

WE DON'T TALK ABOUT  
**RONO**  
BUT WE SHOULD

By Roger Arriaga, TAAHP Executive Director



**T**here is no question there is an incredible housing shortage in Texas. "The general public understands there is simply not enough supply to meet the massive demand in Texas," says Darren Smith, head of development for Pivotal Housing Partners and managing partner of Auxano Development. "On average, some 700 to 800 people are moving to Texas daily. According to a 2017 article in the *Texas Tribune*, more than two million urban Texan households spend 30 percent or more of their income on housing – and more than 950,000 of them spend more than half of their income on housing."

However, to the extent that affordable housing is developed to assist these families, certain programs have unique requirements that are not expected of other housing finance programs. Specifically, the 4% Housing Tax Credit program is required by Section 2306 of the Texas Government Code to have a Resolution of No Objection, or RONO, adopted by the local government where the development is to be located. The RONO hearing and resolution requirement is only applicable to 4% tax credit developments and is in addition to other necessary approvals for zoning or funding. Most affordable housing providers in Texas would agree that RONO's act as a barrier to the development of affordable housing – particularly in high-opportunity areas. Unlike their 9% tax credit development counterparts, which are awarded based on a competitive application process, 4% tax credit developments are not beholden to the litany of 9% tax credit scoring requirements that determine where affordable housing can be built – thereby allowing developers more flexibility to build in areas that are outside the city center and away from high-crime neighborhoods.

RONO hearings are often conducted in politically charged environments prior to the vote of a city council or county commissioner's court. If declined, the development is ineligible for the 4% tax credit financing and cannot be built. Additionally, while the RONO process is intended to provide a forum for transparent

and thoughtful public review, many local jurisdictions choose not to place them onto an agenda for official consideration at all, thereby preventing the public from weighing in one way or the other.

"We have tried to obtain RONO's from some cities which have refused to even talk about it or place the resolution request on the city council agenda," says Lakewood Property Management's Dan Allgeier.

Further, the statutorily required RONO process is generally not practiced in a consistent manner across jurisdictions. While most major metropolitan governments have established protocols for evaluating and recommending support or denial of these developments, their policies still differ among themselves. Meanwhile, many smaller suburban and mid-sized local jurisdictions lack any guidelines at all.

"Some cities have a written application process with scoring that requires an application to meet some local criteria. Those cities will consider all requests that meet their criteria, but those local criteria are sometimes related to local planning issues that have little to do with factors that affect the feasibility of a property," says Allgeier. "Others accept requests for a council resolution but don't require specific information or project requirements."

Smith agrees the process, or lack thereof, is confusing. "In over 25 years in the workforce/affordable housing industry, I can't think of any consistent standards across jurisdictions."

Lora Myrick, president of Housing Lab by Betco, has experienced some process consistency among large jurisdictions, but says there have been instances where the local jurisdiction will have standards from a previous Qualified Allocation Plan (QAP) that do not align with current QAP requirements and rules.

In cases where a RONO does make it on to a local jurisdiction's agenda for consideration, many of these badly needed developments often fail because of



## RONO CONTINUED

misconceptions about what affordable housing is, what it looks like, and its impact on communities.

"The most common reason a RONO is not adopted is neighborhood opposition," says Allgeier. "They will talk about traffic, school crowding, concerns about increased crime, and decreasing property values." But Allgeier and others question the merit of these concerns and how they are applied.

"Redfin released a 13-year study in February 2021 indicating that affordable housing does not have a negative impact on home prices of nearby houses," says Smith. Twenty-six metro areas across the U.S. were studied, 18 of which showed no significant difference, and four of the remaining eight metros showed a significant increase in home prices. The remaining four metros studied were experiencing significant gentrification and it appears likely that building the affordable housing in those gentrified areas simply tampered the price hikes.

"Interestingly, most cities in Texas require appropriate zoning, but some will not provide a resolution for an affordable multifamily property on a site that is zoned for multifamily," says Allgeier. "So, why is it okay to build a market-rate property but not an affordable one?"

"NIMBYism (Not In My Back Yard) is still a strong factor in some jurisdictions, as there are some council members and/or commissioners that will simply not vote for any affordable or workforce housing in their districts," says

Myrick. "While the RONO may be placed on the agenda for a vote, if there are large crowds of constituents against the proposed development, the local government will vote as their constituency is asking them to, regardless of the merits of the development."

Federal guidance discourages the practice of RONO under any tax credit program since there are sufficient processes in place through the QAP and local zoning restrictions to ensure appropriate review for these developments. Additionally, the Texas QAP has stringent compliance rules that ensure properties are adequately maintained at high-quality standards.

Currently, Texas' RONO requirements are waived under the emergency order granted by the Governor due to the pandemic but remain in place. However, many local jurisdictions are still requiring developers to go through their respective processes in an attempt to obtain a RONO. As such, most tax credit developers continue adhering to the state law since it may be rescinded at any time and future development implications of its removal are uncertain.

Affordable housing multifamily developments built today are indistinguishable from their market-rate counterparts. It is difficult for many to comprehend why a law exists to provide an additional hurdle to develop housing that is in such great demand that as soon as the doors open these developments are fully occupied, often with waiting lists. It's time for lawmakers re-evaluate the need for this unnecessary hurdle so that Texans can access the affordable housing they need to survive this economy. ■

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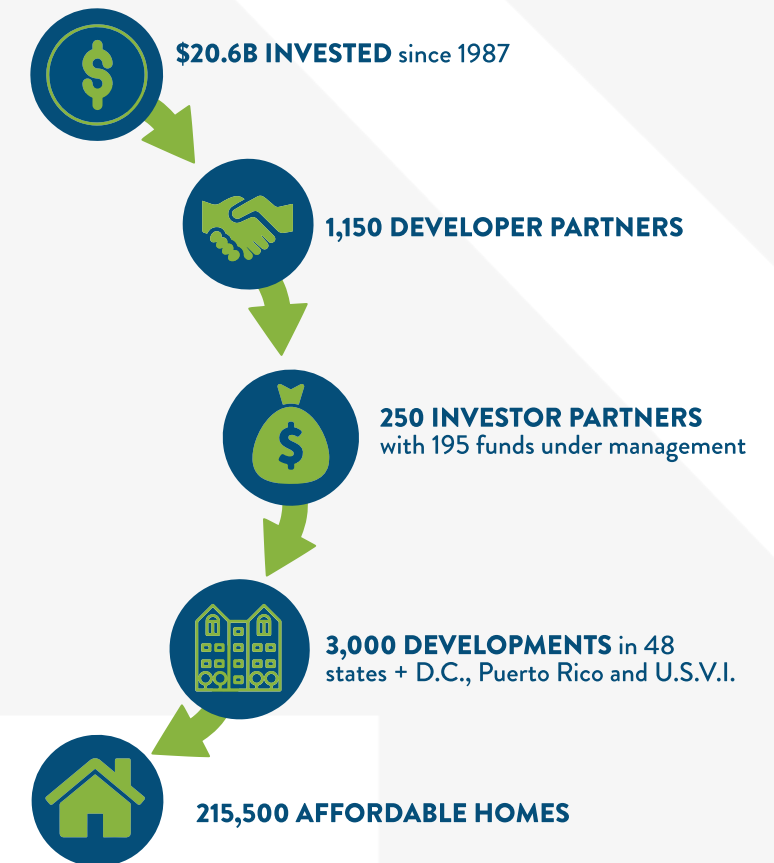


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