

2026 QAP DRAFT PUBLIC COMMENT SUMMARY

SUMMARY OF PUBLIC COMMENT. The public comment period was held September 19, 2025, to October 11, 2025, to receive stakeholders comment on the new proposed sections. Comment was received from **41** commenters as listed below:

(1) Auxano Development, (2) Betco Housing Lab, (3) Brinshore Development, (4) Charles Holcomb, (5) City of Austin, (6) City of San Antonio, (7) Coalition of Texans with Disabilities, (8) Coats Rose, (9) Daikin Comfort Technologies, (10), National Drowning Prevention Alliance, (11) Disability Rights Texas, (12) DMA, (13) Dominium, (14) Express Group, (15) Fort Worth Housing Solutions, (16) Representative Gary Gates, (17) Generation Housing Partners, (18) Gyani Capital, (19) Hearthly, (20) Hoke Development Services, (21) Houston Housing Authority, (22) Inclusive Communities Project, (23) Institute of RE Management, (24) ITEX, (25) JES Holdings, (26) Knight Development, (27) Lakewood Property Management, (28) Lonestar Development Partners, (29) National Church Residences, (30) Palladium USA, (31) Pivotal, (32) Purple Martin Real Estate, (33) Rural Rental Housing Association, (34) Strategic HFC, (35) Structure Development, (36) Texas Affiliation of Affordable Housing Providers, (37) Texas Association of Local Housing Finance Agencies, (38) Texas Homeless Network, (39) Texas Housers, (40) Texas Water Safety Coalition, and (41) Safe Kids Austin.

It should be noted that in the interest of brevity, some of the more extensive comments received have been summarized significantly; however, copies of all comments received have the commenter's number denoted, and are all available on the Department Website.

§11.5(3)(F) - At-Risk Set-Aside

COMMENT SUMMARY:

Commenter 8 is concerned that the new At-Risk language related to the definition of nearing expiration is too restrictive and should be limited only to Section 42 requirements. They suggest removing the insertion regarding the Department's rules since this does not affect/shorten the Affordability Period for the Development.

Commenter 26 recommends TDHCA should explicitly list RAD and Section 18 conversions under the At-Risk Set-Aside for 9% deals.

STAFF RESPONSE:

Staff appreciates Commenter 8's concerns about the adjustments to language and how this may be more restrictive to developments. Staff believes that this proposed language clarifies the intention of the existing rule

Staff appreciates Commenter 26's suggestion to allow units with RAD and Section 18 funding to be eligible for the At-Risk Set-Aside for 9% deals. Staff was not able to make this change as State statute dictates what type of subsidy qualifies an At-Risk Development.

§11.6(d)(126)(B)(vi) Definition of Supportive Housing

COMMENT SUMMARY:

Commenter 39 suggests removing the language regarding prior eviction history and sex offender registration as part of the Tenant Selection Criteria. Commenter 39 believes this is a detriment to potential tenants who are applying to live in Supportive Housing developments and that the language should better mirror federal and state rules on lookback periods.

STAFF RESPONSE:

Staff appreciates Commenter 39's concerns regarding the possible effects of this item. The rule in question was originally introduced to bring clarity and consistency to tenant screening criteria imposed by Supportive Housing developments. Staff does not recommend making adjustments to the definition at this stage in the 2026 QAP Development process without additional research and discussion with the relevant stakeholders. Staff encourages Commenter 39 to introduce this concept during the 2027 QAP development process.

§11.6(3)(C)(iii) Competitive HTC Allocation Process

COMMENT SUMMARY:

Commenter 2 supports the removal of the 50% limitation of Rehabilitation and Reconstruction developments in each Subregion.

STAFF RESPONSE:

Staff appreciates the support from Commenter 2 for removing the 50% limitation of Rehabilitation and Reconstruction developments in all Subregions.

§11.6(6) Credit Returns Due to Unforeseen Short-term Delays.

COMMENT SUMMARY:

Commenter 39 proposes to make financial statements and underwriting reports publicly available when a development uses this rule in order to improve transparency.

Commenter 8 supports the refining of these criteria since originally drafted but suggests additional adjustments to the language should be made. Suggested language is provided that refines the requirement for the development owner to be properly insured, given there would be no such insurance prior to construction and closing. Additionally, Commenter 8 is concerned that the requirement of this rule that it can only be used once is problematic for the affordable housing industry given the varying circumstances that may cause delay at any time. Commenter 8 suggests removing subsection (G) of the language in response.

Commenter 2 requests clarification between the distinction of “existing deadline” and “original deadline” in this paragraph.

STAFF RESPONSE:

Staff appreciates Commenter 39’s interest in enhancing transparency regarding Force Majeure requests. Staff does not find it necessary to underwrite each request, as they typically involve only a time extension with no material changes to the deal. In cases where significant changes are proposed, a material amendment is processed, and a new underwriting report is published to the Department website.

Staff acknowledges Commenter 8’s concerns regarding the insurance requirement but does not believe a change is warranted in response. The term “properly insured” may vary in meaning depending on the stage of development. If no insurance coverage is required at a particular stage, the development would be considered “properly insured” for that point in time. Regarding subsection (G), staff maintains that the limitation remains appropriate, as there is no restriction on requesting Board approval for an additional extension if circumstances warrant it.

Regarding Commenter 2, staff concurs that clarification is needed and has made a responsive change to consistently use “original deadline” in the paragraph.

§ 11.7 Tie Breaker Factors

COMMENT SUMMARY:

Commenters 1, 24, 31, 35 recommend giving applicants the ability to use a single plot of land with multiple amenities for this tie breaker as they believe this follows the intent of the tie breaker item. Commenter 24 speaks to the fact that some campuses have amenities that are co-located with schools and because of the way the rule is written, only one amenity on the site can be counted. Commenters 24, 31, 35 do not believe this goes along with the intent of Tie Breaker as it prevents some amenities from being counted.

Commenter 32 supports the continued prohibition of using a school campus facility as a park.

Commenter 6 supports expanding the second Tie Breaker proximity beyond just elementary schools.

Commenters 11 and 39 believe there should be a Tie Breaker that incentivizes the lowest income units, which are of the highest need in the state. Commenter 11 supports a suggestion by Commenter 39 regarding a proposed Tie Breaker that prioritizes more affordable units over efficient use of tax credits. Commenter 39 has provided suggested language and further explanation on how the potential Tie Breaker could function.

Commenters 14, 15, 17, 32 believe the refined language regarding a public announcement regarding school closure would be too administratively difficult for staff to administer. Commenters 14, 15, 17, 32 suggest that this item should be based on the school being in operation as of the Application Acceptance Period.

STAFF RESPONSE:

Staff appreciates Commenters 6 and 32 for their support on the revisions related to the schools and parks aspects of the Tie Breaker.

Staff appreciates the suggestion by Commenters 1, 24, 31, 35 to allow a single plot of land with multiple amenities to count as separate items in this Tie Breaker. Adjustments have been made to the QAP in response to these comments.

Staff appreciates hearing from Commenters 11 and 39 and thanks them for proposing an alternative method to determine Tie Breaks. Staff recognizes the importance of incentivizing and increasing the number of 30% units in the program, as they are the most in-demand in the state. Given that there have been several adjustments to the existing language, including adding a new level to the Tie Breaker, staff does not recommend additional significant change to this rule immediately preceding adoption.

Staff appreciates the concern from Commenter 14, 15, 17, and 32's regarding potential administrative difficulties in reviewing the public announcement requirement but believes that this item is acceptable as is and can be revised in the 2027 QAP development process if needed.

§ 11.7(3) Tie Breaker Factors – Housing Tax Credit Per Low Income Unit

COMMENT SUMMARY:

Commenters 2 and 33 believe this additional Tie Breaker would create a “race to the bottom” and would not be good for residents, developers, or stakeholders. Commenter 2 speaks to this provision being something that has already been tried and did not provide the desired result. Commenter 2 suggests that if this Tie Breaker cannot be removed, it should be made the final Tie Breaker. Commenter 33 believes that while this item has good intentions, it may lead to lower construction quality and a diminished impact for the community.

Commenter 14, 15, 17, 32 supports the placement of this new Tie Breaker behind the community amenities Tie Breaker.

Commenter 14, 15, 17, 32, 33 is worried that with this new Tie Breaker, applicants will not be as informed to make business decisions on whether to pursue a project. Additionally, this Tie Breaker incentivizes applicants to limit the amount of tax credits requested, which would create issues given the difficult economic environment. Commenters 14, 15, 17, 32, 33 request for this Tie Breaker option to be removed and an alternative be developed in future years.

STAFF RESPONSE:

Staff appreciates Commenter 14, 15, 17 and 32 for their support of the placement of this new Tie Breaker behind the amenities Tie Breaker.

Staff recognizes the risks noted by Comments 2, 14, 15, 17, 32, and 33 regarding the potential for the policy to incentivize developments to request fewer Tax Credits than may be needed; however, staff believes the policy advances a Department priority to promote the efficient use of public resources and does not anticipate that it will result in lower-quality construction.

Regarding the concern from Commenters 14, 15, 17, 32, and 33 that this tie breaker will lead to less informed business decisions, staff is sympathetic but emphasizes that since this not a first priority Tie Breaker it will not be pertinent in determining the competitiveness of many Applications.

§11.9(a)(3) Competitive HTC Selection Criteria.

COMMENT SUMMARY:

Commenter 2 appreciates staff's clarification of this circumstance as it has become more common.

STAFF RESPONSE:

Staff appreciates Commenter 2's support of this item.

§11.9(b)(2) Sponsor Characteristics

COMMENT SUMMARY:

Commenter 2 suggests a cleanup to the language given one of the items is not properly referenced in the first part of the subsection.

Commenter 16 supports the inclusion of Item (D) as it reserves points that are intended to incentivize Developments that do not use property tax exemptions; however, Commenter 16 opposes the inclusion of Item (E) which gives a point advantage to housing authorities and their instrumentalities over other projects that use a second layer of public subsidy. Commenter 16 believes that receiving this second layer of subsidy should come along with increased benefit so that the return to the community is clear and measurable.

Commenters 5, 14, 15, 17, and 32 though request that the Item (E) be expended to include Housing Finance Corporations in addition to Housing Authorities.

Commenters 34 and 39 are confused by the section as it appears some public entities can be awarded these points while others are restricted. Commenter 34 says that this change disincentives partnerships with entities that have been reformed by the legislature, even though reforms were done to increase the public benefit of Housing Finance Corporation (HFC) partnerships. Commenter 34 recommends that the Department revisit this subsection to include entities that have been reformed by recent legislation in the 89th legislature.

Commenters 16 and 39 agree with the Board's concerns regarding the level of benefit that is delivered from Tax-Exempt partnerships. Commenters 16 and 39 recommend that this section should be rewritten to make points available to all types of Tax-exempt partnerships, but only if they provide additional benefits in exchange for accessing both tax credits and tax exemption.

Commenters 16 and 39 have separately provided language to this extent. Commenters 16 and 39 believe their suggested language will assist in incentivizing applicants to pay property taxes while also providing more benefits to the residents.

Commenter 1 states that the new HUB language could disadvantage some third-party independent HUBs that are building capacity to become primary developers or applicants. Commenter 1 suggests excluding related parties and contracted consultants would be a good step forward to get what the agency aims for.

Commenter 5 appreciates the changes to the section that allow for HUBs to be either General Partner or Special Limited Partner, a change that better facilitates with Housing Finance Corporations.

Commenters 14, 15, 17, and 32 believe this newly added subsection should be deleted as they believe the tax credit development industry benefits from experienced sponsors. Commenters 14, 15, 17, and 32 believe that with the removal of previously required experience metrics, the agency should better establish programs to partner experienced individuals with newer individuals. Commenters 14, 15, 17, and 32 suggest that the HUB scoring option should not exclude those HUBs with significant experience in the tax credit program.

Commenter 19 believes that no change should be made to the HUB section in Sponsor Characteristics as it still meets the standards of the State of Texas.

Commenter 27 requests clarification on whether this includes developments where the Applicant's control has ended. Commenter 27 has provided language to this extent that clarifies that developments listed on the Previous Participation Form should not include those where the Control has ended.

STAFF RESPONSE:

In response to a recent announcement from the Texas Comptroller of Public Accounts that new HUB certificates are not being issued currently, staff has removed the scoring item for HUBs from the QAP, as the item is not currently practical for applicant participation or Department administration. Staff appreciates all stakeholder input that was received on this item.

Staff appreciates Commenter 2's recommendation to address language in this section so that the section reads as intended, and has made a responsive change to this section of the proposed Rule.

Staff appreciates Commenter 16's support of this addition to allow Sponsor Characteristic points to be scored based on a project paying ad valorem taxes to the local taxing jurisdiction.

Staff acknowledges Commenter 5, 14, 15, 17, and 32's request to expand item (E) to also include Housing Finance Corporations in addition to Housing Authorities. Additionally, Commenter's 34 and 39 support including entities that have been reformed in the 89th legislature. Staff has made a response change to this request to include Housing Finance Corporations in the section.

Staff appreciates Commenter 16 and 39's suggestion to allow developments to receive Tax Credits and additional public subsidy only if they provide additional benefit to residents. Staff believes that the discussion around these additional benefits is warranted and would suggest bringing these ideas up during the 2027 Roundtable discussions.

§11.9(b)(3) Quantity of Low-Income Units

COMMENT SUMMARY:

Commenters 2 and 32 support the removal of this scoring item.

STAFF RESPONSE:

Staff appreciates Commenters 2 and 32 support for removing Quantity of Low-Income Units scoring item.

§11.9(c)(4) Residents with Special Housing Needs – 811 PRA Program

COMMENT SUMMARY:

Commenter 33 has serious concerns regarding this section of the QAP as it has caused many difficulties for Rural Applicants. Commenter 33 requests USDA and At-Risk be exempt from these points since the developments compete statewide.

Commenter 30 speaks to issues related to timing, lack of support for residents completing required forms, and general confusion among applicants and residents. Commenter 30 explains that this causes difficulties for their management teams in complying with all rules and regulations around this item, and believes the program has intrinsic issues that need to be addressed before developments participate in this program.

STAFF RESPONSE:

Staff acknowledges the concerns from Commenters 30 and 33 regarding the difficulties of working with 811 PRA funding. Staff recognizes these issues and has made additions to the rule that allow for flexibility in the resolution of issues that come up when working with the 811 Program. Despite the complexities of the program, Staff believes the scoring item serves a key Department goal and has retained it in the draft proposed Rule.

§11.9©(4)(C) Residents with Special Housing Needs - Continuum of Care

COMMENT SUMMARY:

Commenters 7, 11, 38, and 39 oppose the proposed reduction of the initial Continuum of Care (CoC) hold period in both urban and rural subregions as it would significantly hinder efforts to connect homeless Texans with stable affordable housing. Commenters 7, 11, 38, and 39 say that these hold periods are in place to provide the necessary timeframes so that eligible residents can be identified and assisted towards long-term housing stability.

Commenter 11 suggests that the agency should encourage developers to work more closely with their CoC to effectively market these units. Commenter 7 echoes all the recommendations provided by Commenter 11.

Commenter 38 suggests willingness to enter into formal partnerships with tax credit developers to coordinate this process.

Commenter 39 suggests that the shortcomings from this effort are more to do with shortcomings in coordination between property owners, the agency, and service providers. Commenter 39 believes the current hold periods should be maintained, and that the agency should take more of a connector role between developers and the Continuum of Care infrastructure. Commenter 39 suggests that the agency should more precisely update the Vacancy Clearinghouse so that it is clearer when and where these units are available so that service providers can connect the right people to the right type of unit.

Commenters 19 and 33 support reducing the hold period requirement but believe for USDA and At-Risk Developments should be exempt from the points. If not exempted in the final rule, Commenters 19 and 33 suggest requiring Continuum of Care providers to disclose all areas they cover in the Application materials. Commenter 33 also notes the difficulty of finding residents for these units, as potential residents may not live near the housing.

STAFF RESPONSE:

Staff appreciates the engagement around this issue regarding how this process can be improved to best serve tenants. Staff encourages a more open communication from all stakeholders regarding the proper coordination that should happen to connect individuals with these housing units. Staff recommends this item be brought up for further discussion during the 2027 QAP Roundtable discussions. Staff also intends to post additional resources on our website with the 2026 Application to assist in this process.

Staff is sympathetic to Commenter 7, 11, 38, and 39's opposition to reducing the initial Continuum of Care (CoC) hold period, but believes this change is necessary to better balance availability of CoC units with the feasibility of Developments as they place into service.

Staff appreciates Commenter 38 for their willingness to enter into partnerships with tax credit developers to help facilitate this process.

Staff appreciates Commenter 19 and 33's suggestion to make USDA and At-Risk Developments exempt from this item. Staff believes these hold periods are valuable, regardless of what part of the state a Development is located in. Staff has committed to providing additional resources to our website to assist in this process.

§11.9(c)(7) Competitive HTC Selection Criteria – Proximity to Jobs

COMMENT SUMMARY:

Commenter 6 opposes the expansion of the radius for this item as this would negate the intent of the scoring item. Commenter 6 believes that restricting the radius is more beneficial to residents as it would represent a more realistic distance families would travel to access such amenities.

Commenter 32 suggests clean-up language regarding a deadline for the data used under this subsection.

STAFF RESPONSE:

Staff appreciates Commenter 32's suggestion to address an inconsistent deadline for data under Proximity to Jobs. Staff has made a responsive change.

Staff appreciates Commenter 6's comment regarding the appropriate radius for providing the best service to residents, and encourages further discussion and data development regarding this item up during the 2027 QAP Roundtable discussions. No change was made to this aspect of the proposed Rule.

§11.9(d)(4) Quantifiable Community Participation

COMMENT SUMMARY:

Commenter 39 suggests that tenants living in existing HTC properties should be notified of any actions regarding the properties in which they reside. Commenter 39 suggests that new language should be added to specifically allow tenant organizations to be Neighborhood Organizations. This language would also include a provision that tenant organizations that consist primarily of residents of the property should be exempt from needing to be on record with the Secretary of State's office.

STAFF RESPONSE:

Staff appreciates Commenter 39's suggestion to include Tenant Organizations as Neighborhood Organizations. Since this comment is regarding a section that has not been adjusted yet this year, we suggest bringing this concept up at the 2027 QAP Roundtables.

§11.9(d)(7) Concerted Revitalization Plan or Opportunity Zone

COMMENT SUMMARY:

Commenters 2, 19, 32, 33, and 36 all support the addition of Opportunity Zones as a new 7-point scoring item alongside the Concerted Revitalization Plan.

Commenters 11, 22, and 39 oppose the inclusion of Opportunity Zones within the 2026 QAP. Commenters 22 and 39 strongly opposes the way Opportunity Zones have been introduced within the 2026 QAP, specifically as a 7-point alternative to Concerted Revitalization Plans. Commenters 22 and 39 states that Opportunity Zones should not be equivalent to a Concerted Revitalization Plan, as Opportunity Zones lack local participation from municipalities.

STAFF RESPONSE:

Staff appreciates the support from Commenters 2, 19, 32, 33, and 36 for adding Opportunity Zones as a new 7- point scoring item as an alternative for Concerted Revitalization Plans.

Staff acknowledges the opposition of Commenters 11 and 22 to including Opportunity Zones as a new alternative scoring item for Concerted Revitalization Plans. Staff believes this is an

appropriate new point item, as Opportunity Zones were specifically selected by the Governor as areas of the state where additional investment is encouraged.

§11.9(e) Funding Request Amount

COMMENT SUMMARY:

Commenter 32 supports and appreciates the deletion of this scoring item.

STAFF RESPONSE:

Staff appreciates the support from Commenter 32 for removing the Funding Request Amount scoring item.

§11.9(e)(8) Readiness to Proceed

COMMENT SUMMARY:

Commenter 30 recommends that staff reevaluate the criteria for deciding whether a project is “ready to proceed”. Commenter 30 does not believe the purchase of the land should be the indicator used for making this determination, as it does not indicate whether the project will close sooner. Commenter 30 believes that this process creates tremendous risk for developers to take down land prior to closing, yet this risk is not shared evenly among all regions due to varying land costs. Commenter 30 also expresses timing issues with environmental clearance timelines. Commenter 30 suggests that the submission of building permits and financing applications should be sufficient to demonstrate readiness to proceed.

STAFF RESPONSE: While staff acknowledges Commenter 30’s concerns regarding risk and the uneven cost of land among subregions, financing applications do not appear to be an equivalent development milestone to a land purchase and thus would not be an appropriate substitute. Staff recommends no change.

§11.9(e)(4) Leveraging of Private, State, and Federal Resources

COMMENT SUMMARY: Commenter 26 recommends allowing Federal Home Loan Bank's Affordable Housing Program (FHLB AHP) to qualify for leveraging points in scoring and financial feasibility analysis.

STAFF RESPONSE: Staff acknowledges the recommendation to include FHLB AHP funding as qualifying source for the point item; however Staff believes it would be too late to include additional ideas before the upcoming 9% Cycle. Regarding feasibility analysis, staff will consider such funding appropriately in the underwriting process.

§11.9(e)(6)(B) Historic Preservation

COMMENT SUMMARY:

Commenter 2 requests clarification on the changes to this item related to syndications of historic transactions. Commenter 2 specifies that if this rule were to look at prior transactions, that 2003 awards would be the last year developments would be eligible for syndication. Commenter 2 says that rules for this topic were under a different section and eligible for a higher number of points at the time in the 2003 QAP.

STAFF RESPONSE:

Staff appreciates Commenter 2 for bringing up this issue regarding historic transactions. Staff has made a responsive change to this section for clarity.

§11.101 Site and Development Requirements and Restrictions

COMMENT SUMMARY:

Commenter 9 urges TDHCA to update the metrics and values from the Department of Energy conservation standards for air conditioners and heat pumps. Commenter 9 provided a table with recommended revisions to reflect current market values.

Commenter 23 recommends that the agency includes IREM Certified Sustainable Property (CSP) certification to the section. Commenter 23 describes this certification as ensuring critical sustainability strategies and included in multifamily properties. Commenter 23 has provided

language to this extent and supplied resources and explanations on the various features of this certification.

STAFF RESPONSE:

Staff appreciates the recommendations and data provided by Commenter 9 regarding energy conservation standards and the recommendations from Commenter 23 to include IREM Certified Sustainable Property within the QAP. Staff has made changes to in response to the updates made by the Department of Energy to Seasonal Energy Efficiency Ratio (SEER) ratings. Regarding the other proposed changes, Staff recommends that both commenters participate in the 2027 QAP Roundtables and bring these items up for discussion. Staff also encourages Commenters 9 and 23 to present these suggestions, and any other potentially outdated requirements—earlier in the 2027 development process so proper consideration and collection of data can be given to potential changes.

§11.101(a)(3) Neighborhood Risk Factors

COMMENT SUMMARY:

Commenter 24 suggests there should be a revision to the exemption language, so it better aligns with the Department's stated policy goal of preserving both federally assisted and state-regulated affordable housing. Commenter 24 states that the current conjunction of "and" in the language excludes legitimate preservation projects, such as HUD-insured properties, that are not HUD-Assisted.

Commenter 24 does not support the use of NeighborhoodScout.com as a violent crime indicator. Commenter 24 states using data from NeighborhoodScout.com eliminates flexibility to use local law-enforcement or grid-level datasets. Commenter 24 also recommends mitigation credit should be available for developments incorporating CPTED design, dedicated security funding, and/or documented off-duty patrol agreements.

Commenter 35 requests changing the language for rehabilitation development's exemption for high violent crime Neighborhood Risk Factors. Commenter 35 states the requested lineage change would allow deals with existing federal assistance and existing LURAs would be exempt from the violent crime NRF.

Commenter 39 acknowledges the removal of TEA School Ratings in the QAP due to SB 2137 and looks forward to seeing the results of the required study from TDHCA regarding the removal of

TEA School Ratings. Commenter 39 hopes that schools remain a priority within the QAP after SB 2137 is not in effect.

STAFF RESPONSE:

Staff does not recommend making changes in response to Commenter 24's concerns with the conjunction 'and.' Staff recommends that the commenter address this matter at future roundtable discussions so that the full impact of this change can be considered by stakeholders.

Staff acknowledges Commenter 24's opposition to using NeighborhoodScout.com as a violent crime indicator. If a Development Site triggers the violent crime NRF threshold, Applicants are allowed to provide local police beat data as mitigation, and this is stated in §11.101(a)(3)(E)(ii) of the QAP.

Staff appreciates Commenter 35's request to provide clarifying language regarding rehabilitation exemptions for high violent crime. Staff believes the current language is sufficient for allowing deals with existing federal assistance and LURAs to be exempt from violent crime NRFs.

Staff recognizes Commenter 39's request to have schools remain a priority within the QAP after SB 2137 is not in effect.

§10 TAC 11.101(a)(7)(C)(vii) - Eviction Protection Program

COMMENT SUMMARY:

Commenter 11 raises the issue of residents who rely on social security and veteran's benefits typically not receiving their payments on the first of the month and therefore are often late on rent due to circumstances outside of their control. Commenter 11 requests this item contain reasonable accommodations for those receiving certain benefits to ensure that these residents are not being charged late fees.

Commenter 39 supported the inclusion of this item in the 2025 rule but has identified several areas of improvement and clarifications for this scoring item. Commenter 39 has provided language to this extent, including but not limited to forbidding rent increases for an amount of time, capping late fees, establishing case manager standards that assists tenants in handling their concerns.

STAFF RESPONSE:

Staff appreciates Commenter 11's recognition of residents who rely on social security and veteran's benefits. Staff also appreciates Commenter 39's suggestion to add language to this section to further the impact of this point item. Staff desires to see how this item works in practice before making any changes to it given that it is new enough and most likely has not been able to be placed-in-service yet. We recommend that the commenters continue this conversation into the coming years of QAP development.

§11.101(b)(1)(A)(viii) Site and Development Requirements – General Ineligibility Requirements – Minimum Age for Rehabilitation

COMMENT SUMMARY:

Commenters 6 and 8 appreciate that this item will only apply to the 9% program but does not support making developments younger than 20 years ineligible as it will delay financing that is often critical for maintaining safe and quality housing. Commenter 6 warns this could cause properties to be sold outside of the program if they become too costly to maintain or increase the cost of delayed maintenance that would be needed to bring the property up to standard at year 20. Commenter 6 suggests the Department should only apply this standard for new developments entering for the first time but not require this for existing properties who followed the assumption of new tax credits partway through the extended affordability period. Commenter 8 requests that this provision should be eliminated entirely.

Commenter 18 shares concerns that post postponing syndication beyond Year 20 may create unintended consequences for residents, investors, and physical assets. Commenter 18 recommends that TDHCA revert back to a Year 15 eligibility for syndication, as well as adopt a condition-based criteria rather than a fixed time thresholds to determine readiness for new credits.

Commenter 39 strongly supports a proposal to make applications involving existing HTC properties that placed in service in 2006 or later ineligible.

STAFF RESPONSE:

Staff appreciates Commenter 39 for their support on this item. Additionally, staff appreciates Commenter 6 and 8 for their support on this item only applying for the 9% program.

Staff recognizes the concerns of Commenters 6, 8, and 18 regarding the impacts of delayed financing on projects less than 20 years old. Additionally, Staff appreciates Commenter 6's suggestion to apply this only to first-time properties and not to existing ones. Staff believes that

introducing this item is a necessary change to appropriately balance the use of limited Competitive Housing Tax Credits between preservation projects and new construction. Staff recommends no change.

Staff appreciates hearing Commenter 18's concerns and for providing the suggestion to adopt some sort of condition-based criteria for determining readiness for new credits. Staff encourages any suggestions regarding this topic and recommends bringing these concerns up during the 2027 Roundtable discussions.

§11.101(b)(1)(A)(x) Site and Development Requirements – General Ineligibility Requirements - Minimum Score

COMMENT SUMMARY:

Commenters 1, 18, 19, 31, 33, 35, and 36 request that this minimum score threshold be lowered to 120-130 points instead of 150, as the proposed higher threshold would hurt otherwise viable projects. Commenters 14, 15, 17, 18, 31, 32, 33, and 36 recommend a 120 minimum score citing that this is 74% of the average over the past two tax credit cycles. Commenters 14, 17, 18, and 32 believe that a development that still meets more than 70% of the Department's benchmarks will still provide significant benefit to the region. Commenter 18 believes this would significantly hinder the production of Rural housing projects and does not allow for equity across subregions. Commenter 19 believes a lower minimum score would help make project viable in challenging subregions.

Commenters 2, 33, and 35 understand that it is important to establish other minimum and threshold items in the QAP but is concerned that establishing a minimum score would result in overprescribing a program that is already complex, especially for rural subregions. Commenters 2, 33, and 36 suggest that this could impede affordable housing in areas that may not receive tax credits otherwise.

Commenter 20 believes this minimum score item should be removed or should be closer to 100 points if it remains.

Commenter 29 believes the minimum score for At-Risk deals should be lowered by an equal number of points not available to those applications. Commenter 29 believes a minimum score of 160 is too high and would exclude projects that should otherwise be feasible. Commenters 31 and 35 believe a minimum score of 120 would help deals in the At-Risk Set-Aside remain feasible and competitive. Commenter 33 believes this will hurt some USDA Applications that are in areas of that state that generally do not score well and that a minimum score of 120 is appropriate.

Comment 39 recommends that staff reinstate the proposed language under §11.101(b)(1)(A)(x) in the prior version of the Draft published for the September 4, 2025, Governing Board meeting, in order to render ineligible for tax credit awards any applications that receive no points under §11.9(c)(1) and (2)."

STAFF RESPONSE:

Staff acknowledges Commenters 1, 3, 14, 15, 17, 18, 19, 29, 31, 32, 33, 35, and 36 request to lower the minimum score threshold from 160 to 120. Staff has made a responsive change in response to the comments received.

Staff acknowledges Commenters 2, 33, and 35 concerns regarding the new minimum score threshold item.

Staff acknowledges Commenter 20's request to remove the minimum scoring threshold or the make the minimum score 100 points. Staff will make a responsive change to make the minimum score 120 as opposed to 150 listed in the 2027 QAP Draft.

Staff acknowledges Commenter 39's recommendation to reinstate the proposed language in the staff draft for §11.101(b)(1)(A)(x). Staff believes that the new minimum score threshold is a comparable requirement to the language in the staff draft for §11.101(b)(1)(A)(x). Staff will monitor the impact of the new minimum score threshold in the upcoming 9% cycle, but for the moment recommends no change.

11.101 (b)(1)(A)(viii-xi) Ineligible Developments - Per-Unit Cost Cap

COMMENT SUMMARY:

Commenter 36 supports keeping the \$500,000 per unit cap to prevent excessive costs but recommends allowing waivers for projects with clearly documented, extraordinary cost factors like historic rehab or infrastructure needs.

STAFF RESPONSE:

Staff appreciates Commenter 36's support of the cap. Staff acknowledges that some projects have unique cost factors, but does not believe a change to the item is necessary as Applicants may request a waiver of the rule as written if these circumstances arise.

§11.101(b)(3)(C) Site and Development Requirements – General Ineligibility Requirements - Rehabilitation Costs

COMMENT SUMMARY:

Commenter 28 expresses concern regarding the proposed increase in the minimum rehabilitation cost from \$30,000 to \$35,000 per unit under Building Costs and Site Work. Commenter 28 believes this is a substantial increase that will unnecessarily inflate the tax credit request, particularly for those projects built on or after 2000. Commenter 28 recommends the \$30,000 minimum cap remain in place for developments built on or after 2000.

Commenter 39 supports the new minimum per unit spending of building work and site costs for rehabilitation projects. Commenter 39 believes these items should help address properties with poor conditions as a result of poor management seeking resyndication and sets a stronger baseline investment in rehabilitation.

STAFF RESPONSE:

Staff acknowledges the concerns from Commenter 28 regarding the increase in the minimum rehabilitation cost per unit. Staff notes that it has been several years since this threshold was last updated, and during that time, inflation has occurred. While staff understands that the change may increase the cost of conducting rehabilitation work, staff also recognizes the benefit of requiring additional capital to better address properties that may be in poor condition.

Staff appreciates Commenter 39 for their support on this item.

§11.101(b)(4) - Mandatory Development Amenities

COMMENT SUMMARY:

Commenter 4 believes that if washers and dryers are installed in each unit, then there should be no reason to provide a central laundry area.

STAFF RESPONSE:

Staff acknowledges Commenter 4's request that if washers and dryers are installed in every unit, then no laundry area should be provided. Staff will need further information and data regarding this issue in order to respond appropriately and incorporate into the QAP. No change is recommended at this time.

§11.101(b)(5) & (6) Site and Development Requirements – Common Amenities & Unit Requirements

COMMENT SUMMARY:

Commenter 39 strongly supports both additions to this section related a new point item for transit stop seating and extended hours for use of swimming pools. Additionally, Commenter 39 supports the proposed changes to Unit Requirements that remove the automatic 5-point base score for rehabilitation developments with new construction. Commenter 39 believes that TDHCA should remove or amend unit requirements as to not incentivize bar seating units for elderly population units and should incentivize properties to provide generator-powered refrigerators to keep medicine cold during emergencies. Commenter 39 urges TDHCA to continue seeking out tenant feedback on rules and policies that impact their lives and look forward to future opportunities for community input and collaboration.

STAFF RESPONSE:

Staff appreciates the support from Commenter 39 on adding the new point item for transit stop seating and extended hours for swimming pools. Staff also appreciates Commenter 39's support for the changes under Unit Requirements that remove the automatic 5-point base score for rehabilitation developments with new construction. Staff acknowledges Commenter 39's statement on tenant feedback on rules and policies related to the QAP.

§11.101(b)(5) Site and Development Requirements – Common Amenities – Health Fitness

COMMENT SUMMARY:

Commenters 10, 40, and 41 recommend the inclusion of a point item related to the implementation of the most up to date pool safety standards. Commenters 10, 40, and 42 have provided language and resources to this extent.

STAFF RESPONSE:

Staff appreciates Commenters 10, 40, and 41 recommendations on developing a scoring item for swimming pool safety in developments. The water safety features listed from Commenters 10,

40, and 41 appear to already be required under various laws and statutes for swimming pools on multifamily developments. Staff believes there is no need to replicate the rule within the QAP, but requests that the Commenters in question continue to provide suggestions in future QAP development cycles that may result in enhanced pool safety.

§11.101(b)(5)(C)(iv)(XVI) Common Amenities - Design/Landscaping Amenities

COMMENT SUMMARY:

Commenters 19 and 33 recommend that staff also include a School Bus Stop in the language for the new point item related to a covered waiting area for public transportation.

STAFF RESPONSE:

Staff appreciates Commenters 19 and 33 recommendations to include school bus stops under the new point item for public transportation waiting areas. Staff has made a responsive change.

§11.101(b)(7) Site and Development Requirements – Resident Supportive Services

COMMENT SUMMARY:

Commenters 19 and 33 would like The Department to add a few items back to the list that were available under prior rules and very valuable to small rural areas where services are difficult to come by. Commenters 19 and 33 suggest options include Resident assisted business services, quarterly health and nutrition programs, and arts, crafts and other recreational and social events. Commenter 19 and 33 have provided language to this extent.

Commenter 39 states that they conducted research among low-income tenants and found out that a major issue was the provision and availability of amenities. Commenter 39 says that tenants have signed leases expected certain amenities to end up being told that those amenities were switched out for other items without the tenant's knowledge. Commenter 39 says that tenants should be notified when amenities change because tenants often move to housing for certain amenities.

Commented 11 states that some residents move into Developments to have access to certain amenities but subsequently find out they were swapped out for a different option. Commenter 11 has provided suggested language which maintains developer's ability to switch amenities

being offered at the property but requires notification of tenants prior to the changes of these services and that the services replaced are of the same point value.

STAFF RESPONSE:

Staff appreciates Commenters 19 and 33 suggestions to add back items to Resident Supportive Services. Staff believes it would be too late to include additional scoring options before the upcoming 9% Cycle.

Staff acknowledges Commenter 39's study on tenants and the issue of amenity availability and recommends that Commenter 39 bring up this topic during the comment period for 10 TAC §10, the Compliance Monitoring Rule. Staff also appreciates hearing the concerns of Commenter 11 regarding the amenities tenants expect and how this rule works in practice, and likewise recommends that this issue be brought forward for further discussion during the comment period for 10 TAC §10, the Compliance Monitoring Rule.

§11.202(1)(O) Ineligible Applicants and Applications – Repeated Return and Reallocation of Credits

COMMENT SUMMARY:

Comment 12 opposes this new rule as the use of the Force Majeure rule has been critical for developers in the 9% round in the past 3 years due to labor and material shortages, rising interest rates, and decreased equity pricing. Commenter 12 explains that developers need more time to complete projects in this environment and that the retroactive nature of this rule will hurt developers who went through these difficult situations. Commenter 12 recommends this rule be removed. If the item cannot be removed, Commenter 12 requests that this item be contingent upon receiving a certificate of substantial completion by the July date.

Commenter 25 believes this item should be revised to read as “started construction” rather than “placed in service”. Commenter 25 believes projects under construction meet the intent of this provision. Commenter 25 believes the consequence of sitting out until remaining projects are placed in service is unproductive for both the development community and the State of Texas as they pursue affordable housing goals..

STAFF RESPONSE:

Staff acknowledges the concerns of Commenters 12 and 25 regarding the proposed rule and the challenges developments have faced in recent years; however, Staff believes this is an important addition to ensure that all applicants have the capacity to take on additional new Developments. Staff acknowledges the recommendations from each Commenter regarding the potential triggering events in the rule and recommends bringing these suggestions up for discussion during the 2027 Roundtables.

§11.203 Public Notifications

COMMENT SUMMARY:

Commenter 39 recommends that staff update this section to increase transparency with tenants and support tenant engagement. Language suggestions include defying tenant organizations, clarifying when and for what tenants should be notified of when it comes to property amenities, and providing clear instructions on how tenants can provide input for the HTC application process. Commenter 39 has provided language to this extent.

STAFF RESPONSE:

Staff acknowledges Commenter 39's recommendation on notifying tenants about how they can provide input during the HTC application process. Staff recommends bringing up this item up for discussion during the 2027 QAP Roundtables to solicit feedback and data from staff and stakeholders, but recommends no changes to the draft proposed QAP.

§11.204(1)(J) Required Documentation for Application Submission – Certification, Acknowledgement, and Consent of Development Owner

COMMENT SUMMARY:

Commenter 8 requests revisions to this item be clarified to reflect that there are some exceptions in place and that will be followed for situations where the alterations needed to achieve current standards are infeasible or too expensive for the project to reasonably make such changes. Commenter 8 has provided suggested language for how this exception could be added to the proposed rule.

Commenter 11 is concerned that existing Tax Credit properties, most of which built prior to 2008, that have major disability-accessibility issues. Commenter 11 estimates that with over 1,000 units in the program built prior to 2008, there is a chance that a large portion of those may also be out of compliance with federal accessibility requirements, and therefore the QAP.

Commenters 11 and 39 recommend that the Department require that any applicant certify that all properties in their TX portfolio are accessible, according to federal law. Commenter 11 has provided evidence and suggested language to this extent.

Commenter 39 supports the addition of this item but recommends strengthening the language to achieve compliance with accessibility standards. Commenter 39 does not believe the proposed language prevents applicants from receiving new awards while their older properties are out of compliance with accessibility regulations. Commenter 39 has provided language to this extent.

Commenter 19 recognizes the importance of applicant certification but emphasizes that Department reviews must happen upfront to ensure compliance at the beginning.

STAFF RESPONSE:

Staff appreciates Commenter 39's support for the inclusion of this item.

Staff appreciates Commenter 8 for providing context around possible exceptions to the rule based on these requirements being too costly for some developments. Staff believes this rule is nonetheless important to include so that accessibility requirements are understood and followed.

Staff appreciates Commenter 11 for raising this issue and for suggesting language for how this rule can be adjusted. Staff desires to see data regarding the impact of this language before any additions are made, so it is recommended that this information be presented for discussion during the 2027 QAP Roundtables.

Staff acknowledges the concern by Commenter 11 and 39 that this language is not strong enough to get existing Tax Credit properties to remediate any deficiencies with accessibility rules. Staff believes this is a starting point for language around this subject and would recommend bringing any suggestions for further changes to the 2027 QAP Roundtable discussions.

Staff appreciates Commenter 19's recognition of the importance of this item and suggestion that Department reviews must happen upfront. Staff recognizes this, but also recognizes the importance of enforcing rules related to accessibility.

§11.302(d)(4)(D) - Acceptable Debt Coverage Ratio Range

COMMENT SUMMARY:

Commenters 3 and 36 believe the Debt Coverage Ratio language should be changed to allow for a maximum of 1.50 for Housing Tax Credit Developments with seller notes required by §11.302(e)(1)(A)(iii), and for Housing Tax Credit Developments at cost certification. Commenters

3 and 36 believe this change is necessary due to implications of their additional request related to Cash-Out on Identity of Interest Transactions. Commenters 3 and 36 have provided language to this extent.

STAFF RESPONSE:

Staff acknowledges Commenter 3 and 36's concerns on the maximum DCR in regard to cash flow seller's notes. Staff does not believe a rule change is necessary. It is current practice for any application, that if the DCR is above the maximum 1.35, Real Estate Analysis assumes any payment amount up to the fully amortized payment to keep the DCR below the 1.35.

§11.302(e)(1)(A)(iii) Underwriting and Loan Policy – Cash-Outs

COMMENT SUMMARY:

Commenters 2, 5, and 8 oppose the suggested language for cash-outs in the 2026 QAP, and recommend the suggested language be removed. Commenter 2 requests a revision to cash-out, so it is defined as the less of the appraised value or purchase price.

Commenters 3, 15, 21 and 32 request a revision to provide an exemption for Cash-Outs on Competitive Tax Credit developments sponsored by affiliates of Housing Authorities that qualify for HUD Choice Neighborhood or Housing Authorities who score under §11.9(b)(2) Sponsor Characteristics. Commenters 3, 15, 21 and 32 provide recommended language regarding the exemptions.

Commenter 20 requests language to be added to provide an exemption for any Development owned by a Public Housing Authority.

Commenters 3, 14 and 17 believe that Developments that are required to use a seller note as a source of funds should be able to structure hard pay permanent debt with a maximum of 1.50-year one debt coverage ratio. Commenters 14 and 17 provided suggested language in §11.392(d)(4)(D) Acceptable Debt Coverage Ratio Range regarding the seller notes.

Commenter 18 provides recommendations regarding cash-outs by listing a valuation-based approach. Capping at the lesser of purchase price or restricted appraised value, determined by an independent appraisal approved by The Department. Maintaining requirements for restricted appraisals, related-party disclosure, and cost certification.

Commenter 24 recommends The Department should clarify that “cash-out” applies only when a related party receives net proceeds beyond repayment of unrelated third-party debt and bona fide seller notes that remain in place post-acquisition.

Commenter 29 provides suggested language on defining “cash-out” by adding a requirement for documentation such as an audit or confirmation from a 3rd party accountant regarding estimated balance at closing and accrued simple interest at market rate, which should not exceed 7%.

Commenter 36 provide recommendations on cash-outs by listing the following refinements: Define what is *not* cash-out; Seller-note expectations; Clarification on the Appraised Value; and Higher starting debt coverage ratio (1.5 DSCR in year one). Commenter 36 provides suggested language that defines “cash-out” as the as-is restricted appraised values to be determined by an independent 3rd party appraisal.

STAFF RESPONSE:

Staff appreciates Commenters 2, 5, and 8’s opposition to the rule. Staff believes the rule encourages a priority of the Department for the efficient use of limited 9% tax credits. Staff does not recommend to adjust the rule at this stage in the 2026 QAP Development process, as the decision warrants additional discussion with the relevant stakeholders. Staff encourages Commenters to bring this item up at the 2027 QAP Roundtable on Rules Committee for discussion.

Regarding Commenter 2, staff concurs that clarification is needed and has made a responsive change to clarify that cash-out should be defined as " the lesser of the amount reflected in the Site Control documents for the property or the as-is restricted appraised value as determined by an appraisal that meets the requirements of §11.304 of this chapter.”

Staff appreciates Commenters 3, 15, 20, 21 and 32’s request for a revision to provide an exemption for some Cash-Outs, but believes this is a significant change and warrants additional data and discussion with the relevant stakeholders. Staff encourages Commenters 3, 15, 20, 21 and 32 to bring this item up at the 2027 QAP Roundtable and Rules Committee for discussion.

Staff acknowledges Commenters 3, 14 and 17’s concerns on the maximum DCR in regard to cash flow seller’s notes. Staff does not believe a rule change is necessary. It is current practice for any application that if the DCR is above the maximum 1.35, REA assumes any payment amount up to the fully amortized payment to keep the DCR below the 1.35.

Staff acknowledges Commenter 18’s recommendations regarding cash-outs and believes the rule as amended with this clarification, “the lesser of the amount reflected in the Site Control documents for the property or the as-is restricted appraised value as determined by an appraisal that meets the requirements of §11.304 of this chapter,” meets Commenter 18’s recommendation.

Staff acknowledges Commenter 24's recommended wording for clarification but does not believe a clarification of rule is needed. The cash-out rule is written in context of the larger appraisal rules.

Staff appreciates Commenter 29's suggestion to add language on defining "cash-out" by adding documentation requirements. Staff does not believe the audits are necessary for calculating cash-outs and do not want to add undue burden or costs. In regard to allowing interest on seller's notes up to 7%, Staff believes the draft proposed rule as-is encourages a priority of the Department for the efficient use of limited 9% tax credits. Staff does not recommend making adjustments to the definition at this stage in the 2026 QAP Development process, as the decision warrants additional research and discussion with the relevant stakeholders. Staff encourages Commenter 29 to bring this item up at the 2027 QAP Roundtable and Rules Committee for discussion.

Staff appreciates Commenter 36's language recommendations and believes all points have been addressed with the inclusion of the clarification language, "the lesser of the amount reflected in the Site Control documents for the property or the as-is restricted appraised value as determined by an appraisal that meets the requirements of §11.304 of this chapter," and noting that it is current practice for any application that if the DCR is above the maximum 1.35, REA assumes any payment amount up to the fully amortized payment to keep the DCR below the 1.35.

§11.302(e)(6) Underwriting Rules and General Guidelines - General Contractor Fee

COMMENT SUMMARY: Commenters 5, 13, 28, 34, 36, and 37 all oppose the proposed 2026 language for general contractor fees. Commenters 5, 13, 36, and 37 all recommend the proposed changes be tabled for the 2026 QAP, while having general contractor fees be brought up during discussion during the 2027 QAP Planning Process. Commenter 34 recommends striking the proposed language entirely. Commenter 28 suggests that sales tax exemption related fees be included within the Developer Fee, stating that the proposed language inaccurately assigns responsibility for sales tax exemption related fees to the General Contractor.

STAFF RESPONSE:

Staff appreciates Commenter 5, 13, 28, 34, 36, and 37's concern that including the sales tax exemption fee paid to the entity listed as the General Contractor within the General Contractor Fee may limit the profit realized by the actual General Contractor. Staff acknowledges this concern and believes this is ultimately a business decision for the Developer. Staff believes that

any fee paid to the General Contractor should appropriately be included in the General Contractor Fee.

Staff believes Commenter 28's suggestion to have the sales tax exemption fee included in Developer Fee is too significant of a change that has not been discussed with relevant stakeholders. Staff encourages Commenter 28 to bring this item up at the 2027 QAP Roundtable for discussion.

§11.302(e)(10) Underwriting Rules and General Guidelines – Soft Costs

COMMENT SUMMARY: Commenters 13, 36 and 37 both recommend removing the proposed language for soft costs in the 2026 QAP. Commenters 36 and 37 suggest this item be brought up during a roundtable discussion for the 2027 QAP. Commenter 13 believes that the proposed 2026 provisions work against the objective by widening funding gaps and complicating the underwriting process. Commenter 36 notes that soft costs can result in increased funding gaps if the proposed language is accepted. Commenter 37 notes that the proposed language is a major change that has had little to no discussion, which can affect the partnerships and economic viability of future developments.

Commenter 39 recommends amending the proposed language to include a cap of how much of the payments to tax-exempt entities in exchanging for participation in the project can count towards the eligible basis.

STAFF RESPONSE:

Staff appreciates Commenter 36 and 37's comment that this should be discussed at the 2027 QAP roundtables. The rule in question was introduced at the 2026 QAP roundtables and was adjusted in response to those discussions. Originally, the proposed rule required that the property tax exemption fees be included in developer fee, but the industry felt strongly that this was limiting on their already tight developer fee, therefore, staff updated the rule to include these fees in the soft costs, where there is no cap.

Staff acknowledges Commenters 13 and 36's comments that soft costs can increase the funding gap but does not believe that showing fees paid for property tax exemption in soft costs increases the funding gap or affects the partnerships or economic viability of developments. These fees are already being paid as a cost to the development and should be reflected in the development cost schedule; this rule clarifies where they should be entered on the development cost schedule.

Staff acknowledges Commenter 39's comment to include a cap on these fees. Staff does not recommend making adjustments to the rule at this stage in the 2026 QAP Development process, as the decision warrants additional data, research and discussion with the relevant stakeholders.

§11.304(c)(10) Appraisal Rules and Guidelines

COMMENT SUMMARY:

Commenter 13 opposes the favorable financing within the land and building split. Commenter 13 states the prescribed 25/75 allocation is inherently arbitrary and will negatively impact depreciation, taxable value, and LIHTC eligible basis. Commenter 13 also states that comp sheets will become less reliable as appraisals embedded with financing adjustments while others do not, complicates reconciliation and underwriting.

Commenter 33 appreciates staff codifying a process for how favorable financing will be approached going forward. Commenter 33 has provided recommended language regarding favorable financing. The recommended language requests that a "lesser of" approach be made related to favorable financing. Commenter 19 supports the comments of Commenter 33, while recommending the suggested language of Commenter 33.

STAFF RESPONSE:

Staff appreciates Commenter 13's response. Favorable financing is associated with below market rate loans provided by government entities, usually USDA or Department loans, and are transferable when properties are purchased. Favorable financing is a separate value in the appraisal and has historically been applied to land and building value in proportion to values ascribed in the appraisal. Favorable financing is usually involved with USDA developments and the Department feels they should benefit from the 25%/75% split on the favorable financing value only. Staff believes that clarification is needed and has made a responsive change to include "with favorable financing from a government entity".

Staff believes Commenter 19 and 33's comment is too significant of a change from what was discussed with relevant stakeholders and does not recommend changes at this stage in the 2026 QAP Development process. The as-is land value in the appraisal will be attributed to land, and the as-is building value will be attributed to the building value; in addition, 25% of the favorable financing will be attributed to land value and 75% of favorable financing will be attributed to building value.

§11.1003 & §11.1007 State Housing Tax Credit Allocation Process Associated with Competitive HTC Applications

COMMENT SUMMARY:

Commenter 39 supports the proposed language of a minimum \$3 million request amount; however, Commenter 39 opposes striking eligibility restrictions regarding high violent crime and poverty rate Neighborhood Risk Factors. Commenter 39 requests that neighborhood risk factors not be considered for the State Housing Tax Credit Application Process.

STAFF RESPONSE:

Staff appreciates the support for the new \$3 million request amount for State Housing Tax Credit Requests. Staff acknowledges the suggestion to retain the restrictions on Applications containing neighborhood risk factors; however, this change serves to increase the pool of potential Applicants in response to limited demand for State Credits at this time.