



City of Denton

City Hall
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Denton, Texas
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AGENDA INFORMATION SHEET

DEPARTMENT: Community Services

CM/ DCM/ ACM: Christine Taylor

DATE: November 18, 2025

SUBJECT

Receive a report and give staff direction regarding updates to the Housing Tax Credit Request for Support Policy.

BACKGROUND

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

HTC 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 \(ID 18-756\)](#). This Policy can be found in Exhibit 3.

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.

DISCUSSION

Since May 2018, nine different developments have received resolutions of support or no objection from Denton City Council and subsequent award from TDHCA, for a total of 1,595 new affordable units. Included in Exhibit 7 is a list of these developments. Of these units, only 283 were dedicated to households below 50% of the Area Median Income (AMI). Of the nine developments, five utilize some level of long-term property tax exemption or reduction.

Proposed changes to HTC Policy

Based on feedback from City Council during public hearings for resolutions of support and no objection in recent years, staff is proposing an extensive update to the HTC Policy. Below is a comprehensive list of all proposed changes.

Proposed changes:

- **Scoring Matrix:** Establish clear, quantitative evaluation criteria with a scoring matrix (see below).
- **Consideration Procedures:** Establish procedures for staff to bring high-scoring applicants to City Council and deny low scoring applicants at the staff level.
- **Local Partnerships:** Require of any applicant receiving a property tax exemption or reduction through partnership with a Community Housing Development Organization, Public Facility Corporation, Housing Finance Corporation, Public Housing Authority or similar entity, that entity *must* be located in the City of Denton. Any applicants receiving a tax reduction through partnership with a non-local entity would not be brought for City Council consideration.
- **Neighborhood Meeting:** Require a Neighborhood meeting be scheduled prior to submission, including requirements to market the meeting to the surrounding neighborhood.
- **Notice of Public Hearing:** Add requirements for notice of public hearing to nearby residents within 500 feet of the proposed site. This notice will be provided by City staff, and applicants will be charged a fee to cover the cost of this service.
- **Notice of Public Hearing:** Add requirements for City staff to post notice of public hearing in the paper of record and on the City website.
- **Pre-Application Meeting:** Require a Pre-Application meeting with Community Services Staff.
- **Pre-Application Conference with Development Services:** Require applicants to request a pre-application conference with Development Services staff prior to application with Community Services. This ensures Development Services staff has an opportunity to evaluate the proposed site plan prior to City Council consideration.
- **Relocation Plan:** Require a relocation plan for any residents potentially displaced by construction, if applicable
- **Updated References:** Updating referenced strategic plans to include the Denton 2040 Plan, Housing Needs Assessment, and Affordable Housing Strategic Toolkit
- **Standard Deadline:** Update submission deadline for 9% HTC applications to always be due the first Tuesday of January, rather than based on a unique schedule posted annually by City staff.
- **Review of Exhibits:** Add requirements for City staff to provide drafts of public exhibits to applicants for review. This item was occurring informally but was not included in the official policy.
- **Public Hearing:** Add requirements for public hearing, which was required to occur by Texas law, but previously not included in the City of Denton's official policy.
- **Substantial Changes:** Update list of substantial changes which void a previously provided resolution of support or no objection from City Council. Changes include:
 - Removing 'type of units', 'amenities', 'type of construction', 'developer/sponsor/owner', and 'final site development plan' as these items frequently change in the later stages of development, often to comply with the Denton Development Code or International Building Code.

- Updating “Number of units” to specify a change of more than 10%, as minor changes to unit count are common in the later stages of development, often to comply with the Denton Development Code or International Building Code.
- Updating “Number of affordable units” to specify a change of more than 5% of units shifted to a higher AMI level, as changes to lower AMI levels are common and encouraged.
- Adding ‘Property Tax Exempt Status’.
- **Zoning Verification Letters:** Add reference to the Development Services Department’s existing process for Zoning Verification Letters, which are often requested by HTC applicants.
- **Concerted Revitalization Plan Letters:** Establish a procedure for requesting Concerted Revitalization Plan Letters from Development Services Staff.
- **TEFRA Approval:** Establish process to request City Council approval of Multifamily Housing Revenue Bond issuance as required under the Tax Equity and Financial Responsibility Act. This is required for 4% HTC applications who are issued their required tax-exempt revenue bonds by Denton Housing Authority or any other entity with the authority to issue bonds whose board is appointed by Denton City Council.
- **Timeline:** Include a general timeline for 9% HTC applicants for reference.

Proposed Scoring Matrix:

Priorities	Maximum Points
Affordability .5 point for each percent of the overall development dedicated to households 31-50% AMI. 1 point for each percent of the overall development dedicated to households 30% AMI or below.	60
Opportunity The applicant demonstrates that the development is eligible for opportunity index points by virtue of being located entirely within a high opportunity area as defined under TDHCA criteria in the 2025 QAP Section 11.9(c)(5)(A); or an equivalent section in a subsequent year’s QAP.	10
Supportive or Senior Housing The entire development is dedicated to Seniors (as defined by TDHCA) or Supportive Housing for people experiencing homelessness, people with mental illness, chronic health conditions, the disabled, and/or survivors of domestic violence.	10
Rehabilitation ● 10 Points: Development is renovating an existing non-residential structure into housing; OR is renovating an existing HTC development and extending its affordability commitments. ● 5 Points: Development is acquiring/renovating existing housing.	10
Program Participation ● 5 Points: The development commits to reducing income requirements for households utilizing a Housing Choice Voucher to no higher than a monthly household income equal to 250 percent of the individual's or family's share of the	10

total monthly rent payable for a unit.	
5 Points: The development enters a Memorandum of Understanding with Denton County's Local Homeless Coalition by which the project will prioritize at least 10% of units for households referred from the local Housing Priority List.	
TOTAL MAXIMUM POINTS	100
THRESHOLD FOR CONSIDERATION (100% PROP. TAX EXEMPTION)	40
THRESHOLD FOR CONSIDERATION (50% SUBJECT PROPERTY TAX)	25
THRESHOLD FOR CONSIDERATION (ALL SUBJECT PROPERTY TAX)	10

Applications would only be brought for City Council consideration if they score the **minimum threshold points** on the above matrix, and meet all other requirements outlined in the policy. The minimum threshold scales according to the level of proposed property tax exemption, with full exemptions requiring 40 points, 50% exemptions requiring 25 points and developments without exemptions requiring only 10 points.

Each scoring component is drawn from one of the five main housing needs established in the Affordable Housing Needs Assessment or a priority in the existing HTC policy.

- **Affordability:** The Affordable Housing Needs Assessment identifies “rental housing affordable to households earning less than 80% of Area Median Income (AMI), with the greatest need for households earning less than 50% of AMI” as one of the five primary housing needs for the City of Denton.
- **Opportunity:** The Affordable Housing Needs Assessment identifies “housing opportunities for low-income households in areas of opportunity” as one of the five primary housing needs for the City of Denton.
- **Supportive or Senior Housing:** The Affordable Housing Needs Assessment identifies “housing support for seniors” and “Permanent supportive housing and transitional housing for persons with disabilities and homeless” as two of the five primary housing needs for the City of Denton.
- **Rehabilitation:** The existing HTC policy sets a priority for “acquisition, rehabilitation or renovation of existing affordable housing”. Additionally, the Affordable Housing Strategic Toolkit set a goal to preserve the existing stock of moderately priced homes through rehabilitation.
- **Program Participation:** The Affordable Housing Needs Assessment identifies “Permanent supportive housing and transitional housing for persons with disabilities and homeless” as one of the five primary housing needs for the City of Denton. By improving participation with existing tenant-based programs which serve households exiting homelessness and living with disabilities, applicants can advance this goal without needing to build developments solely dedicated to these populations.

Housing Tax Credit Process Moving Forward

In addition to the proposed immediate changes, staff is proposing an annual work session prior to the start of the competitive HTC season. This would offer staff a chance to provide an annual update on the status of Denton's housing affordability and receive direction on City Council's priorities for affordable housing initiatives. Staff would then only bring forward for City Council consideration developments which are aligned with City Council's current priorities.

EXHIBITS

1. Agenda Information Sheet
2. Presentation
3. Existing HTC Policy
4. Draft Updated HTC Policy
5. Rental Affordability in Denton Fact Sheet
6. Affordability Progress Dashboard
7. Affordable Multifamily Inventory Lists

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