



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
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AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM/ DCM/ ACM: Todd Hileman

DATE: October 10, 2017

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding a policy and application process to review housing tax credit requests.

BACKGROUND

The Texas Department of Housing and Community Affairs (TDHCA) offers a Housing Tax Credit program as one of the primary means of directing private capital toward the development and preservation of affordable rental housing for low-income households. Typical projects include apartment complexes, rental townhomes, mixed-income and mixed-use properties, supportive housing for those with special needs, and independent living facilities for seniors. There are two types of Housing Tax Credit programs available: a 4% (non-competitive) and a 9% (competitive) program. Both programs have unique features and rules; however, in general, current policy from the TDHCA requires that developers receive resolutions of support or no objection from the municipality in which the project is located.

In May 2017, the City Council considered two 4% housing tax credit (HTC) requests from a developer, Ojala Holdings, in partnership with the Denton Housing Authority (DHA). Through this review, Council requested staff to research how other municipalities consider HTC requests and if a review process could be implemented to provide for a thorough review of proposed projects and set clear deadlines for the applicant to meet. On June 27, 2017, staff briefed the City Council after researching processes used by other municipalities and presented a draft application and policy for discussion.

DISCUSSION

At the June 27, 2017 work session, Council provided feedback on the application and asked if staff could develop a point system to evaluate the applications. Staff also stated they would review a draft with the Denton Housing Authority (DHA) to ask for their comments.

Staff met with representatives from the DHA to review the goals of implementing an application for HTC requests, which include establishing expectations with applicants, increasing transparency, and streamlining the review process of projects for Council. Staff provided the application and policy and the DHA provided some general feedback at the meeting, as well as followed up with a letter the following week (**Exhibit 4**). Although the DHA opposes any city process being instituted, staff listened and tried to incorporate some of their feedback where possible. Staff generally revised the application and policy as follows:

- Condensed the narrative questions and checklist to streamline the format and submittals;
- Eliminated some duplicate questions that would be addressed through planning & zoning submittals; and

- Recommended adjusting to have the 9% applications on a deadline but allowing the 4% applications to be reviewed throughout the year. DHA provided feedback that the 9% credit has a deadline process from TDHCA, but 4% credits can be applied for throughout the year and if a 9% is denied, a 4% application may be sought. Staff also went back and reviewed the policies of other municipalities– the majority had a deadline for the 9% but not for the 4%.

In addition, staff reviewed other municipal applications and brainstormed if a point system could be implemented. The City of El Paso has such a system assigning points by categories based upon the City's stated value statements and affordable housing policies. However, staff could not find other examples of assigning points in other cities and had challenges trying to brainstorm due to the potential subjectivity and not having a policy document off of which to base evaluation or scoring categories.

Staff is recommending two options to Council:

- **Option 1 (Implement General Application and Policy)** – This would be the baseline option to launch the application process and list general factors/considerations that the Council may consider. This would be beneficial to get the process in place, learn from experience, and revisit next year. Staff has regrouped the general factors into 4 areas and would provide an analysis/summary of the application.
- **Option 2 (State Policy Preferences)** – Although there are challenges in developing a point system now, the City Council could go a step further to state policy preferences. This is done in other cities such as Houston and Arlington (**Exhibit 5**). Some examples could be those projects that pay property taxes, projects that serve a certain population (e.g. senior housing or homeless), projects that have a certain ratio of affordable and market rate units, projects that redevelop an existing property, etc.

Please note that TDHCA sets policy for the Housing Tax Credit program annually. There is a possibility that TDHCA could change their requirements or evaluation criteria and no longer require a resolution of support or no objection from the municipality in the future; however, there is no indication the process will change in the near term.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Staff presented a draft application and policy to review requests of support for housing tax credits to City Council on June 27, 2017.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Safe, Liveable & Family-Friendly Community

Related Goal: 4.5 Provide support to citizens in need through social service agencies and programs

EXHIBITS

1. Agenda Information Sheet
2. Presentation
3. Revised Draft Application and Policy
4. Letter from DHA
5. Research

Respectfully submitted:
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