Attached is a draft of proposed new 10 TAC, Chapter 10, Subchapter H, Income and Rent Limits, that was approved by the TDHCA Governing Board on April 25, 2019. This document, including its preamble, is expected to be published in the May 10, 2019, edition of the Texas Register and that published version will constitute the official version for purposes of public comment and can be found at the following link: https://www.sos.texas.gov/texreg/index.shtml.

Public Comment

Public Comment Period: Start: 8:00 a.m. Austin local time on May 10, 2019
End: 5:00 p.m. Austin local time on June 10, 2019

Comments received after 5:00 p.m. Austin local time on June 10, 2019, will not be accepted.

Written comments may be submitted, in hard copy/fax or electronic formats to:

Texas Department of Housing and Community Affairs
Attn: Patricia Murphy
Rules Comments
P.O. Box 13941
Austin, Texas 78711-3941
Email: patricia.murphy@tdhca.state.tx.us

Written comments may be submitted in hard copy or email formats within the designated public comment period. Those making public comment are encouraged to reference the specific draft rule, policy, or plan related to their comment as well as a specific reference or cite associated with each comment.

Please be aware that all comments submitted to the TDHCA will be considered public information.
The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC, Chapter 10, Uniform Multifamily Rules, Subchapter H, Income and Rent Limits. The purpose of the proposed repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV’T CODE §2001.0221.

1. David Cervantes, Acting Director, has determined that, for the first five years the proposed repeal would be in effect, the proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous adoption making changes to the rule governing Income and Rent Limits.

2. The proposed repeal does not require a change in work that would require the creation of new employee positions, nor would the repeal reduce work load to a degree that any existing employee positions are eliminated.

3. The proposed repeal does not require additional future legislative appropriations.

4. The proposed repeal does not result in an increase in fees paid to the Department nor in a decrease in fees paid to the Department.

5. The proposed repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The proposed repeal will repeal an existing regulation, but is associated with the simultaneous readoption making changes to the existing rule for Income and Rent Limits.

7. The proposed repeal will not increase nor decrease the number of individuals subject to the rule’s applicability.

8. The proposed repeal will not negatively affect this state’s economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV’T CODE §2006.002.

The Department has evaluated this proposed repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV’T CODE §2007.043. The proposed repeal does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV’T CODE §2001.024(a)(6).

The Department has evaluated the proposed repeal as to its possible effects on local economies and has determined that for the first five years the proposed repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV’T CODE §2001.024(a)(5). Mr. Cervantes has determined that, for each year of the first five years the proposed repeal is in effect, the public benefit anticipated as a result
of the repealed sections would be elimination of an outdated rule while proposing a new updated rule under separate action. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV’T CODE §2001.024(a)(4). Mr. Cervantes also has determined that for each year of the first five years the proposed repeal is in effect, enforcing or administering the repealed sections does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held May 10, 2019, to June 10, 2019, to receive input on the proposed repeal. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Patricia Murphy, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or patricia.murphy@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local time, JUNE 10, 2019.

STATUTORY AUTHORITY. The proposed repeal is made pursuant to Tex. Gov’t Code, §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed amended sections affect no other code, article, or statute.

§10.1001 Purpose
§10.1002 Definitions
§10.1003 Tax Exempt Bond Developments
§10.1004 Housing Tax Credit Properties, TCAP, Exchange and HTF
§10.1005 HOME and NSP
The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC, Chapter 10, Uniform Multifamily Rules, Subchapter H, Income and Rent Limits. The purpose of the proposed rule is to make changes to add two new programs - the Tax Credit Assistance Program Repayment Funds (TCAP RF) and National Housing Trust Fund (NHTF) - and to address changes in IRC §42, to provide income and rent limits at 20%, 30%, 40%, 50%, 60%, 70% and 80% of Area Median Gross Income for the Housing Tax Credit program, as well as make other non-substantive administrative corrections.

 Tex. Gov’t Code §2001.0045(b) does not apply to the rule being adopted under items (4) of that section because these changes are necessary to comply with federal law. In spite of the exception, it should be noted that no costs are associated with this action that would have prompted a need to be offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV’T CODE §2001.0221.

David Cervantes, Acting Director, has determined that, for the first five years the proposed rule will be in effect:

1. The new rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to ensure all applicable federal requirements relating to income and rent limits are specified.

2. The new rule does not require a change in work that would require the creation of new employee positions, nor will it reduce work load to a degree that eliminates any existing employee positions.

3. The new rule changes do not require additional future legislative appropriations.

4. The new rule will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The rule will not limit, expand, or repeal an existing regulation but merely revises a rule.

7. The new rule does technically increase the number of individuals to whom this rule applies, as several new programs are being added; however, those Developments are already required to satisfy specific rent and income limits through Land Use Restriction Agreements, and this rule merely provides the specific detail on how that will be handled.

8. The new rule will not negatively nor positively affect the state’s economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV’T CODE §2006.002.

1. The Department has evaluated this rule and determined that none of the adverse affect strategies outlined in Tex. Gov’t Code §2006.002(b) are applicable.
2. This rule provides specific detail on how income and rent limits will be applied for a variety of federal programs. Other than in the case of a small or micro-business that participates in one of these programs, no small or micro-businesses are subject to the rule. If a small or micro-business does participate in a program, the rule provides a clear set of regulations for the handling of income and rent limits.

3. The Department has determined that because this rule relates only to a revision to a rule, and the rule changes do not specifically relate to geographic location or business size, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV’T CODE §2007.043. The new rule does not contemplate nor authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV’T CODE §2001.024(a)(6). The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the new rule has no economic effect on local employment because this rule relates only to the establishment of income and rent limits in existing or proposed multifamily properties; therefore no local employment impact statement is required to be prepared for the rule.

Texas Gov’t Code §2001.022(a) states that this “impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…” Considering that the rule is applicable to all properties statewide, there are no “probable” effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV’T CODE §2001.024(a)(5). Mr. Cervantes has determined that, for each year of the first five years the new sections are in effect, the public benefit anticipated as a result of the proposed new rule will be a clearer rule for properties and assurance that the rules include income and rent limits for all applicable federal programs. There will be no economic cost to any individuals required to comply with the proposed new rule because the activities described by the rule has already been in existence.

f. FISCAL NOTE REQUIRED BY TEX. GOV’T CODE §2001.024(a)(4). Mr. Cervantes also has determined that for each year of the first five years the new sections are in effect, enforcing or administering the new sections does not have any foreseeable implications related to costs or revenues of the state or local governments as this rule relates to a process that already exists and is not being significantly revised.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held May 10, 2019, to June 10, 2019, to receive input on the proposed new rule. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Patricia Murphy, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or patricia.murphy@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local time, JUNE 10, 2019.
10 TAC Subchapter H Income and Rent Limits

§10.1001 Purpose
The purpose of this subchapter is to codify the income and rent limits applicable to the multifamily programs administered by the Texas Department of Housing and Community Affairs (the "Department"). The Department may, but is not required to, calculate and provide income and rent limits for programs administered by the Department. Income and rent limits will be derived from data released by Federal agencies including the U.S. Department of Housing and Urban Development (HUD).

§10.1002 Definitions
(a) Unless otherwise defined here terms have the meaning in §11.1 10.3 of this part chapter (relating to Definitions), or federal or state law.
(b) Multifamily Tax Subsidy Program Imputed Income Limit--Using the income limits provided by HUD pursuant to §142(d), the imputed income limit is the income limitation which would apply to individuals occupying the unit if the number of individuals occupying the unit were as described in paragraphs (1) and (2) of this subsection:
   (1) In the case of a unit which does not have a separate bedroom, 1 individual; or
   (2) In the case of a unit which has 1 or more separate bedrooms, 1.5 individuals for each separate bedroom.
(c) Tax Credit Assistance Program (TCAP)--Funds awarded as part of the American Recovery and Reinvestment Act to assist Low Income Housing Tax Credit projects funded during 2007, 2008, and 2009.
(d) Tax Credit Assistance Program Repayment Funds (TCAP RF)--Multifamily Direct Loan funds made available through income generated from loan repayments from the Tax Credit Assistance Program.

§10.1003 Tax Exempt Bond Developments
(a) Tax Exempt Bond Developments must use the Multifamily Tax Subsidy Program (MTSP) income limits released by HUD, generally, on an annual basis. The MTSP limit tables include:
   (1) The 50% percent and 60% percent Area Median Gross Income (AMGI) by household size.
   (2) In areas where the income limits did not decrease in 2007 and 2008 because of HUD's hold harmless policy, a HERA Special 50% percent and HERA Special 60% percent income limit by household size. These higher limits can only be used if at least one building in the Project was placed in service on or before December 31, 2008.
(b) If HUD releases a 20%, 30%, 40%, 60%, 70% or 80% percent income limit in the MTSP charts the Department will make that data available without any calculations. Otherwise, the following methodology will be used, without rounding, to determine additional income limits:
   (1) To calculate the 20% AMGI, the 50% AMGI limit will be multiplied by .40 or 40%.
   (2) To calculate the 30% AMGI, the 50% AMGI limit will be multiplied by .60 or 60%.
   (3) To calculate the 40% AMGI, the 50% AMGI limit will be multiplied by .80 or 80%.
To calculate the 60% AMGI, the 50% AMGI limit will be multiplied by 1.2 or 120% percent.

(5) To calculate the 70% AMGI, the 50% AMGI limit will be multiplied by 1.4 or 140%.

(6) To calculate the 80% AMGI, the 50% AMGI limit will be multiplied by 1.6 or 160% percent.

(c) The Land Use Restriction Agreement (LURA) for some, but not all, Tax Exempt Bond properties restricts the amount of rent the Development Owner is permitted to charge. If the LURA restricts rents, rent limits will be calculated in accordance with §10.1004(d) of this subchapter (relating to Housing Tax Credit Properties, TCAP, Exchange and HTF).

(d) Tax Exempt Bond LURAs are hereby amended to be consistent with this section.

(e) The Department will make available a memorandum in a recordable form reflecting the applicable rent limits in accordance with this section and the legal description of the affected property. The owner of the property will bear any costs associated with recording such memorandum in the real property records for the county in which the property is located.

(f) Nothing in this section prevents a Development Owner from pursuing a Material Amendment to their LURA in accordance with the procedures found in §10.405 of this chapter (relating to Amendments and Extensions).

§10.1004 Housing Tax Credit Properties, TCAP, Exchange and SHTF HTF

(a) Except for certain rural properties, Housing Tax Credit, TCAP, Exchange, and SHTF HTF Developments must use the Multifamily Tax Subsidy Program (MTSP) income limits released by HUD, generally, on an annual basis. The MTSP limit tables include:

(1) The 50% and 60% Area Median Gross Income (AMGI) by household size.

(2) In areas where the income limits did not decrease in 2007 and 2008 because of HUD’s hold harmless policy, a HERA Special 50% and HERA Special 60% income limit by household size. These higher limits can only be used if at least one building in the Project (as defined on line 8b on Form 8609) was placed in service on or before December 31, 2008.

(b) If HUD releases a 20%, 30%, 40%, 60%, 70% or 80% income limit in the MTSP charts, the Department will use that data. Otherwise, the following calculation will be used, without rounding, to determine additional income limits:

(1) To calculate the 20% AMGI, the 50% AMGI limit will be multiplied by .40 or 40%.

(2) To calculate the 30% AMGI, the 50% AMGI limit will be multiplied by .60 or 60%.

(3) To calculate the 40% AMGI, the 50% AMGI limit will be multiplied by .80 or 80%.

(4) To calculate the 60% AMGI, the 50% AMGI limit will be multiplied by 1.2 or 120%.

(5) To calculate the 70% AMGI, the 50% AMGI limit will be multiplied by 1.4 or 140%.

(4) To calculate the 80% AMGI, the 50% AMGI limit will be multiplied by 1.6 or 160%.
(c) Treatment of Rural Properties. Section 42(i)(8) of the Code permits certain Housing Tax Credit, Exchange, and Tax Credit Assistance properties to use the national non-metropolitan median income limit when the area median gross income limit for a place is less than the national non-metropolitan median income. The Department will identify rural eligible places in accordance with:
   (1) Section 520 of the Housing Act of 1949 as amended from time to time; and
   (2) Chapter 2306 of the Texas Government Code, as amended from time to time.
   (3) The Department allows the use of rural income limits for SHF HTF multifamily rental Developments that are considered rural using the process described in this subsection.

(d) Rent limits are a calculation of income limits and cannot exceed 30% of the applicable Imputed Income Limit. Rent limits are published by number of bedrooms and will be rounded down to the nearest dollar. Example 1004(1): To calculate the 30% 1 bedroom rent limit:
   (1) Determine the imputed income limited by multiplying the number of bedrooms by 1.5: 1 bedroom x 1.5 persons = 1.5.
   (2) To calculate the 1.5 person income limit, average the 1 person and 2 person income limits: If the 1 person 30% income limit is $12,000 and the 2 person 30% income limit is $19,000, the imputed income limit would be $15,500 ($12,000 + $19,000 = $31,000/2 = $15,500).
   (3) To calculate the 30% 1 bedroom rent limit, multiply the imputed income limit of $15,500 by 30%, then divide by 12 months and round down. In this example, the 30% 1 bedroom limit is $387 ($15,500 times 30% divided by 12 = $387.50 per month. Rounded down the limit is $387).

Example 1004(2): to calculate the 50% 2 bedroom rent limit:
   (A) Determine the imputed income limited to be calculated by multiplying the number of bedrooms by 1.5: 2 bedrooms x 1.5 persons = 3.
   (B) The 3 person income limit is already published; for this example the applicable 3 person 50% income limit is $27,000.
   (C) To calculate the 50% 2 bedroom rent limit, multiply the $27,000 by 30%, then divide by 12. In this example, the 50% 2 bedroom limit is $675 ($27,000 times 30% divided by 12 = $675. No rounding is needed since the calculation yields a whole number).

(e) The Department releases rent limits assuming that the gross rent floor is set by the date the Housing Tax Credits were allocated.

   (1) For a 9% Housing Tax Credit, the allocation date is the date the Carryover Agreement is signed by the Department.
   (2) For a 4% Housing Tax Credit, the allocation date is the date of the Determination Notice.
   (3) For TCAP, the allocation date is the date the accompanied credit was allocated.
   (4) For Exchange, the allocation date is the effective date of the Subaward agreement.

(f) Revenue Procedure 94-57 permits, but does not require, owners to set the gross rent floor to the limits that are in effect at the time the Project (as defined on line 8b on Form 8609) places in service. However, this election must be made prior to the Placed in Service Date. A Gross Rent Floor Election form is available on the Department’s website. Unless otherwise elected, the initial date of allocation described in subsection (e) of this section will be used.

   (1) In the event an owner elects to set the gross rent floor based on the income limits that are in effect at the time the Project places in service and wishes to revoke such election, prior approval from the Department is required. The request will be treated as non-material amendment, subject to the fee
described in §11.90110.901 of this chapter (relating to Fee Schedule) and the process described in §10.405 of this chapter (relating to Amendments and Extensions).

(2) An owner may request to change the election only once during the Compliance Period.

(g) For the SHTF HTF program, the date the LURA is executed is the date that sets the gross rent floor.

(h) Held Harmless Policy.

(1) In accordance with Section 3009 of the Housing and Economic Recovery Act of 2008, once a Project (as defined on line 8b on Form 8609) places in service, the income limits shall not be less than those in effect in the preceding year.

(2) Unless other guidance is received from the U.S. Treasury Department, in the event that a place no longer qualifies as rural, a Project that was placed in service prior to loss of rural designation can continue to use the rural income limits that were in effect before the place lost such designation for the purposes of determining the applicable income and rent limit. However, if in any subsequent year the rural income limits increase, the existing project cannot use the increased rural limits. Example 1004(3): Project A was placed in service in 2010. At that time, the place was classified as Rural. In 2012 that place lost its rural designation. The rural income limits increased in 2013. Project A can continue to use the rural income limits in effect in 2012 but cannot use the higher 2013 rural income limits. For owners that execute a carryover for a Project located in a rural place that loses such designation prior to the placed in service date, unless other guidance is received from the U.S. Treasury Department, the Department will monitor using the rent limits calculated from the rural limits that were in effect at the time of the carryover. However, for the purposes of determining household eligibility, such Project must use the applicable MTSP income limits published by HUD.

§10.1005 HOME, TCAP RF, and NSP

(a) HOME and TCAP RF Developments must use the HOME Program Income and Rent Limits that are calculated annually by HUD's Office of Policy Development and Research (PDR). The limits are made available for each Metropolitan Statistical Areas (MSA), Primary Metropolitan Statistical Areas (PMSA) and Area, District or County by State.

(1) Upon publication, the Department will determine which counties are in each MSA, PMSA, Area or District.

(2) Generally, PDR publishes income limits in tables identifying the following Area Median Gross Income (AMGI) by household size:

(A) Extremely Low-Income Limits which are generally 30% of median income, which will be shown as the 30% limit in the Department’s income limits;

(B) Very Low-Income Limits which are generally 50% percent of median income, but not less than the State non-metropolitan median which will be shown as the 50% percent limit in the Department's income limits;

(C) 60% percent Limits;

(D) Low-Income Limits which are generally 80% percent of the median income, but capped at the national median income with some exceptions which will be shown as the 80% percent limits in the Department's income limits.

(3) If not published, the Department will use the following methodology to calculate, without rounding, additional income limits from the HOME Program income limits released by PDR:
To calculate the 30% percent AMGI, the 50% percent AMGI limit will be multiplied by .60 or 60% percent.

To calculate the 40% percent AMGI, the 50% percent AMGI limit will be multiplied by .80 or 80% percent.

To calculate the 60% percent AMGI, the 50% percent AMGI limit will be multiplied by 1.2 or 120% percent.

PDR publishes High and Low HOME rent limits by bedroom size.

PDR does not publish a 30% percent or 40% percent rent limits that certain HOME and TCAP RF Developments are required to use. These limits will be calculated using the same formulas described in §10.1004 of this subchapter (relating to Housing Tax Credit Properties, TCAP, Exchange and SHTF HTF).

In the event that PDR publishes rent limits after the HOME program income limits, the Department permits HOME and TCAP RF Developments to delay the implementation of the 30% percent and 40% percent rent limits until the High and Low HOME rent limits must be used.

NSP income limits are published annually by HUD for each county with tables identifying the 50% percent AMGI and 120% percent AMGI for household size. If not published, the Department will use the following methodology to calculate, without rounding, additional income limits from the HOME Program income limits released by HUD:

To calculate the 30% percent AMGI, the 50% percent AMGI limit will be multiplied by .60 or 60% percent.

To calculate the 40% percent AMGI, the 50% percent AMGI limit will be multiplied by .80 or 80% percent.

To calculate the 60% percent AMGI, the 50% percent AMGI limit will be multiplied by 1.2 or 120% percent.

To calculate the 80% percent AMGI, the 50% percent AMGI limit will be multiplied by 1.6 or 160% percent.

If the LURA for an NSP Development restricts rents, the amount of rent the Development Owner is permitted to charge will be the High or Low HOME rent published by PDR or calculated in the same manner described in §10.1004 of this subchapter using the HOME income limits.

§10.1006 National Housing Trust Fund (NHTF)

The 30% National Housing Trust Fund Income and Rent Limits are calculated annually by HUD's Office of Policy Development and Research ("PDR"). The limits are made available for each Metropolitan Statistical Areas (MSA), Primary Metropolitan Statistical Areas ("PMSA") and Area, District or County by State. Generally, PDR publishes income limits in tables identifying the Area Median Gross Income ("AMGI") by household size. The 30% NHTF income limit is the greater of the 30% limit and the federal poverty line. The 15% NHTF income limit will be half of the 30% NHTF income limit.

PDR publishes 30% NHTF Rent Limits by bedroom size. The 30% NHTF rent limit is calculated based on the greater of the 30% AMGI or the federal poverty line. The 15% NHTF rent limit will be half of the 30% NHTF rent limit.