

August 5, 2021

Texas Department of Housing and Community Affairs – Rules Committee

Paul Braden, Rules Committee Chair
Leo Vasquez, III, Rules Committee Member
Brandon Batch, Rules Committee Member
Kenny Marchant, Rules Committee Member

Re: Texas Affiliation of Affordable Housing Providers – Comments to the Use of 2022 Housing Tax Credits to Assist 2019 & 2020 Developments

Dear Committee Members:

The Texas Affiliation of Affordable Housing Providers (“TAAHP”) reiterates the dire financial situation many affordable housing developers find themselves in due to the recent escalation in construction pricing. TAAHP strongly and respectfully requests that TDHCA earmark approximately \$5 million in 2022 credits to assist 2019, 2020, and 2021 deals that are experiencing significant hardship.

Our goal is to provide needed housing to Texans as quickly as possible. Many of the struggling developments are shovel-ready but cannot move forward without assistance. We understand that the additional equity should come at a cost to the developer, and we propose that it come from each developer's 2022 developer cap with a punitive penalty of 20 cents per dollar of credit used to resolve a 2019 or 2020 project. This will address concerns that fewer credits will be available in 2022, resulting in fewer awards. This penalty will discourage developers from applying for additional credits unless it is truly the last resort to salvage their transaction.

As many of you know, construction costs since January 2020 have increased substantially in all parts of the U.S., including Texas. Due to these major cost increases and pandemic-related delays, TAAHP estimates that at least a third of the 2019 and 2020 TDHCA-approved developments are struggling to deliver these affordable units. This has caused significant uncertainty in the industry and diminished the much needed supply of affordable housing for Texans.

Initially, these cost increases started with a rise in commodity prices on lumber but have now spread to every major construction division. In addition, the lack of available construction workforce in Texas has also increased pricing.

We greatly appreciate the previous approval to provide multifamily direct home funds, but that is not a complete solution. At this time, the funds requested far exceed the amount available, with \$25 million requested and only \$15 million available. While this may be a good solution for some projects, it is not a solution for all transactions. Note that many lenders and investors are not willing to approve additional debt. We have a variety of transactions and need a variety of available options.

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TAAHP Executive Director

We respectfully request that the board direct staff to take a more holistic approach and allow the challenged developments to access additional credits from the 2022 funding round. This will provide additional equity to fill the unforeseen gap created by escalating construction costs.

Lastly, we appreciate the rulemaking committee, the board, and the staff's attention to this very serious situation. We look forward to providing additional details as needed to alleviate concerns or questions through the rulemaking process. Our intent is to create the best housing policy for Texas and to help Texans get the housing that they desperately need.

Please contact Chris Akbari at (409) 543-4465 or chris.akbari@itexgrp.com, or TAAHP Executive Director Roger Arriaga at (512) 476-9901 or roger@taahp.org with questions.

Sincerely,

A handwritten signature in blue ink that reads "Christopher A. Akbari". The signature is fluid and cursive, with the first name "Christopher" being more prominent than the last name "Akbari".

Chris Akbari
TAAHP President

cc: Bobby Wilkinson, TDHCA
Brooke Boston, TDHCA
Marni Holloway, TDHCA
TAAHP Membership