



Texas Department of Housing and Community Affairs
2023 QAP Development Plan
January 13, 2022

Introduction and Background

This document describes the plan TDHCA will use to develop the 2023 Qualified Allocation Plan (QAP). A survey was released to garner input on the ideas in this plan; surveys were able to be completed from November 12, 2021, to November 30, 2021. Fifty-three survey responses were received. In each section below there is reference to the survey results associated with that topic area. The steps, methods, and timeframes reflected in this plan are subject to change.

Part I. Approach for Research and Input Phase

TDHCA will use the following approach to performing research and gathering input from January to May of 2022. When presented this concept, 41 of 47 (87%) respondents who answered were neutral or supportive of this proposal, and no respondents had suggestions for other approaches. All of the engagement methods below will be announced on the Department's listserv and open to anyone.

- Research and Data Analysis: TDHCA staff will perform research and data analysis on specific pre-determined items (actual topics covered in following section). Periodically, research or data results will be released, and input/feedback requested using the Department's TDHCA Forum or through a survey.
- Virtual Intensive Work Groups: Between two to three special topic virtual work groups will be established to convene multiple times in a GoToMeeting format for in-depth discussion and drafting focused on specific themes or subjects. Results of these Work Groups are intended to result in released revisions through the TDHCA Forum and/or be discussed at the Roundtables. TDHCA is committed to being inclusive in all outreach and these Work Groups are open to anyone; however, it should be noted that as the number of attendees increases, conversation and productive engagement dialogue may be reduced, affecting the ultimate products that may result from the Work Groups.
- Staff Micro-Revisions: TDHCA staff will draft preliminary language on very specific and narrow sections/items to be released, and input/feedback will be requested using the Department's TDHCA Forum or surveys.
- Roundtables: TDHCA staff will host three in-person roundtables to discuss various topics and themes with an agenda released in advance. Roughly 20% of survey respondents felt that 2-3 round tables was too few; staff understands that perspective, however in light of trying to release a first draft in early summer and, as requested by respondents not starting round tables until after 2022 9% applications are due, there is limited time to add more roundtables. All roundtables will be held in Austin (there was 100% support for Austin as the location).
- Surveys: Surveys may be used to identify preferences, specifically for items that seem challenging to garner consensus on; as follow-up from discussions in Virtual Intensive Work Groups or Roundtables at which comment is varied and no conclusions reached; and/or to garner input on content posted on the Forum.

Part II. QAP Drafts and Schedule

To improve TDHCA's ability to be responsive to comments, and limit the extent to which suggestions are deferred to the subsequent year's QAP, TDHCA will do two iterations of the 2023 Draft QAP each with a comment period. Staff's hope is that this approach will allow for more impactful changes, and give staff the opportunity to better respond to and integrate critiques and feedback. When presented this concept in the survey, 45 of the 52 (87%) respondents who answered the question were neutral or supportive of the two-draft approach. The timeline for this project was also presented in the survey and 43 of 50 (86%) who answered the question were supportive of the timeline. The schedule below has tried to be as responsive as possible to comments received on the scheduling of the round tables including waiting to do round tables until after most school/college spring breaks have occurred and waiting until after the 2022 9% applications are due.

The timeline that will be utilized for the development of the 2023 QAP is provided below.

Time Period	Process
January to mid-March	Staff will focus on research and data analysis and some crafting of possible revisions
Early March	Virtual Workgroup Dates/Times announced
Mid-March to End of May	Virtual Workgroups, Releases of Micro-Revisions, Surveys
End of March	First Round Table
End of April	Second Round Table
End of May	Third Round Table
June 2022	Staff Drafts Preliminary Draft QAP
Early to Mid-July 2022	Preliminary Draft QAP Released for Public Comment <i>(This draft will be approved by the Executive Director, but is not expected to be presented to the Board. The Draft will not be published in the Texas Register and no hearings will be held. Comment will be accepted in writing.)</i>
Early August 2022	Deadline for Comment on Preliminary Draft QAP
<i>Processes Beyond This Point are Consistent with Past Timeframes and are Consistent with Statute</i>	
August 2022	Staff drafts the formal Draft QAP <i>(This draft will be based on the comments received on the Preliminary Draft. Formal reasoned response will not be included from the first round of comments, but responsive changes will have been considered. This draft will be presented to the Board and go through the formal rule making process through the Texas Register and there will be a public comment period.)</i>
September 1, 2022	Draft QAP Approved by the Board for Public Comment
October	Public Comment Period
November 10, 2022	Final QAP Approved by the Board

Note: The other associated MF rules (MFDL, Bonds, Asset Management, Compliance) will not necessarily go through this same iterative process.

Part III. Topics for Potential 2023 QAP Discussion

TDHCA staff compiled a list of topics, many of which were items provided as comment for the 2022 QAP that staff noted it would consider for the 2023 document. It should be emphasized that this list is not definitive and other items may be added later in the process. It should be noted that not all topics on the list below will be covered at round tables or in Virtual Work Groups; to maximize the time spent in

Roundtables and Work Groups to a smaller pool of topics, other topics may be presented only through the TDHCA Forum or via survey.

Topics for Virtual Work Groups

The survey asked respondents to identify the top three items they felt should be designated for a Virtual Intensive Work Group. Responses were quite varied. The topics that received the most comments were ranked and staff will proceed with Virtual Work Groups on the following three topics:

1. Proximity to Jobs Points
2. Underserved and Tax Credit Density Points
3. Tenant Right of First Refusal

Section A. Topics for Research and Data Analysis

These are items that have a particular quantitative focus – either correlated with trends on performance of past scoring items or needing analysis of data sets. This list was provided in the survey and respondents were asked to identify the topics they found most important for possible research and data analysis. The items listed below are listed in descending order from those that had the most interest to those with the least interest. Any new items suggested are also noted at the bottom of the list.

1. Cost Per Square Foot – evaluate whether the costs are lagging and how to adjust including considering an annual adjustment factor.
2. Proximity to Jobs – possible revisit of this item overall, other ways to meet same intent and possibly looking at jobs in certain income ranges.
3. School Mitigation – Have school mitigation requirements presented at application actually resulted in schools having an acceptable rating by placement in service, alternative approaches to this issue.
4. Tax credit density per tract – evaluate possible use as an alternative or addition to other items, consider proximity to population growth.
5. Readiness to Proceed – Have RTP deals placed units into service earlier than non-RFP deals.
6. Unit Sizes (Square Footage requirements) – possible adjustment for market changes.
7. Average Credits per LI Unit Caps – look for greatest outliers, excessive soft costs.
8. Tie Breakers – effectiveness in achieving goals in actual awarded deals.
9. Crime Mitigation – Have mitigations for high crime where local law enforcement said crime was going down, actually resulted in crime going down.
10. Capture Rate metrics – reevaluate urban and rural captures rates.
11. Resident retention – evaluate which scoring items lead to long-term household retention, if possible.
12. Rehabilitation Costs – Evaluate whether there is a correlation between costs per rehab unit and eventual UPCS scores.
13. Income increases – evaluate whether jobs proximity and/or opportunity index points are correlated with a higher-than-average annual increase in household income.

Added Item

14. Evaluate relationship between DCR, developer fee and long term viability - consider allowing a higher DCR if developer fee is less.

Section B. Topics for Eligibility, Credit Allocation Issues and Threshold Related Items

These are items relating generally to De-Concentration Factors, Request and Award Limits, Set-Asides, Tie Breakers and Threshold that are either currently in the QAP and proposed for possible policy changes, or have been suggested as new provisions. This list was provided in the survey and respondents were asked to identify any topics they thought should be added, which are now included in the list below. Some respondents noted the items they felt were most important and items below are in descending order based on how much comment they received.

1. Minimum energy efficiency standards for overall energy use as threshold, consider alternate minimum requirements for rehabs
2. Set-Aside for Permanent Supportive Housing developments or Youth Aging out of Foster Care
3. Tie Breakers overall revisit of item, possibly adding tax credits per unit, total units provided, or lowest average unit set-asides as tie breaker, and whether different for At-Risk and USDA
4. Threshold Item requiring Right of First Refusal (ROFR)
5. Revisit Categories for Basis Boosts and possible applicability for elderly
6. Possible new tax credit cap per unit
7. Consider connecting per deal cap increases above \$1.5M to additional 30% units or some other measure
8. Restrictions or limitations on allowing use of the Income Averaging election
9. Threshold affordability terms of 50 years
10. Clean up of energy efficiency threshold items that also qualify for points
11. One award per census tract and possible applicability to Rural
12. Clear guidance throughout the QAP on how scattered site will be considered for distances in scoring and ties
13. Clear guidance throughout the QAP on how properties that fall in both a city and an ETJ/county will be handled for resolutions
14. Improve clarity and brevity on Neighborhood Risk Factors – consider revisiting approach when poor performing schools result in ineligibility
15. Unit Sizes (minimum SF) reevaluation for more current market considerations
16. Ineligible Applicants to include those in portfolio with poor inspection scores for >2 years
17. Policy on eligibility and/or threshold items and whether all rehabs should be treated the same (properties already in the TDHCA portfolio vs. properties with no current TDHCA restrictions)
18. Consistency regarding language requirements in various resolutions that don't have specific language requirements in statute (i.e. support, don't object, consistent with obligation to AFFH, etc.).
19. Minimum Rehabilitation Requirements – is the minimum per unit the best approach, should some minimum improvements always be required

Added Items

20. Elimination of resolution of no objection threshold requirement

Section C. Scoring Items

These are items that are either currently in the QAP and proposed for possible policy changes, or have been suggested as new items. Novogradac provides an interesting read on [balancing considerations in QAP scoring](#) and provides a nice [list of many of the criteria used in QAPs](#) across the country. This list was provided in the survey and respondents were asked to identify the topics they thought should be added, which are now included in the list below. Some respondents noted the items they felt were most important and items below are in descending order based on how much comment they received.

1. Community revitalization, consider mutually exclusive of Opportunity Index and suggestions of adjustments for rural including allowing rural new construction
2. Underserved item, changes for rural and possible shift toward tax credit density per tract*
3. Rents and Income - increasing the percentage of units that must meet specific rent levels
4. More 2 and 3 bedroom units
5. Affordability periods up to 55 year
6. Properties that build to the 2021 IECC standard
7. Points for waiving right to the qualified contract process
8. Opportunity Index - including reducing distances to amenities and increasing total points
9. Expanding readiness to proceed to statewide

10. Historic preservation - base on the proportion of the space that is historic
11. Projects intended for eventual tenant ownership (Tenant Right of First Refusal) – revisions and increase of points and how will operationalize
12. Assisting youth aging out of foster care
13. Unit Sizes (SF for points) reevaluation for more current market considerations
14. Special Needs - lengthen applicability of homeless special needs units, possible reentry incentives
15. Proximity to Jobs - split to Urban/Rural and distances* and interplay with Opportunity Zones
16. Items not in the QAP, but require a preference by §42: PHA Waiting list, Households with Children

Added Items

17. Points for having zoning as MF
18. Preservation of affordability

* These items are also noted under Research and Data Analysis

Section D. Procedural, 4%, MFDL and Administrative

These are items that are either currently in the QAP and proposed for possible policy changes, or have been suggested as new items. This list was provided in the survey and respondents were asked to identify the topics they thought should be added, which are now included in the list below. Some respondents noted the items they felt were most important and items below are in descending order based on how much comment they received.

1. Developer Fees for identity of interest, based on units rather than costs
2. Request for Administrative Deficiency process
3. Administrative Deficiencies streamlining all language into one location in the rule and improving language consistency

Added Items

4. Efficient use of bond proceeds - limiting bond reservations to 5% over federal requirement

Section E. Compliance, Asset Management or Underwriting

These are items that are either currently in the Compliance, Asset Management, or Underwriting rules and proposed for possible policy changes, or have been suggested as new items. This list was provided in the survey and respondents were asked to identify the topics they thought should be added, which are now included in the list below. Some respondents noted the items they felt were most important and items below are in descending order based on how much comment they received.

1. Guidance related to the average income set-aside

Added Items

2. Streamlining of compliance and reporting to improve time spent by property management
3. Rely more on investors/lenders for underwriting
4. Cash out on identity of interest sales needs to be re-evaluated for Rehab or Reconstruction
5. Post activities manual (Asset Management) needs to be updated to include language/guidance for tenant ownership ROFR