

Brief Description of Housing Tax Credit Regional Allocation Formula for Roundtable

The proposed changes to the Housing Tax Credit (HTC) Regional Allocation Formula (RAF) were outlined in a Position Paper and discussed via online forum from August 10, 2012 to September 10, 2012. The Position Paper is still posted online and is considered background material for this brief description paper. As a result of the online forum, additional models of the HTC RAF were developed and will be presented to the public at a Roundtable on September 26, 2012. The HTC RAF Roundtable will be held at 10:00a.m. at the Capitol Extension, Room E2.026, 1100 Congress Avenue, Austin, TX. All the spreadsheets discussed below are posted online at <http://www.tdhca.state.tx.us/housing-center/pubs.htm>

The three RAF models being presented are: (1) Equal Weights Model; (2) Compounded Need Model; and (3) Subtraction Model. When reading this description page, it is suggested that the reader also examines the models posted online.

All draft RAF models considered the same variables, as outlined in the spreadsheet entitled "Variables for 2013 RAF". Of these variables, staff recommended using four, which are presented in Table 1 of all the RAF models. These variables are:

1. Housing need: People in 200% of Poverty
2. Housing need: Cost Burden of Renters
3. Housing Need: Overcrowded Renters
4. Housing Availability: Rental Vacancies

(1) Equal Weights Model

Table 2 of the Equal Weights Model uses a percentage of each variable which is calculated on the sub-region's amount of the variable over the amount of that variable in the State as a whole. Then, each variable is given equal weight. Each variable is given 50% weight to show that each factor is equally important (the vacancies variable is given negative weight in order to remove resources from areas with high housing availability). The amounts allocated are added for each sub-region to determine the original sub-region amount.

(2) Compounded Need Model

Table 2 of the Compounded Need Model uses a percentage of the factors similar to the Equal Weights Model. However, all the need variables are added together (i.e. "compounded") before taking the percentage of the sub-region's amount of the variables over the amount of the total need variables in the State as a whole. In this way, the proportion of population that each need variable affects is taken into account. (Note that in order for people in poverty to be combined with households with cost burden and households with overcrowding, the number of people in poverty is divided by the average

size of a household in Texas: 2.78.) The compounded need variables have 150% weight and vacancies - 50%.

(3) Subtraction Model

Table 2 of the Subtraction Model also uses a percentage of the need factors and housing availability factors, but the percentages are calculated based on simple subtraction. Similarly to the Compounded Need Model, all the need factors are added together. (Also, similarly to the Compounded Need Model, the number of households in poverty is estimated based on the average household size of 2.78). Then the vacancies number is subtracted from the need variables, giving one number representing need and availability. Then a percentage of that number which constitutes the need and availability is calculated on the sub-region's amount of the variable over the amount of that variable in the State as a whole.

All draft models have the same formula for Table 3. The regional amount of rural and urban funding is adjusted to a minimum \$500,000, if needed. This is done as a final adjustment to the sub-regional allocation amounts available for award. The process proportionately takes funds from sub-regions with initial funding amounts in excess of \$500,000 and reallocates those funds to those sub-regions with initial funding amounts that are less than \$500,000. The process is complete when each sub-region has at least \$500,000.

All the 2013 models are compared to the 2012 RAF based on \$40,000,000 and without forward commitments. All the models also have two maps showing analysis of the results of the allocation: one map that shows amounts allocated and another that shows the percent changed from 2012 to 2013.

For reference, a spreadsheet and map showing the 2011 to 2012 HTC RAFs are also included online. Also for reference, a test RAF based on population only is also available.