



**Multifamily Finance Production Division / Housing Tax Credit (HTC) Program
Policy for Allocation of Housing Tax Credits for
Developments in Texas Counties Impacted by Hurricane Rita
Released January 30, 2006**

I. Introduction

On October 3, 2005, the Governor of the State of Texas declared twenty-two (22) Texas counties to be impacted by Hurricane Rita, which were also federally designated as disaster areas. In an effort to address the needs for rehabilitation, reconstruction or replacement new construction of rental product in those impacted counties, the Department is implementing this policy to allocate housing tax credits on a competitive basis. This policy, approved by the Board of the Texas Department of Housing and Community Affairs (the Department) on January 18, 2006, provides the procedures for application, staff review and recommendation for these allocations.

II. Sources

H.R. 4440, also known as the Gulf Opportunity Zone Act of 2005 (“the Act”), amended the Internal Revenue Code of 1986 to provide tax benefits for certain areas affected by Hurricane Rita. The Act provides for an increase of \$3,500,000 in the 2006 Housing Credit Ceiling for the State of Texas. The Department has determined that it will allocate that \$3,500,000 solely in twenty-one (21) of the twenty-two (22) impacted counties for rehabilitation, reconstruction or replacement new construction of rental product. TDHCA will separate those credits from the rest of the 2006 Housing Credit Ceiling to respond to the emergency nature of the necessary assistance through this policy. Pursuant to an executive order by the Texas Governor (RP-54), the regional allocation formula and typical program deadlines are waived for these funds to ensure that they are targeted to those areas most specifically impacted by Hurricane Rita but where future funding based on the regional allocation formula is generally more limited.

III. Definitions

All defined terms used in this policy are definitions found in the 2006 Qualified Allocation Plan and Rules (QAP), found at 10 Texas Administrative Code §50.1 et seq.

IV. Eligibility

Applications must be submitted by the deadlines indicated in Section V of this policy and must be for a development site that is located within one or more of the eligible counties. Applications must satisfy all eligibility and threshold criteria outlined in the 2006 QAP and must also obtain a minimum score of 105 to be considered for an award under this policy. Applications must be for rehabilitation / reconstruction of

units damaged by Hurricane Rita or for new construction that replaces rental units destroyed by Hurricane Rita.

Counties eligible for these credits include: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, and Walker (21 counties reflected).

A development involving rehabilitation or reconstruction is only eligible for credits that cover costs not reimbursed for losses by other private or public sources. Insurance remittances will be requested to confirm this eligibility standard and those amounts will be included as a source of funds.

V. Procedures and Requirements for Submission and Review

Only Applications submitted under the Hurricane Rita Housing Tax Credit policy are subject to the following procedures or QAP exceptions.

1. The Hurricane Rita Housing Tax Credit Round opens on Monday, January 30, 2006. No Applications for this policy will be accepted prior to that date.
2. Applicants must submit Volumes I and IV of the Application to the Department no later than 5:00 p.m. on Tuesday, February 21, 2006. Volumes II and III of the Application must be submitted no later than 5:00 p.m. on Wednesday, March 1. Additional third-party reports, as required in §50.9(h)(14) must be submitted to the Department no later than 5:00 p.m. on Friday, March 31, 2006. All submissions must be made in accordance with §50.21 of the QAP. Applications must include the full Application Fee of \$30 per Unit as further described in §50.20(c) of the QAP with the February 21, 2006 submission; for Applications concurrently applying for the traditional 9% 2006 HTC Round and for which a Pre-Application and Pre-Application fee have already been submitted, the Application fee submitted on February 21, 2006 is only required to be the balance due of \$20 per Unit. Applicants must submit documents in accordance with the procedures set out in the “Application Submission Procedures Manual Including Hurricane Rita HTC Round Information” for all volumes and documents.
3. By approximately February 28, 2006, the Department will release a log of all Applications received for consideration for Hurricane Rita Housing Tax Credits and notifications will be made to local and state officials and other required parties.
4. All Applications will first be reviewed to confirm eligibility under §50.5 of the QAP and eligibility for the Hurricane Rita Housing Tax Credits. Then, each Application will be scored according to the Selection Criteria listed in the QAP. As necessary to complete this process only, Administrative Deficiencies may be issued to the Applicant. Each Application will then be assessed based on its score, county and construction type consistent with Section VI of this policy. Those Applications that appear to be most competitive will be designated as “priority” and then processed for further review as described in §50.9(d)(3), (4), (6), (7) and (8). One exception to the processing described in those sections is that for Applications submitted under this policy, Administrative Deficiencies will have fourteen calendar days to be remedied; similar to the process noted in §50.9(d)(4), Applicants will lose points on days 13 and 14, and then be

terminated by the close of business on the 14th day. Applications that do not appear to be competitive may not be reviewed in detail for Threshold Criteria.

5. The total number of new construction units that can be allocated credits by the Department for any eligible county can not exceed the number of apartment units either destroyed or experiencing major damage for that county as reported by the Governor's Emergency Management Team calculations provided in Appendices A and B.
6. As required in §50.6(g) of the QAP, Rehabilitation developments must establish that the rehabilitation will involve at least \$12,000 per Unit in direct hard costs unless financed by the United States Department of Agriculture in which case the minimum is \$6,000. Consistent with the intent of the HB 4440 a majority of the expenses of rehabilitation must be related to direct damage from Hurricane Rita and confirmed by Applicant certification.
7. All Scoring Criteria will be those reflected in §50.9(i) of the QAP and all documentation requirements will apply with the following exceptions:
 - a. Applicants are not eligible to participate in the Pre-Application process outlined in §50.8 of the QAP and can not receive points for a Pre-Application under §50.9(i)(12), nor do they need to submit pre-certification documents identified in §50.9(g) of the QAP.
 - b. Applicants requesting points for Quantifiable Community Participation (QCP) under §50.9(i)(2) or points for the Level of Community Support from State Elected Officials under §50.9(i)(6) must reflect the points requested in the Volume I submission and submit the required documentation with the Volume III of the Application as required in clause 2 of this section. Neighborhoods may be considered to be timely placed on record with the Department for the purposes of QCP as long as their letter requesting registration with the Department is received on or before February 21, 2006.
8. The requirements for notifying local and state officials required under §50.9(h)(8)(A), will be considered to be made timely as long as they are made by the date the Volume I of the Application is submitted.
9. The Executive Director will approve Applications and issue Commitment Notices under this policy as authorized under TDHCA Board Action taken September 16, 2005 to expedite relief efforts in a disaster situation. This policy is consistent with RP-54 and has been approved in principal by the State Director of Homeland Security where specific program waivers were required.

VI. Procedure for Selection of Applications and Recommendation to the Executive Director

Staff will identify the highest scoring new construction and highest scoring rehabilitation development in county order until all credits are accounted for. County order will be based on the total number of apartment units destroyed or with major damage in each county as identified in Appendices A and B. Therefore, the county with the most damage will be the first county considered. For that first county, the

highest scoring rehabilitation property and the highest scoring new construction property will be “prioritized”. If a county only has new construction submissions, only one – the highest scoring - will initially be designated as “priority”.

Those designated Applications will then be reviewed for threshold and underwritten. This process for each county will proceed until all credits are accounted for. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department’s underwriting criteria to enable the allocation of all available housing tax credits according to this policy.

Staff will make its recommendation to the Executive Award and Review Advisory Committee (“the Committee”) no later than April 17, 2006. Staff will provide the Committee with a written, documented recommendation which will address, at a minimum, the financial and programmatic viability of each Application. The Executive Director will review the Committee’s recommendation and direct staff whether or not to issue a Commitment Notice for the Application.

At the time the Commitment Notice is required to be returned to the Department, as outlined in the Commitment Notice, any outstanding evidence of zoning, local resolutions (for selection criteria or for the “Two Times State Average of Credits per Capita” test) and/or evidence of points for development funding under §50.9(i)(5) or (22), must be provided.

For all Applications issued a Commitment Notice under this policy, a report of those issuances will be provided to the Board at the next Board meeting for which the materials can be timely prepared. The Board will be provided notice of the allocation of the tax credits at that time.

VII. Concurrent Participation in Competitive Application Round

Applicants may submit Applications for consideration for this policy for Hurricane Rita Housing Tax Credits, as well as the traditional 9% 2006 Application Round as long as the Application for the traditional 9% 2006 Application Round is submitted on or before March 1, 2006. If a concurrent Application is submitted, the Volumes II and III for both rounds must be submitted on March 1, 2006. Applications must clearly indicate if they are being submitted for requests under the Hurricane Rita Housing Tax Credit Policy, the traditional 9% 2006 Application Round, or both concurrently. An Application under Hurricane Rita Housing Tax Credit Policy must be submitted by the deadlines described in Section V of this policy. For simplicity, a full Application for both activities may be submitted by the earlier of the deadlines, February 21, 2006 if so desired. Applicants may determine that they would like to request different Selection Criteria (for points) in the traditional 9% 2006 Application Round than for the Hurricane Rita Housing Tax Credit round. If an Applicant chooses to alter their selection criteria, they must submit the separate revised Volume IV and any other application forms impacted by those revisions (for example, revised rent schedules, revised operating budgets, etc.) by March 1, 2006 as described in Section V of this policy. An Application fee is only required for the first submission received.

VIII. Credit Ceiling and Rule Applicability

All Developments submitted under this policy are subject to all rules, definitions, policies and deadlines of TDHCA, as more specifically outlined in the 2006 Qualified Allocation Plan and Rules, the Underwriting Rules and Guidelines, and/or this policy. Unless explicitly identified herein, all sections of the QAP apply to Applications submitted under this policy.

Applications approved under this policy will not be attributed to the specific regions where they are proposed for purposes of the regional allocation formula, but will be “exempt” from the formula.

For purposes of compliance with Texas Government Code 2306.6711(b) Applicants will be considered to have received credits awarded out of the 2006 Credit Ceiling via the increase authorized by the Act. As such, the \$2 million credit limit specified under §50.6(d) includes Applications awarded under this policy combined with Applications awarded under the Competitive 2006 Application Round.

Exceptions to the QAP noted in this policy apply only to those Applications submitted under the Hurricane Rita Housing Tax Credit Policy and do not apply to Applications electing to be considered for the traditional 2006 9% Housing Tax Credit Round.

Appendix A
Order of Counties (In Descending Order)
for Prioritization for the Hurricane Rita Housing Tax Credit Round

County	Apartments		
	Destroyed	Major	Total
Jefferson	282	3,587	3,869
Orange	200	300	500
Angelina	0	25	25
Newton	0	18	18
Liberty	0	12	12
Polk	0	10	10
Sabine	1	5	6
Jasper	0	5	5
Chambers	0	4	4
Trinity	0	3	3
Cherokee	0	0	0
Hardin	0	0	0
Harris	0	0	0
Montgomery	0	0	0
Nacogdoches	0	0	0
San Augustine	0	0	0
San Jacinto	0	0	0
Shelby	0	0	0
Tyler	0	0	0
Totals	483	3,969	4,452

Source: Appendix B

Appendix B
Damages Due to Hurricane Rita as of December 20, 2005

County	Single Family Dwellings			Mobile Homes			Apartments		
	Destroyed	Major	Minor	Destroyed	Major	Minor	Destroyed	Major	Minor
Angelina	35	330	585	35	403	512	0	25	73
Chambers	7	134	167	15	66	70	0	4	4
Cherokee	0	0	15	0	0	10	0	0	0
Hardin	6,050	4,440	550	7,700	3,300	0	0	0	22
Harris	16	27	11,700	1	2	5	0	0	0
Jasper	33	534	515	63	176	168	0	5	9
Jefferson	1,001	7,256	24,961	992	718	1,216	282	3,587	1,479
Liberty	7	127	100	11	297	336	0	12	1
Montgomery	4	25	67	30	40	60	0	0	0
Nacogdoches	1	34	135	4	2	76	0	0	0
Newton	55	355	1,000	60	175	385	0	18	40
Orange	3,600	9,000	11,250	200	400	500	200	300	600
Polk	29	329	305	24	242	325	0	10	5
Sabine	20	94	408	40	250	482	1	5	0
San Augustine	0	5	100	0	5	10	0	0	0
San Jacinto	250	500	1,500	250	1,000	500	0	0	0
Shelby	0	3	20	0	3	6	0	0	0
Trinity	15	80	295	21	75	301	0	3	2
Tyler	150	375	459	131	450	650	0	0	0
Totals	11,273	23,648	54,132	9,577	7,604	5,612	483	3,969	2,235

Source: State of Texas, State Operations Center (SOC) Hurricane Rita Situation Report #41.

Notes: (1) The report is prepared by the Governor's Division of Emergency Management.

(2) Numbers are self-reported from a variety of sources