

STRENGTHENING PUBLIC BENEFITS IN

Tax-Exempt Private Partnership (TEPP) Properties



Elizabeth Blackford, Law Student

AnaRose Hebein, Law Student

Raisch Tomlanovich, Law Student

Heather K. Way, Clinical Professor

OCTOBER 2025



The University of Texas at Austin
Housing Policy Clinic
School of Law

AUTHORS' NOTE

This report reflects the views and analysis of the individual authors only. It does not represent the official views of The University of Texas at Austin or the Law School.

We welcome feedback and questions from readers. Please contact us at housingpolicy@law.utexas.edu.

For electronic access to the report, visit <https://law.utexas.edu/clinics/housing-policy>.

This work is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License; <https://creativecommons.org/license>.



Executive Summary

This report provides the first analysis of Travis County’s expanding **Tax-Exempt Private Partnership (TEPP)** landscape for multifamily housing. It highlights critical gaps in policy and oversight and offers recommendations to address these shortcomings through reforms that ensure the TEPP tool is a sustainable and impactful part of local affordable housing strategies.

In recent years, a rapidly growing number of apartment complexes in Travis County have secured full property tax exemptions through partnerships between local public entities and private investors or other non-public entities. These arrangements—referred to as “Tax-Exempt Private Partnerships,” or “TEPPs”—have become a prominent tool in Texas for structuring both apartment development and acquisition deals. In the face of high development costs, steep property taxes, and limited state and federal housing funds, TEPPs can provide the critical financing needed to make affordable housing projects feasible, leading many local governments to incorporate them into their housing strategies.

Under a TEPP, a public entity such as a housing authority or housing finance corporation holds legal or “equitable” title to an apartment complex. This structure delivers significant tax advantages: a 100% property tax exemption that can provide \$1.5 million or more in annual tax savings for a large apartment complex, along with an exemption from sales taxes on construction materials. Yet despite the scale of these subsidies, there are no uniform standards to ensure meaningful affordability, tenant protections, or public accountability across all TEPP properties. While recent legislative reforms have added important guardrails in these areas, they exclude many TEPP properties and significant policy gaps remain.

The stakes are high. Without strong guardrails, TEPPs risk functioning primarily as a tax shelter, enabling property owners to avoid millions in taxes while delivering little or no measurable benefit to renters. With the right guardrails—such as robust affordable housing requirements and tenant protections—TEPPs can instead provide a powerful tool for local governments to advance their housing priorities and provide low-income tenants with access to affordable and secure housing.

Key Findings

1. **TEPP properties comprise a substantial portion of Travis County’s multifamily housing stock.**

As of 2024, TEPP properties accounted for close to one-fifth of all multifamily rental units in Travis County, reflecting a rapid and ongoing expansion of this tax-exempt housing model. One hundred and fifty-four properties were operating under a TEPP structure, encompassing more than 34,600 rental units. These properties represent more than \$5.6 billion in appraised value and, cumulatively, save approximately \$109 million a year in property taxes, underscoring the scale and fiscal impact of TEPPs. TEPP properties vary in scope, legal structure, and participation in additional affordable housing programs, with approximately 52% of TEPP properties in Travis County participating in the Low-Income Housing Tax Credit (LIHTC) program.

2. **Local entities lack consistent baseline standards for affordability and tenant protections at TEPP properties.**

Only the City of Austin and the Strategic Housing Finance Corporation (Strategic) have adopted written policies for TEPP projects that go beyond the minimum requirements set by state law. The lack of consistent baseline standards incentivizes developers to partner with entities with the weakest standards—undermining efforts to secure deeper affordability and uniform tenant protections.

3. Many non-LIHTC TEPP properties are not required to pass on a majority of the tax break through rent reductions, resulting in rent restrictions that are unaffordable to most Travis County renters.

Recent legislative reforms require housing finance corporations' non-LIHTC TEPP properties to provide meaningful affordable housing through lower Median Family Income (MFI) levels, rent restrictions, and ensuring that at least half of the property tax benefit results in reductions in market rents. Public facility corporations must also include deeper income targeting and rent restrictions, and—for acquisition projects only—pass on at least 60% of the tax benefit through below-market rents. However, these new legislative requirements do not currently apply to other types of non-LIHTC TEPP properties or properties acquired prior to the legislative reforms. As a result, many non-LIHTC TEPP properties—including those owned under Chapter 392 by the Housing Authority of the City of Austin (HACA), the largest TEPP user in the county—are not restricted from charging rents that are comparable to market rates and that are unaffordable for the majority of Travis County renters.

4. Local entities do not consistently assess or disclose whether TEPP tax exemptions, along with other public subsidies, are necessary or tied to meaningful rent reductions.

Many TEPP properties receive multiple layers of public subsidies, but public meeting materials rarely document the value of the affordability benefits provided at TEPP properties in terms of offering below-market rents—and the extent to which a 100% property tax exemption is needed on top of the other public subsidies to provide the affordability benefits. This lack of transparency raises concerns about subsidy duplication and the absence of a clear public benefits test.

5. Lax policies allow for unaffordable rents and junk fees to proliferate at non-LIHTC TEPP properties, eroding tenants' housing stability.

Only Strategic and the City of Austin, via recently adopted policies, require TEPP properties to cap housing costs—inclusive of rent, utilities, and mandatory fees—at 30% of the units' income limits. Other TEPP properties lack safeguards to ensure the housing is genuinely affordable. Although recent state reforms have improved affordability standards for certain types of TEPP projects, significant policy gaps remain. Properties built prior to these reforms do not have these limits, and HACA remains exempt from these new legislative standards on the vast majority of its non-LIHTC TEPP projects—leaving many low-income renters exposed to unaffordable and opaque housing costs.

6. Non-LIHTC TEPP properties present significant access barriers for low-income renters.

Low-income renters—particularly those with Housing Choice Vouchers—face significant access barriers at many non-LIHTC TEPP properties, ranging from limited transparency and steep upfront costs to exclusionary marketing and screening practices. Overall voucher usage across non-LIHTC TEPP properties is low, underscoring the urgent need for stronger voucher access policies and enforcement mechanisms at these properties in particular.

7. TEPP properties lack robust eviction protections, leaving many low-income renters at a greater risk of displacement.

Several TEPP properties employ aggressive eviction policies. Only the City of Austin requires baseline eviction protections, while HACA, the Housing Authority of Travis County (HATC), and Travis County (via the Travis County Housing Finance Corporation, or TCHFC), offer no protections. Notably, however, the City of Austin has not consistently included its eviction protections in all its TEPP projects.

8. Eviction filing rates are disproportionately high at many TEPP properties.

TEPP properties filed over 1,500 eviction cases in 2024—with a 6.1% eviction filing rate compared to the 4.5% countywide average. Both LIHTC and non-LIHTC properties with the City of Austin's Rental Housing Development Assistance eviction protections had substantially lower filing rates.

Recommendations

To ensure that TEPP properties fulfill their intended purpose of expanding access to affordable housing, we recommend local housing agencies in Travis County adopt a uniform set of tenant-centered policies across all TEPP projects. The recommendations below establish a clear framework for aligning tax exemptions at TEPP properties with community needs, promoting transparency, and ensuring accountability.

Key recommendations include:

1. Establish a Strong Public Benefit Threshold:

Local housing agencies should require a strong threshold for public benefits that non-LIHTC TEPP deals must provide, including that at least 50–60% of the tax savings be returned to tenants in the form of rent reductions, while also taking into consideration in financial underwriting the other public subsidies a property receives, such as development density bonuses and government funding. The 50–60% standard, already required under state statutes governing certain types of TEPP properties, should be applied universally to non-LIHTC properties. The standard should also be tied to a transparent public benefit analysis shared with the governing body of the local governmental entity and the public before TEPP project approval.

2. Ensure Rents Are Truly Affordable:

Local housing agencies should require that all non-LIHTC properties adopt clear affordability standards requiring that the total housing costs for income-restricted units—including rent, utilities, and mandatory fees—do not exceed 30% of the unit's income limit. Rent limits should also be adjusted for household size and include utility allowances.

3. Regulate Junk Fees:

Tenants should be protected from excessive and hidden charges that undermine housing stability. TEPP policies should require full fee transparency, ban evictions over non-rent charges, and place limits on late fees and other penalties.

4. Remove Access Barriers for Voucher Holders and Low-Income Renters:

Non-LIHTC TEPP properties should be accessible to renters with Housing Choice Vouchers and those with limited income or imperfect credit. Recommended reforms include banning excessive and nonrefundable “risk” fees, limiting application costs, enforcing voucher non-discrimination, prohibiting minimum income requirements for voucher holders, and requiring affirmative marketing of affordable units and voucher acceptance.

5. Adopt Strong Eviction Mitigation Policies:

To reduce unnecessary evictions and promote housing stability at TEPP properties, local housing agencies should require TEPP properties to adopt stronger lease protections for tenants and eviction mitigation practices—including flexible payment plans, acceptance of rental assistance, and property management proactive outreach before filing an eviction case.

These reforms, implemented through a uniform, tenant-centered framework, will ensure that the significant public subsidies provided to TEPP properties consistently translate into meaningful public benefits and the strongest possible outcomes for renters and communities.