REGIONAL ALLOCATION FORMULA POSITION PAPER – FIRST ADDENDUM

As a result of the online forum held from August 10, 2012 to September 10, 2012, additional models of the Housing Tax Credit (HTC) Regional Allocation Formula (RAF) were developed. In order to focus the analysis, only changes to one program's RAF were proposed: the HTC Program. The three RAF models developed were the: (1) Equal Weights Model; (2) Compounded Need Model; and (3) Subtraction Model, which are described below.

All draft RAF models considered the same variables four staff-recommended variables as the 4-variable model in the Position Paper. 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 (Exhibit N)

The Equal Weights Model was the same as the staff recommended RAF with 4 Variables presented on the online forum (Exhibit J). The name was changed to Equal Weights Model to differentiate between this model and the other two models, both of which also use four factors. 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. The equal weight does not indicate that an equal number of households experience cost burden and overcrowding; the equal weight does indicate that a household experiencing cost burden has as much need as the household experiencing overcrowding (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 (Exhibit O)

The Compounded Need Model used 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 (Table 2 of Exhibit O). 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 (Exhibit P)

Subtraction Model also uses a percentage of the need factors and housing availability factors, but the percentages are calculated based on simple subtraction (Table 2 of Exhibit P). 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.

As a benchmark, a test RAF was created based solely on population distribution (Exhibit Q). The analysis shows that any of the proposed models' sub-regional allocations are within 5% of the RAF based on population distribution.

The three models were presented at a HTC RAF Roundtable on September 26, 2012, for which approximately 50 members of the development community and public either attended or called in via conference call. Consensus of the Roundtable was that the Compounded Need Model was the most accurate model presented, and adequately met the requirements of statute to account for housing need and availability. As a result, the proposed methodology was updated (Exhibit R).