

City of McKinney

Low Income Housing Tax Credit (LIHTC) Program and Policies

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Agenda

- ▶ Low Income Housing Tax Credit (LIHTC) Program Overview
- ▶ Low Income Housing Tax Credits in McKinney
- ▶ McKinney Low Income Housing Tax Credit Policy

Low Income Housing Tax Credit (LIHTC)

9% and 4%

► What is a LIHTC?

- Tax credits are awarded to eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing. The value associated with the tax credits allows residences in HTC developments to be leased to qualified households at below market rate rents.
- Two types: 9% and 4%
 - 9% tax credits are competitive and will be received in January and will require a Resolution of Support from City Council by March 1, 2023 to move forward in the process
 - 4% tax credits are “non-competitive” and may be applied for at any time during the year but must apply for and receive an allocation from the state tax-exempt multifamily housing bond program.
- 4% tax credits = MHFC Co-development - receives 4% tax credits AND receives tax exemption from partnership. MHFC Corporation receives developer fee and cash flow from project which can be used to “further affordable housing”
- 9% require a Resolution of Support from City Council
- 4% require a Resolution of No Objection from City Council

What is “affordable” and who can afford it?

For a Family of Four (4):

- ▶ 30%: \$29,200 Personal care aides, fast food workers, housekeepers, childcare workers, teachers aides, manicurists
 - \$729 Monthly Housing Payment
- ▶ 50%: \$48,700: Maintenance workers, construction workers, machine operators, salespersons, administrative staff
 - \$1,217 Monthly Housing Payment
- ▶ 80%: \$77,900: Government employees, teachers
 - \$1,947 Monthly Housing Payment
- ▶ 100%: \$97,400: Healthcare professionals, legal
 - \$2,435 Monthly Housing Payment
- ▶ 120%: \$116,880: Computer and mathematical, architects, engineers
 - \$2,919 Monthly Housing Payment

Earnings reflect % of Average Median Income (AMI).

McKinney Multifamily Rents

FY2023 SMALL AREA FMRs FOR DALLAS, TX HUD METRO FMR
AREA

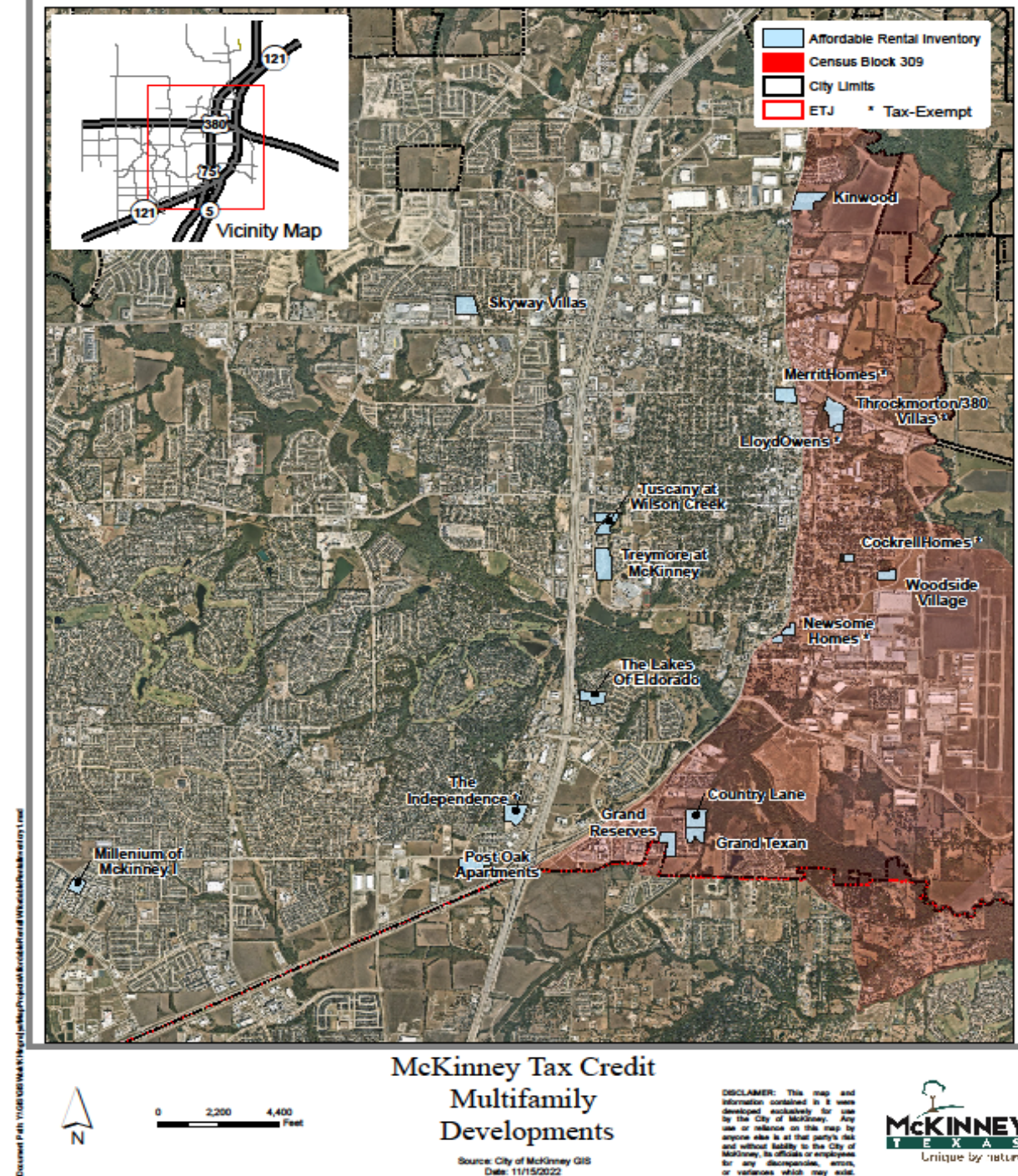
Dallas, TX HUD Metro FMR Area Advisory Small Area FMRs By Unit Bedrooms					
ZIP Code	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
75069	\$1,250	\$1,320	\$1,560	\$1,970	\$2,560
75070	\$1,560	\$1,640	\$1,940	\$2,440	\$3,190
75071	\$1,720	\$1,810	\$2,140	\$2,700	\$3,520
75072	\$1,480	\$1,560	\$1,840	\$2,320	\$3,020

Fair Market Rents: Effective 10/1/22 Department of Housing and Urban Development

Collin County Low-Income Tax Credit Housing Units

	Est. 1/1/2022 Population (NCTCOG)	# of LIHTC Units	# of LIHTC Units per capita	Tax Credit Units per Capita - Rank
Anna	20,980	593	1 for 35	1
Farmersville	4,290	85	1 for 50	2
McKinney	206,460	2,549	1 for 80	3
Melissa	18,030	175	1 for 103	4
Plano	290,850	1,918	1 for 151	5
Princeton	21,760	107	1 for 203	6
Frisco	217,470	404	1 for 538	7
Allen	104,870	94	1 for 1,116	8

McKinney LIHTC Property Map



Possible LIHTC Metrics



Case by Case

No Metric



Decrease

1/150 (Plano)



Maintain

1/80 (McKinney)



Grow

1/50 (Farmersville)

Council Direction Requested

LIHTC Policy

- ▶ Provides the administrative procedures by which the City will review Low Income Housing Tax Credit project resolutions
- ▶ Requires an application
- ▶ Requires an evaluation of different criteria
- ▶ Some non-substantive changes proposed to provide clarity.
- ▶ Two substantive changes for Council consideration.

Substantive Issue #1 – Zoning

Current Policy Language

Whether the development at the proposed location constitutes an approved land use under the City's zoning ordinance provisions and whether the development's proposed land use change, if applicable, at the proposed location, is consistent with the City's Comprehensive Plan and housing priorities.

Whether the applicant is in process of seeking the appropriate zoning from the City and has signed and provided to the City a release agreeing to hold the City and all other parties harmless in the event that the appropriate zoning is denied.

Current Practice

Zoning in place prior to resolution review.

Substantive Issue #1 - Zoning

Maintain
(Not Recommended)

Align Policy with
Practice

Amend policy language to
reflect requirement that
Zoning is in place first.

Align Practice with
Policy

Maintain policy language.
Implement use of hold
harmless for projects in
zoning process.

Council Direction Requested

Substantive Issue #2 -Income

Issue

Some properties use minimum income requirements to disqualify voucher applicants, even though voucher program would pay for rent. This has also been a challenge in finding Rapid Rehousing units.

Possible Policy Addition

Does developer pledge that development will not impose minimum income requirements on potential residents utilizing Housing Choice Vouchers, Tenant Based Rental Assistance voucher or other government funded rental assistance programs?

Council Direction Requested

Next Steps

- ▶ Revised LIHTC Policy language per direction on Council Regular Agenda for 12/6/22.