



OPEN COMMUNITIES  
ALLIANCE

*Embracing Diversity to Strengthen Connecticut*

## LEVERAGING OUR RESOURCES: CREATING BALANCE IN THE LIHTC PROGRAM

NYU  
Furman  
Center



*An OCA  
connecting the  
opportunity dots  
presentation*

# INTRODUCTION

- Goal: Explore whether changes in government policies alter Low Income Housing Tax Credit development locations.
- Assumption: The Low Income Housing Tax Credits can and should be used in a number of ways and local context matters.
- Participants at varying degrees of knowledge.
- Housekeeping:
  - Participants are muted.
  - There will be a time after the presentations for questions submitted in writing during the call.

If you are having problems accessing the webinar audio via your computer, call 877-775-2398 to access the conference phone line.



# PRESENTERS & ROADMAP



Keren Horn, Ph.D., Assistant Professor of Economics at UMass & Furman Center at NYU. **Discussing:** Connections between the LIHTC program's competitive scoring process and development locations.



Geoffrey Sager, Esq., President, MetroRealty Group, Connecticut  
**Discussing:** Developer's perspective in CT



Adam Gordon, Esq. Fair Share Housing Center of New Jersey & Furman Center.  
**Discussing:** On the ground experience in NJ.



Joe Del Duca, General Counsel and Partner at Walters Homes, New Jersey  
**Discussing:** Developer's perspective in NJ



Erin Boggs, Esq., Open Communities Alliance  
**Discussing:** Intro, LIHTC 101, CT

# INTRO & LIHTC 101: CONNECTICUT



Open Communities Alliance, CT

# WHAT IS THE LIHTC PROGRAM?

- LIHTC has built more homes affordable to lower-income renters than any federal program in American history.
- 2.5 million homes created or preserved.
- Within the 20 years after it was first established in 1986, the LIHTC program accounted for 1/3 of the rental housing in the country.
- Connecticut currently has approximately 23,192 LIHTC units



# LIHTC ALLOCATION PROCESS

9% LIHTC process  
(different for 4% credits)



# LONG TERM ANALYSIS OF MOBILITY: CHETTY ET AL.

Outcomes for children who moved before age 13:

- Girls were 26% less likely to become single parents
- Greater chance of going to college, and a higher quality college
- 30% higher income

*We estimate that [a move] out of public housing to a low-poverty area when young (at age 8 on average) using an ... experimental voucher will increase the child's total lifetime earnings by about \$302,000.*

Second Chetty et al. study showed that the longer a child can be in a lower poverty area the greater the positive outcomes.

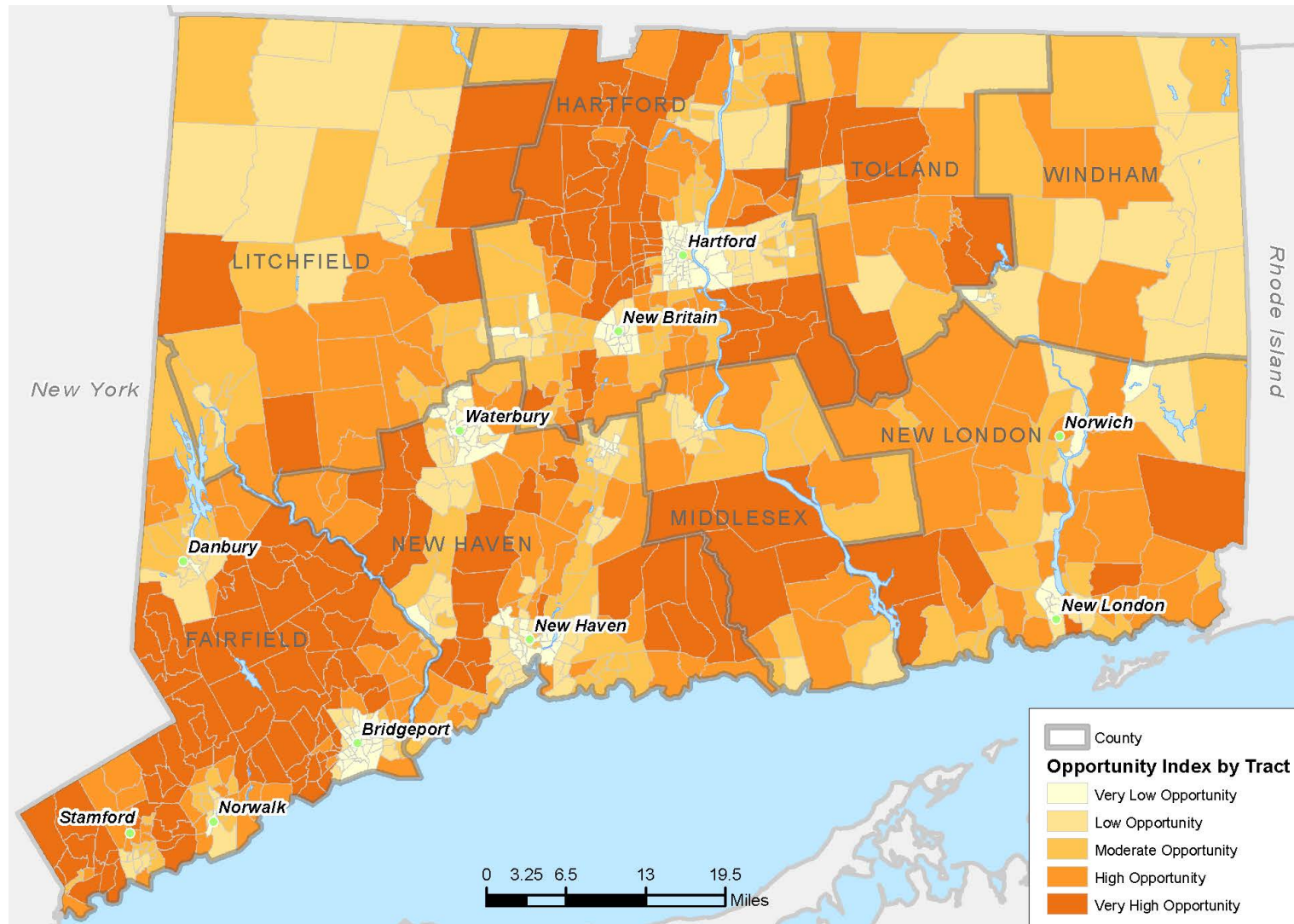
# IMPACT ON OPPORTUNITY

Educational Indicators	Economic Indicators	Neighborhood/Housing Quality Indicators
Students Passing Math Test scores	Unemployment Rates	Neighborhood Vacancy
Students Passing Reading Test scores	Population on Public Assistance	Crime Rate
Educational Attainment	Job Growth	Neighborhood Poverty Rate
	Employment Access	Homeownership Rate
	Job Diversity	

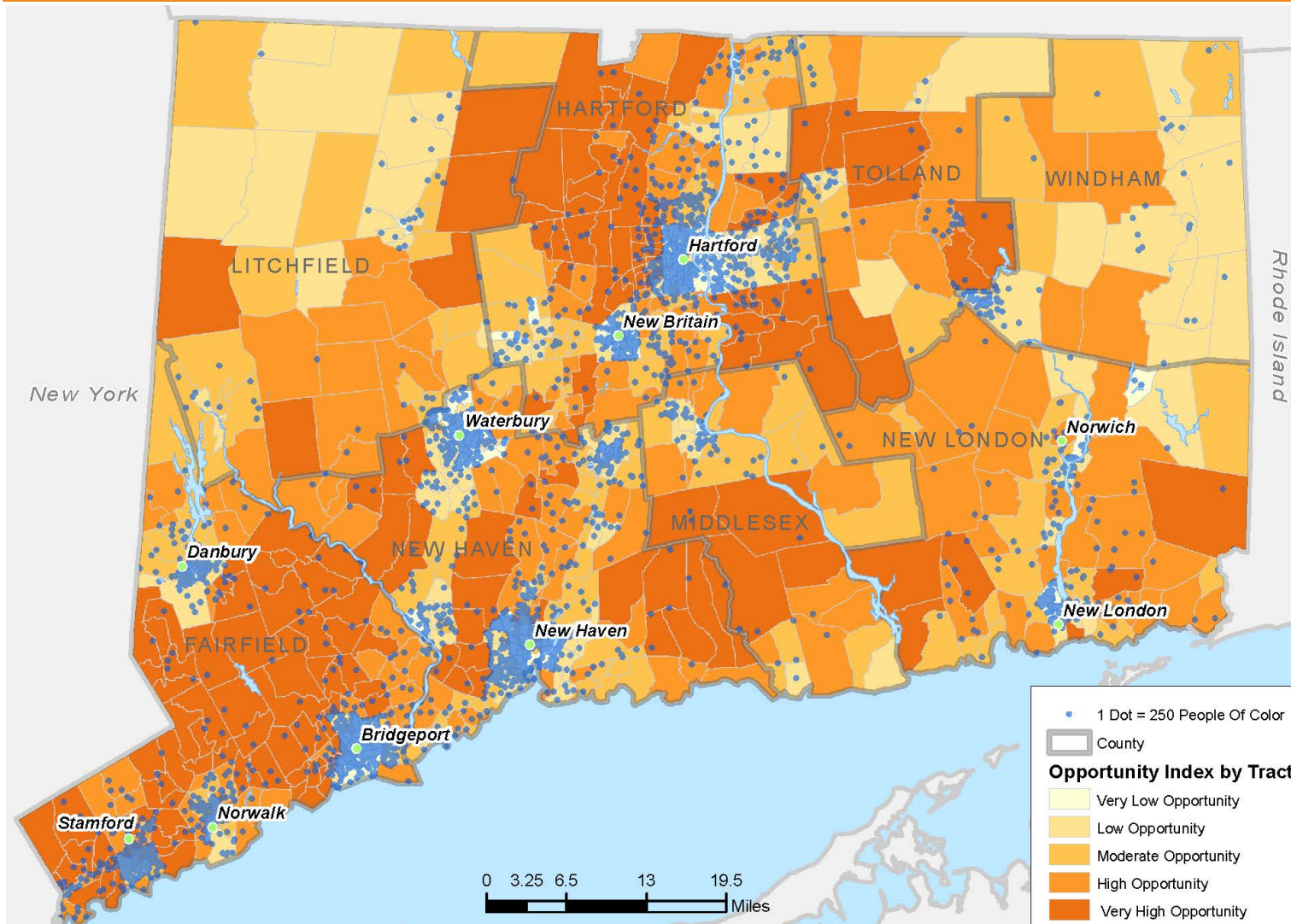




# WHY DOES THIS MATTER? OPPORTUNITY DEPENDS ON WHERE YOU LIVE



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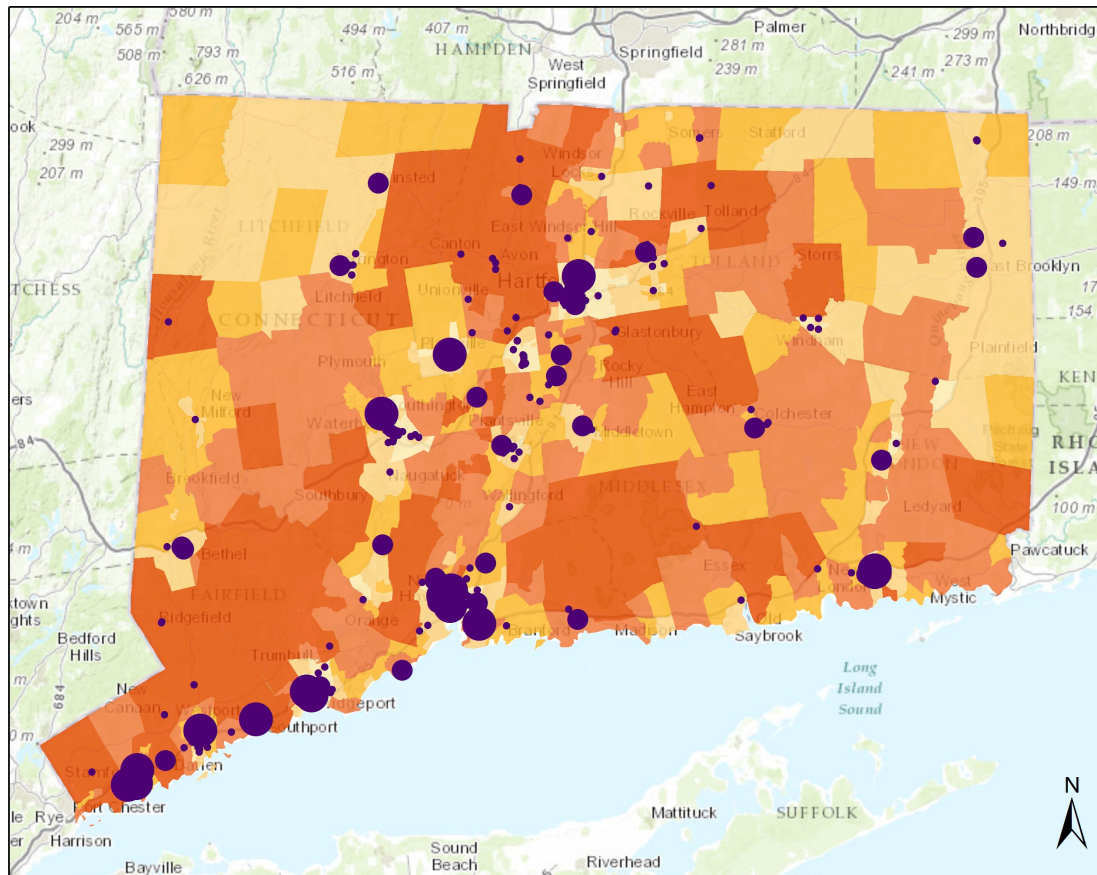
% of People by Race & Ethnicity Living in Lower Opportunity Areas

Blacks:	73%
Latinos:	73%
Whites:	26%
Asians:	36%



# WHERE ARE LIHTC UNITS LOCATED?

Connecticut Opportunity Map and  
Low Income Housing Tax Credit Program Developments



## Total Units

- 0 - 100
- 101 - 200
- 201 - 430

## Opportunity Score

- Very High
- High
- Moderate
- Low
- Very Low

Very High	9%
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High	4%
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Moderate	12%
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Low	27%
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Very Low	49%
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*Very low  
opportunity  
areas = 2% of  
the land area  
of CT*

Grace Carroll, Hannah Steinberg, Jess Wachtler, Josh Prywes: 2015

Source: Open Communities Alliance, Lisa Dabrowski, Ohio State University Kirwan Institute for the Study of Race and Ethnicity, Esri, HERE, DeLorme, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, METI, OpenStreetMap contributors, and the GIS User Community

# LIHTC POLICY DEVELOPMENTS

- *Texas Department of Housing and Community Affairs v. Inclusive Communities Project* – Supreme Court Decision June 25, 2015: Confirmed disparate impact claims could be brought under the Fair Housing Act.
- In CT: Legislative proposal in 2015 to bring greater balance to the LIHTC program. Passed Housing Committee. Died at the end of session.
- CT QAP:
  - No changes to promote access to opportunity areas between 2014 and 2015.

# CAN AFFIRMATIVELY FURTHERING GOVERNMENT POLICIES CHANGE LIHTC LOCATION PATTERNS?

Are local factors like community opposition to affordable housing, high land costs, and zoning barriers driving LIHTC applications and locations?

Is there something state governments can do to bring balance to the program?

# EFFECT OF QAP INCENTIVES ON THE LOCATION OF LIHTC PROPERTIES



Keren Horn, Ph.D., Assistant  
Professor of Economics,  
University of Massachusetts,  
Boston & Research Affiliate,  
Furman Center for Real Estate  
and Urban Policy at New York  
University

# DO QUALIFIED ALLOCATION PLANS SHAPE SITING PATTERNS OF LIHTC DEVELOPMENTS?

**Ingrid Gould Ellen**  
NYU Furman Center

**Keren Horn**  
University of Massachusetts Boston

Draws on Report prepared for HUD  
June 16<sup>th</sup>, 2015



# DEBATE ABOUT LIHTC SITING

- Wide variation in siting patterns across states
  - In Arizona between 2011-2013 2.3% of units in developments allocated credits were in low-poverty neighborhoods.
  - In neighboring Nevada between 2011-2013, 40% of units in developments allocated credits were in low-poverty neighborhoods.



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- We examine whether the QAP is an important policy lever for shaping these siting outcomes.
  - Are *changes* in QAP priorities between 2002 and 2010 associated with *changes* in the poverty rates of the neighborhoods where LIHTC developments are built between 2003-2005 and 2011-2013?

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  - *Answer = YES*

## QUALIFIED ALLOCATION PLANS FROM 20 STATES



## METHODOLOGY AND ANALYSIS

# ANALYZING QAPS

Increased Siting in Low-Poverty Areas	
High Opportunity Areas	+
Access to Amenities	+
Approval by the Community	—
Investment in Blighted Areas	—
Avoiding Concentrations of Affordable Housing	+

# HIGH OPPORTUNITY AREAS

- States are increasingly prioritizing high-opportunity neighborhoods directly, which often ties to the poverty level of a tract or county.
  - Seven states explicitly added language to the QAP stating the importance of access to opportunity.
  - Ex: Texas 2010 QAP provides a 30% increase in qualified basis to developments in “high-opportunity” census tracts
    - With median gross income higher than that of the county or place
    - With a poverty rate of 10% or less
    - In a school attendance zone with an ‘Exemplary’ or ‘Recognized’ rating
    - With good access to transit

# Access to Amenities

- Many states take into account a project's proximity to particular amenities (e.g., employment centers).
  - Ex: Arizona created a new category in 2008 that provided 10 points for transit-oriented design. As of 2010, increased the value to 20 points.
  - Ex: North Carolina increased the point value, by 20 points, of choosing a good site location for residential units which includes positive amenities, such as parks, and the lack of disamenities like negative environmental factors.

# Approval by the Community

- Many state QAPs award bonus points to proposed developments if their developers who engage with the community and receive local support.
  - Ex: Massachusetts removed 2 points for official local support.
  - Ex: Maryland made community approval as well as a local contribution a threshold requirement.

# Furthering Investment in Blighted Neighborhoods

- Some states have increased prioritizing QCTs, while others have done away with the category (except for the required 30% boost in qualified basis).
  - Ex: Tennessee created a 28% set-aside for QCTs, but deleted the point category in the selection criteria.
  - Ex: Texas removed points for QCTs and gave less preference to QCTs in the definition outlined in the QAP.



# AVOIDING CONCENTRATIONS OF AFFORDABLE HOUSING

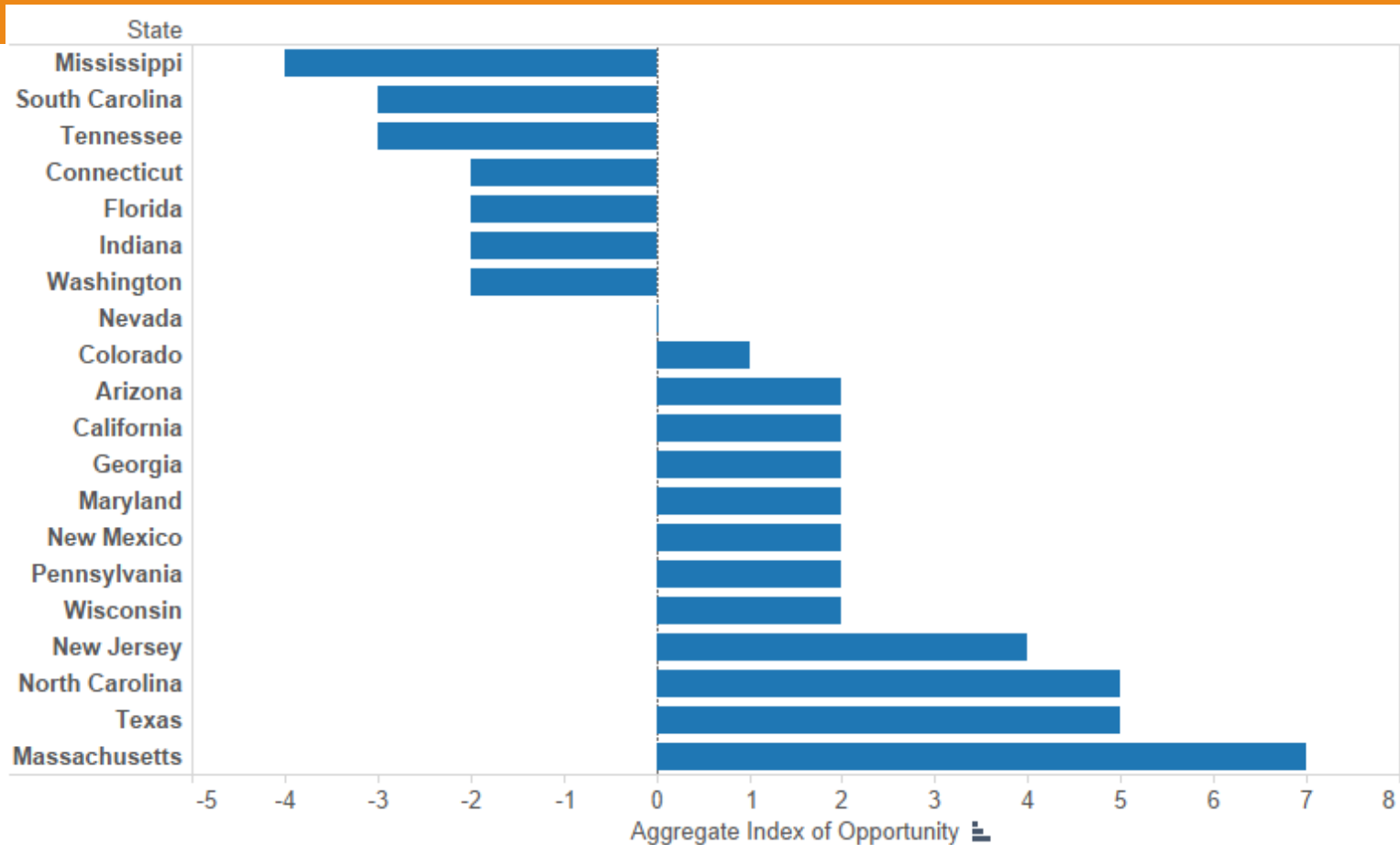
- Some states provide preferential treatment for projects that are not located near other existing or proposed affordable housing, with an eye towards reducing concentration.
  - Ex: Colorado increased priority for developments not near other low income housing projects.

# CODING CHANGES IN ALLOCATION PRIORITIES

- Every state made some change in one of these categories. We coded them from -3 to +3 (positive = favoring opportunity neighborhoods).
- Many states reduced their preferences for blighted areas and a few states adopted large increases in prioritization of opportunity areas.
- Massachusetts had the highest score, with +7 shift towards areas of opportunity.

## METHODOLOGY & ANALYSIS

# DISTRIBUTION OF AGGREGATE INDEX OF OPPORTUNITY

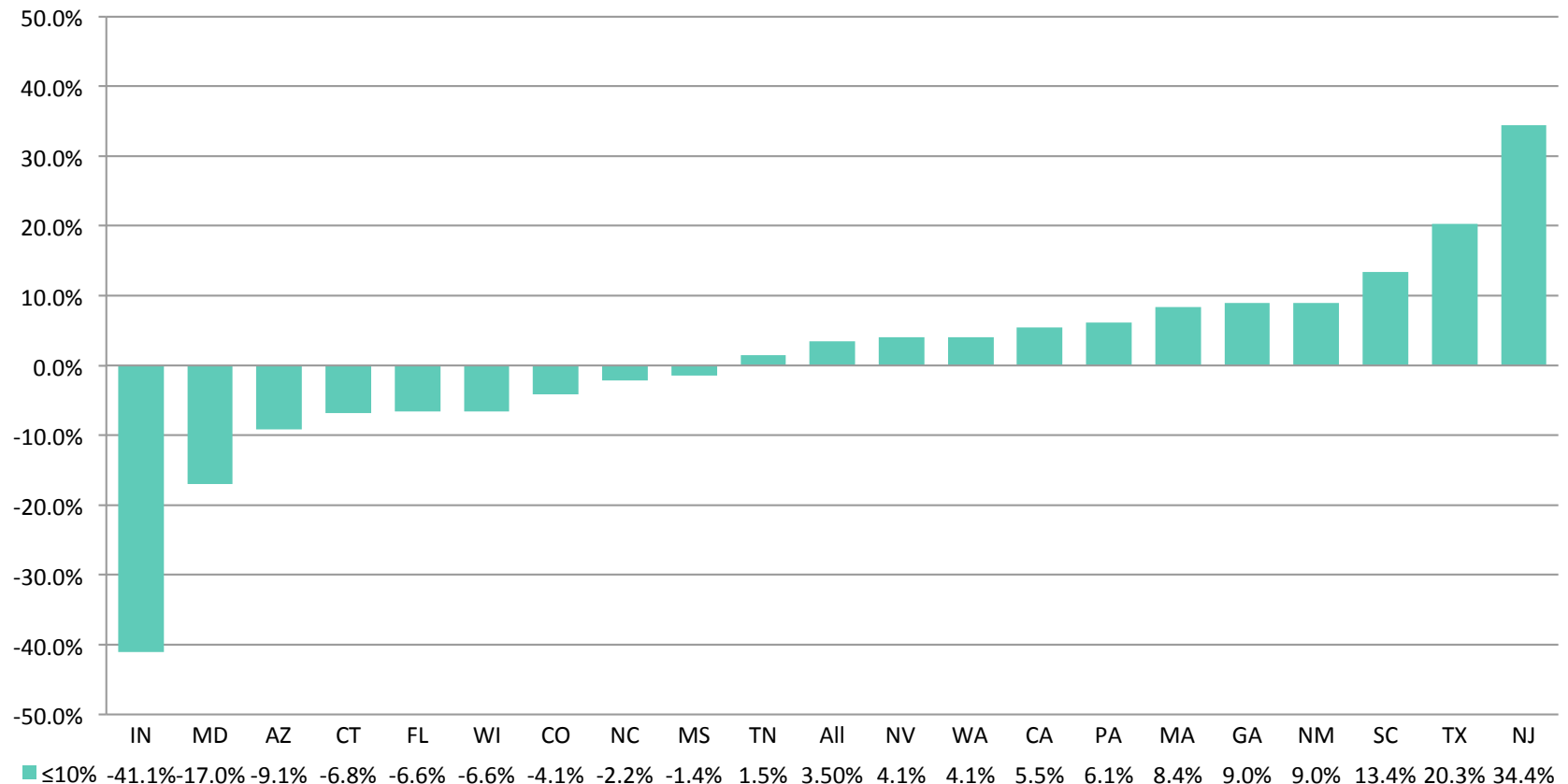


# IS INDEX ASSOCIATED WITH CHANGING LOCATION OF UNITS?

1. Share of units allocated LIHTC credits built in low poverty neighborhoods (less than 10% poverty)
2. Share of units allocated LIHTC credits built in high poverty neighborhoods (more than 30% poverty)
3. Exposure to poverty of LIHTC units (captures the tract poverty rate for the average unit allocated credits)

## METHODOLOGY & ANALYSIS

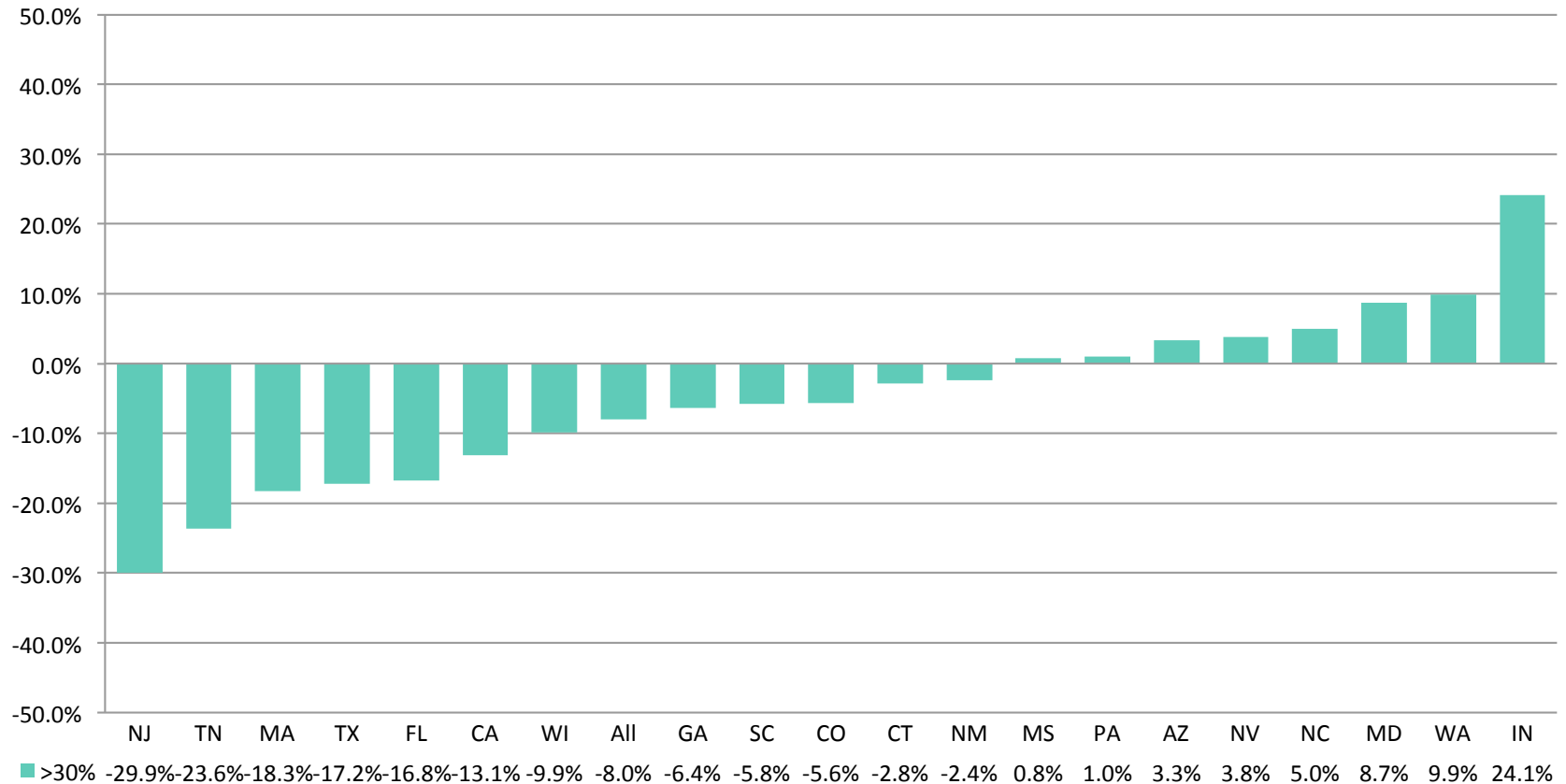
# CHANGE IN % OF UNITS ALLOCATED CREDITS IN LOW-POVERTY TRACTS



Source: HUD LIHTC Database, State HFAs, Census 2000, ACS 2006–2010

## METHODOLOGY & ANALYSIS

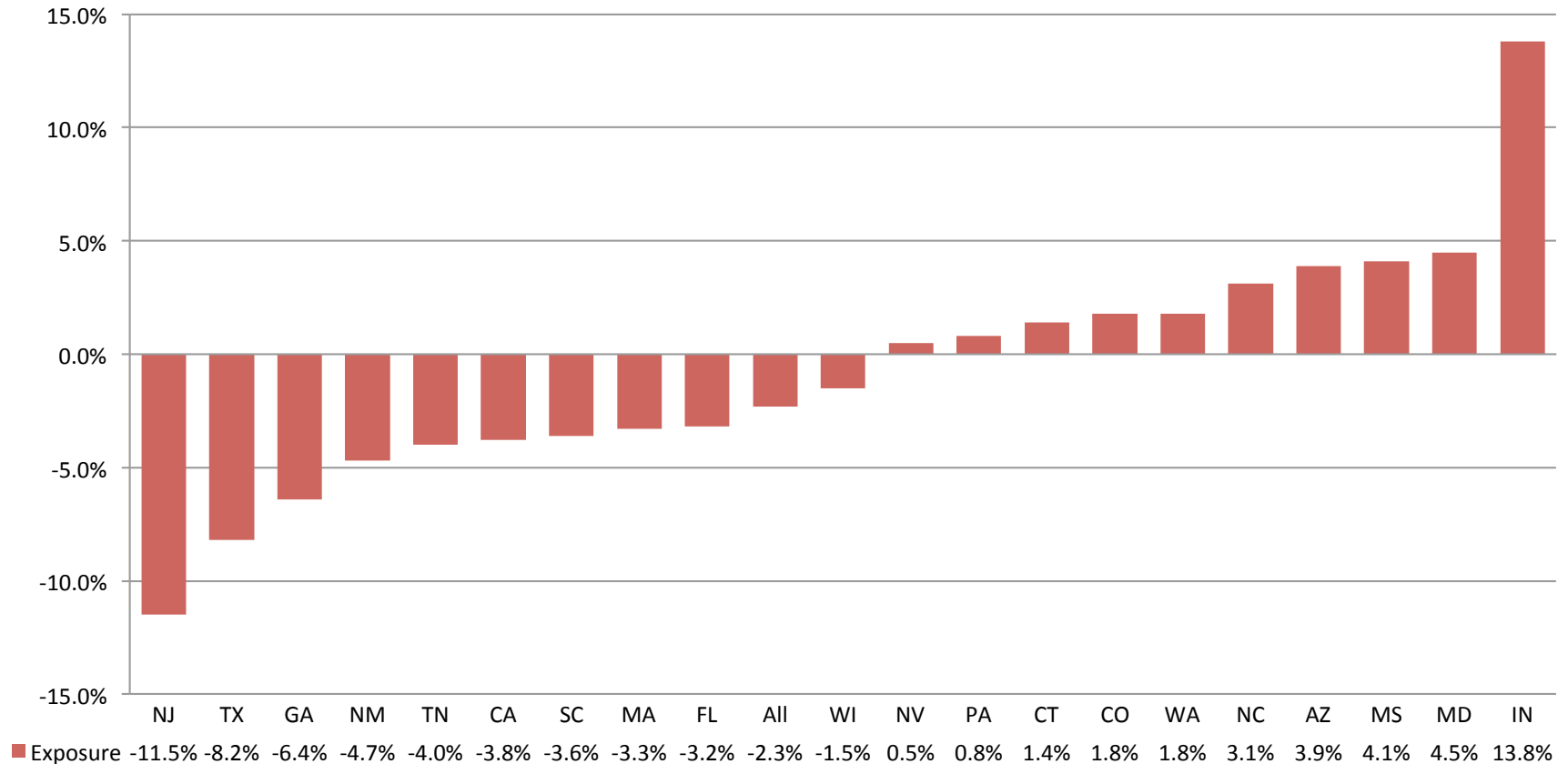
# CHANGE IN % OF UNITS ALLOCATED CREDITS IN HIGH POVERTY TRACTS



Source: HUD LIHTC Database, State HFAs, Census 2000, ACS 2006–2010

## METHODOLOGY & ANALYSIS

# CHANGES IN EXPOSURE TO POVERTY OF LIHTC UNITS



Source: HUD LIHTC Database, State HFAs, Census 2000, ACS 2006–2010

## RESULTS

# QAPS MATTER IN SHAPING SITING OUTCOMES

- States that changed QAPs to favor opportunity areas generally saw:
  - increases in share of tax credits allocated in low-poverty areas
  - decreases in the share of tax credits allocated in high-poverty areas
  - decreases in average poverty rate of neighborhoods where developments were allocated credits.
- A one point increase in opportunity index is associated with
  - 1.7 percentage point increase in the share of units located in low poverty neighborhoods
- States that wish to increase the siting of LIHTC developments in higher-opportunity areas have some tools within the QAP that appear to work.



# THE DREAM REVISITED

## ESSAYS

### **Tax Credits Can and Should Build Both Homes and Opportunity**

by Adam Gordon

### **Research Can and Should Play a Role in More Effective Use of LIHTC Resources**

by Kathy O'Regan

### **Building More Than Housing**

by Denise Scott

### **Yes, And... Don't Abandon Poor Residents of Gentrifying Neighborhoods**

by Robin Hughes

**Ingrid Gould Ellen**

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NYU Furman Center

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# EFFECT OF QAP INCENTIVES ON THE LOCATION OF LIHTC PROPERTIES



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Director, Fair Share Housing  
Center of New Jersey and  
Research Affiliate, Furman  
Center - NYU

# INCREASING OPPORTUNITY IN THE LIHTC PROGRAM: THE NEW JERSEY EXPERIENCE

**Adam Gordon**  
**Associate Director**  
**Fair Share Housing Center**



# MISSED OPPORTUNITIES: NJ LIHTC, 1987-2002

- Only 20% of Family LIHTCs Outside of Lowest Performing School Districts
- 40% of Family LIHTCs in Two Places with <5% of NJ Population



## THE BIG CHANGE: 2003-2004

- Litigation Challenges QAP Under Federal and State Law
- Changes: Point System Favors High Opportunity Areas, Set Asides Favor Traditional Urban Centers



## RESULTS: 2006-2011

- Allocations of Family Tax Credits to Higher Performing School Districts Jumps to 45-75% Per Year
- QAP Leverages Statewide Mount Laurel Framework





# RESULTS: 2006-2011





# THIRD GENERATION QAP POLICY: 2012- PRESENT

- Maintaining Revitalization/High Opportunity Balance
- Refining Decision Factors for Which Projects Get Selected in Each Bucket
- Collaboration Among Varying Interests

