What Are Tax Credits?

- NOT FUNDED BY THE CITY
- An important resource for building affordable housing
- Created through the Tax Reform Act of 1986
- Administered by Texas Department of Housing and Community Affairs (TDHCA)
- Private equity for construction of affordable housing
What Are Tax Credits?

- Tax credits allocated through competitive process
- If you receive credits, you can sell them on the open market
- The market determines the price of credits

Mechanics of Tax Credit Allocation

Source: Adapted from U.S. General Accounting Office, Tax Credits
Two Kinds of Tax Credits: 4% & 9%

**Scoring**
- Highly competitive scoring system
- Resolution of Support: 17 points
- Resolution of No Objection: 14 points
- Applicants in the ETJ receive ½ their points from the City, ½ from the County (resolutions from both)

**Timing**
- Very tight timeline
- Applications (with resolutions) due to TDHCA - 3/1/2017
- Credit awards announced in July 2017
Schedule for Tax Credit Resolutions

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 9, 2017</td>
<td>TDHCA pre-applications due</td>
</tr>
<tr>
<td>January 9, 2017</td>
<td>Application for Resolutions posted by HCDD</td>
</tr>
<tr>
<td>January 17, 2017</td>
<td>Applications due to HCDD</td>
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<tr>
<td>February 1, 2017</td>
<td>Housing Committee</td>
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<tr>
<td>February 15, 2017</td>
<td>Preferred City Council date</td>
</tr>
<tr>
<td>February 22, 2017</td>
<td>Alternative City Council date</td>
</tr>
<tr>
<td>March 1, 2017</td>
<td>Resolutions due in Austin</td>
</tr>
</tbody>
</table>

HCDD Support Criteria

1) Community Revitalization Area (CRA)
   - Developed after Hurricane Ike for Disaster Relief funding
   - Identified through a two-year process
   - Input from local organizations, Fair Housing Advocates, HUD representatives, and City officials
   - City has been focused on revitalizing these areas
Community Revitalization Areas (CRA)

HCDD Support Criteria

2) Major renovation (if the renovation is combined with an effort to deconcentrate poverty)
   - Eliminate blight
   - Preserve affordable housing
   - Improve the living conditions of low-income residents

3) Large units
   - On-going need for 3- and 4-bedroom units for large families

4) Low poverty area

5) Zoned to quality schools
5) **Other Selection Criteria**
   - Developer’s qualifications
   - The project’s merits
   - Neighborhood amenities and demographics
   - Avoidance of concentration of poverty

---

**Applicants for Resolutions**

- **14 Applications in the City of Houston**
  - District A – 1
  - District B – 1
  - District D – 5
  - District E – 2
  - District F – 2
  - District G – 1
  - District I – 1
  - District K – 1

- **10 Applications in the Extraterritorial Jurisdiction (ETJ) of the City of Houston**
Grounded Solutions Network cultivates communities—equitable, inclusive and rich in opportunity—by advancing affordable housing solutions that last for generations.
Community Land Trusts

Acquire, own and steward land permanently for the common good by providing:
- Affordable housing
- Commercial spaces
- Community spaces
- Farming or open land

The Classic CLT

Generally, a non-profit organization with:
- Defined service area
- Corporate membership
- Tri-partite board
The Classic CLT and Variations

**Classic CLT:**
- Non-profit organization
- Defined service area
- Corporate membership
- Tri-partite board

**Variations**
- Program of a nonprofit
- Program of a city
- City, regional, state-wide
- No corporate membership
- No tri-partite board

Dual Ownership

Individual owns improvements (home)

Community land trust owns land
Dual Ownership

Ground lease ties improvements and land together

Perpetual Affordability

99yr renewable ground lease

Lower price initially

Lower price at resale

Again, again and again
### Example: Traditional Model

| Traditional Model |  
|-------------------|---
| Market Price of Home | $200,000  
| What Buyer can Afford | $155,000  
| Subsidy Needed | $45,000  
| Sale Price to Homebuyer | $200,000  
| **10 Years Later...** |  
| Market Value After 10 Years | $240,000  
| Sales Price | $240,000  
| Program Portion | $0  
| Seller Portion (before payoff) | $285,000  

### Example: Traditional Model

| Traditional Model |  
|-------------------|---
| NEW Sales Price of home | $240,000  
| NEW Buyer Affordability | $185,000  
| NEW Buyer Subsidy Needed | $55,000  
| Program Portion from Sale | $0  
| NEW Resources Needed | $55,000  

**Example: CLT Model**

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<thead>
<tr>
<th></th>
<th>Traditional Model</th>
<th>CLT Model</th>
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<td>$240,000</td>
</tr>
<tr>
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<td>$185,000</td>
</tr>
<tr>
<td>Program Portion</td>
<td>$0</td>
<td>$55,000</td>
</tr>
<tr>
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<td>$185,000</td>
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<td>$0</td>
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Perpetual Responsibility

Stewardship of structures (homes)
Stewardship of leaseholders (homeowners)
Stewardship of subsidy (public funds)

Initial Affordability

How much affordability do the programs create?

Median Subsidized Price: $115,000
Median Appraised Value at Time of Sale: $175,000

Through the program, homes affordable to households earning 74% of AMI became affordable to households earning 56% of AMI.

Affordable to Whom

<table>
<thead>
<tr>
<th>Program</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>56%</td>
<td>74%</td>
</tr>
</tbody>
</table>
Ongoing Affordability

Are the programs preserving affordability?

All Resale Transactions

Components of Market Value at Sale

- Prior Purchase
  - Community Investment: $37,164
  - Subsidized Price: $89,500
- Resale
  - Market Value: $50,450

Affordable to Whom (% of AMI)

- Prior Purchase
  - Program: 56.8%
  - Market: 73.3%
- Resale
  - Program: 54.3%
  - Market: 71.5%

Ideally, community investment is larger at resale, both in dollars and as a portion of market value, and this yields corresponding growth in the affordability added by the program at resale, relative to prior purchase.

Wealth Creation

How did sellers' returns compare to other options?

Typical seller who owned at least 5 years:

Seller's Gain

- Program: $2,871
- S&P500: $35

Annual Rate of Return

- Program: 7.97%
- S&P 500: 2.22%
- Home Value Appreciation: 1.06%
Beth Sorce
Director of Capacity Building
bsorce@groundedsolutions.org

Housing & Community Affairs Committee
February 1, 2017
Minor Critical Repair & Blue Tarp Programs

Total Homes Served: 209

Total Cost of Repairs: Feb 2016 - Jan 2017: $1,289,951.35
Total Admin: $191,474.59

Blue Tarp Initiative Progress Report
As of 01/30/2017

<table>
<thead>
<tr>
<th>Status Report</th>
<th>Count</th>
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<tbody>
<tr>
<td>Intake</td>
<td>484</td>
</tr>
<tr>
<td>Approved</td>
<td>258</td>
</tr>
<tr>
<td>In Progress</td>
<td>125</td>
</tr>
<tr>
<td>Tax Issues</td>
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<tr>
<td>Title Issues</td>
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<tr>
<td>Under Final Review</td>
<td>20</td>
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<tr>
<td>Declined Services</td>
<td>11</td>
</tr>
</tbody>
</table>
Disaster Recovery 2 Single-Family Home Program

Total Homes Completed: 100

Total Expenditures: $12,497,174
Total Admin & Project Delivery: $2,290,283

Multifamily Housing Programs

Total Units: 547

Total Expenditures: $18,377,070
Total Admin & Project Delivery: $1,121,520
Homebuyer Assistance Program

Assistance Levels

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>70% - 80% AMI</td>
<td>$15,000</td>
</tr>
<tr>
<td>70% AMI or below</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Homebuyer Assistance Program
Single-Family

Total Homeowners Assisted: 21

Total Investment in Down Payment Assistance to Date: $270,036
Total Admin: $342,734