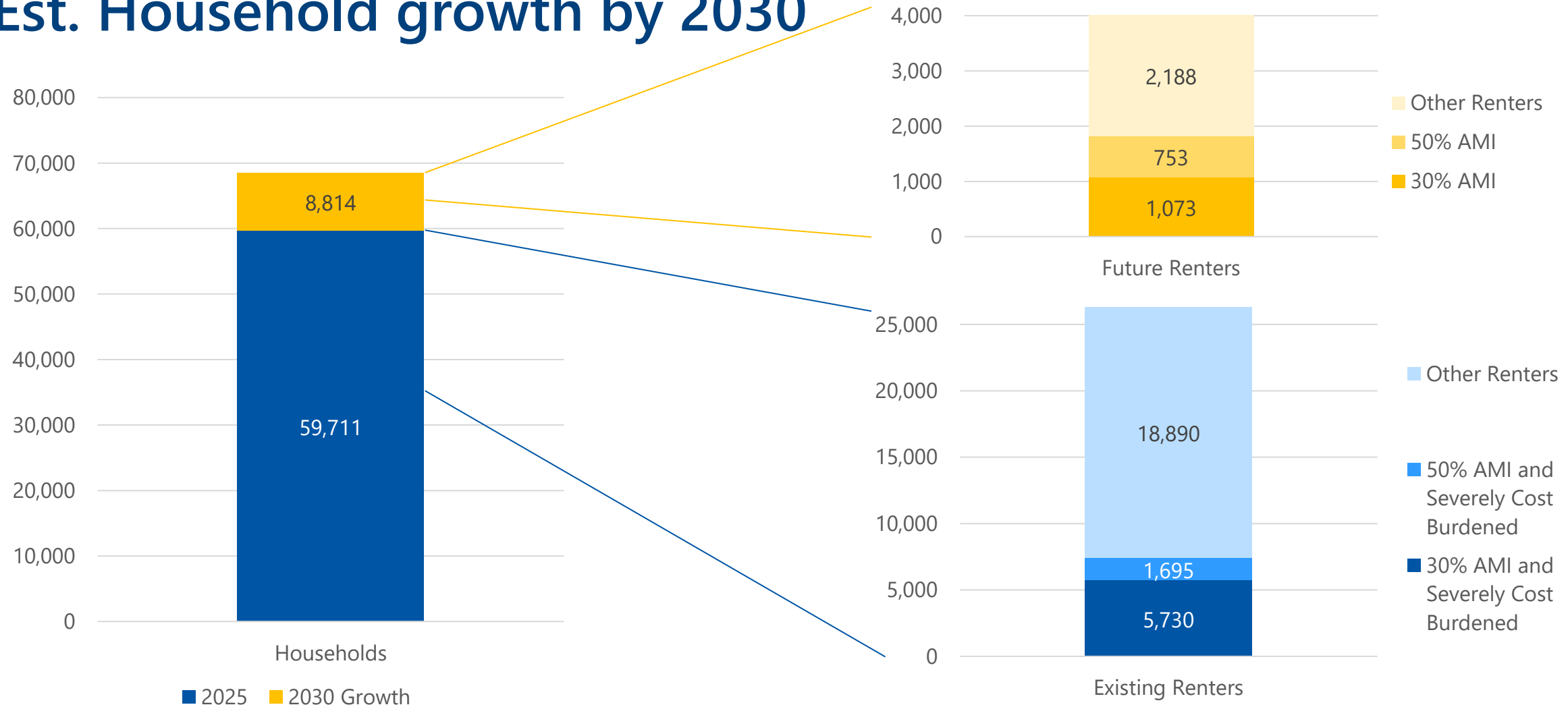
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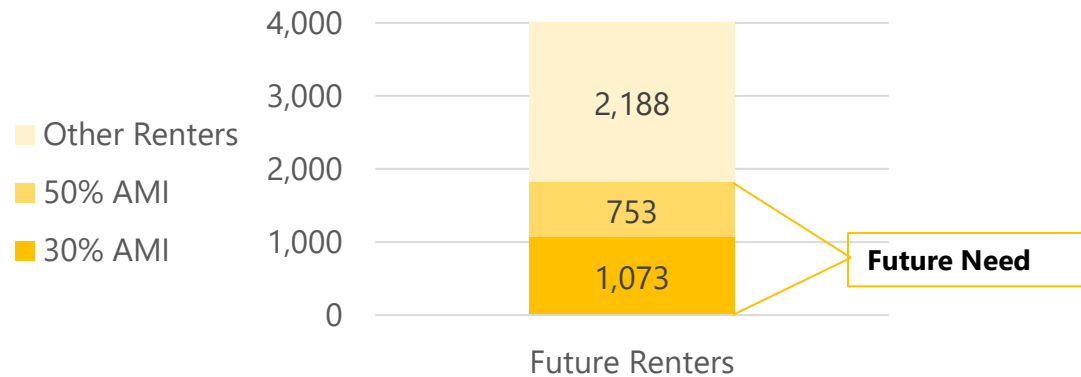
Source: American Community Survey 1-Year
 HUD Income Limits

Est. Household growth by 2030

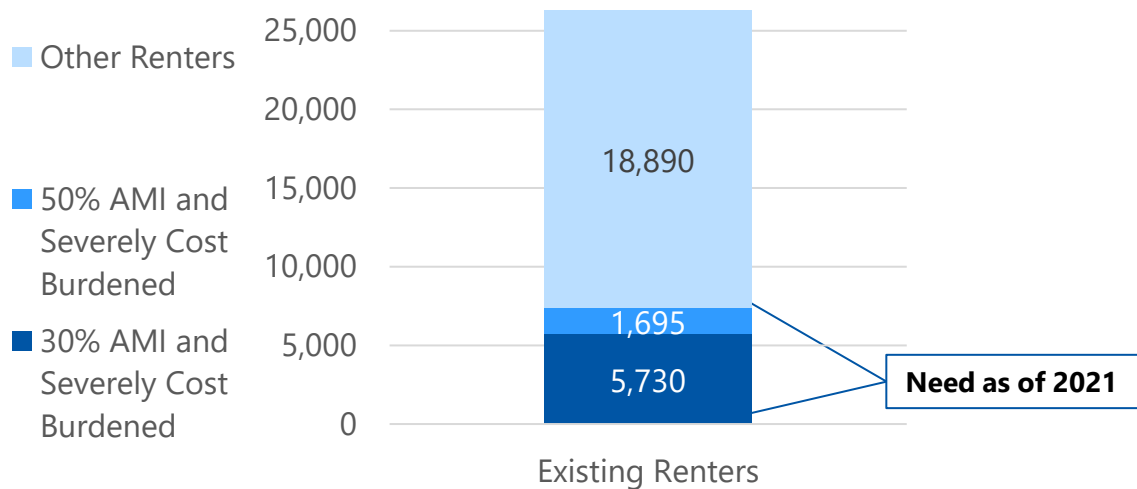


Source: Texas Demographic Center, CHAS Data (2017-2021 ACS)

Projected affordability need by 2030



	80% AMI	50% AMI	30% AMI
Need as of 2021	0	1,695	5,730
New Units Built Since 2021	(-) 2,865	380	60
Remaining Need	(=) 0	1,315	5,670
Future Need	(+) 0	753	1,073
Total Need	(=) 0	2,068	6,743



Source: Texas Demographic Center, CHAS Data (2017-2021 ACS)

Proposed changes to HTC policy

- **New Requirements:**

- Pre-Application Meeting
- Neighborhood Meeting with Notice to Neighbors
- Tax Reductions MUST be partnered with Local Entity

- **New Process:**

- Scoring Matrix with a threshold to be presented to Council
- Annual Work Session

- **New Synergies:**

- Formalize Process for:
 - Zoning Verification Letters
 - Approvals of Multifamily Housing Revenue Bonds

Scoring Matrix

Preferences	Maximum Points
Affordability <i>Scaling points for 30% and 50% AMI Units</i>	60
Opportunity <i>Scoring Opportunity Index Points on TDHCA Application (Yes/No)</i>	10
Supportive or Senior Housing <i>(Yes/No)</i>	10
Rehabilitation <i>Renovating existing housing (5 points), Renovating non-residential into housing or extending affordability (10 points)</i>	10
Program Participation <i>Reduces Income Requirements for Housing Choice Voucher holders (5 points), Prioritizes 10% of Units to Households Exiting Homelessness (5 points)</i>	10
Total Maximum Points	100
Threshold for Consideration (100% Prop. Tax Exemption)	40
Threshold for Consideration (50% Prop. Tax Exemption)	25
Threshold for Consideration (Paying All Subject Property Tax)	10

Example Developments

Name	Example #1	Example #2	Example #3	Example #4	Example #5
Affordability - 50% AMI Units (1/2 pt for 1% of Dev.)	5 (10%)	12 (24%)	20 (40%)	30 (60%)	14 (28%)
Affordability - 30% AMI Units (1 pt for 1% of Dev.)	5 (5%)	0	12 (12%)	20 (20%)	8 (8%)
Opportunity (Scoring Opportunity Index Points w/ THDCA based on Location)	0	0	10	0	10
Supportive or Senior Housing	0	0	0	10	0
Rehabilitation	0	10	0	0	0
Program Participation - Reducing Income Requirements for HCV HHs	0	0	0	5	0
Program Participation – Prioritizes 10% Units for Persons Exiting Homelessness	0	0	0	5	0
<i>Property Tax Exemption</i>	<i>100%</i>	<i>50%</i>	<i>50%</i>	<i>50%</i>	<i>0%</i>
Threshold Score	40	25	25	25	10
Score	10	22	42	70	32

Direction

- New Requirements
- New Process
- Scoring Matrix
- Annual Work Session to provide updates and receive direction