



Inclusive Housing
Center for Social Development

Fixing Tax Breaks for Housing and Economic Development

Molly Metzger, Washington University in St. Louis

Lance Freeman, Columbia University

Sarah Coffin, Saint Louis University

Todd Swanstrom, University of Missouri-St. Louis

Low Income Housing Tax Credit

October 22, 2015

Origins

- Tax Reform Act of 1986
- Politically popular because it is a tax expenditure rather than an allocation

Administered

- IRS
- States: Typically housing finance Agency
 - States receive allocation based on population
 - Developers apply for credits
 - Approve applications based on:
 - Cost/profit guidelines
 - Qualified allocation plan (more said about this later)

Implementation

- Project must reserve 20% for tenants with incomes no higher than 50% of area median income or 40% for tenants with incomes no higher than 60% of area median income
- Rents must not be higher than 30% of tenant income
- Private investors can invest cash through limited partnership
- Must keep projects low income for 30 years
- NHO have right of first refusal to purchase after years

Implementation

- Qualified Allocation Plan (QAP)
 - States set Priorities for distributing tax credits
 - The Demand for credits greatly exceeds the supply

Fair Housing and Project Based Housing Assistance

- Public Housing
 - Used to reinforce existing patterns of segregation
 - Sometimes used in a clientilistic way to attract black votes

The Shift Towards Fair Housing

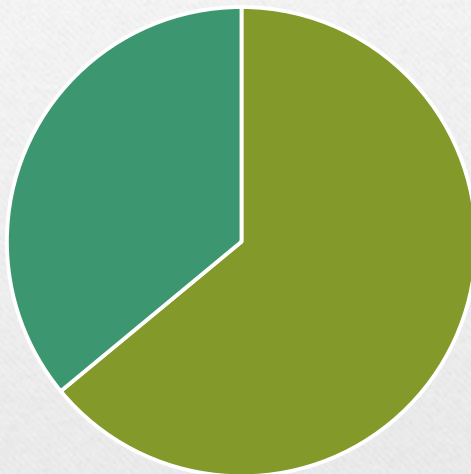
- Executive order forbidding discrimination—1961
- 1964 Civil Right Law
- 1968 Civil Rights law focuses on housing
- 1969 Gatreaux Case rules against Chicago Housing Authority and HUD for intentional segregation
 - Remedy: housing vouchers—implemented 1976
- 1972 HUD develops site and neighborhood standards
- 1970-Today Numerous lawsuits and clarification of site and neighborhood standards

A Don't Ask Don't Tell Approach

- As an IRS program LIHTC not subject to HUD regulations
 - No institutional memory of desegregation lawsuits
 - No institutional memory of developing site and neighborhood standards
- Up to State to consider Fair Housing in QAPs

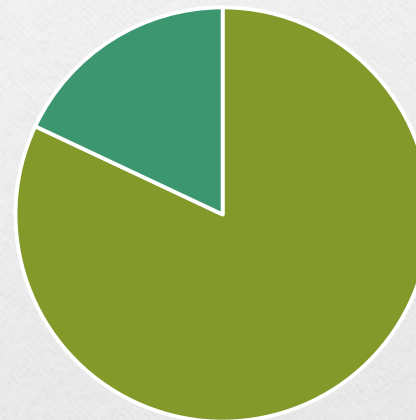
Site and Neighborhood Standards

Strong Incentives of
Requirements



- Number of States with Strong Incentives or Requirements
- States without Strong Incentives or Requirements

Moderate/Weak Incentives
or Requirements



- States with Moderate or Weak Requirements
- States without Moderate or Weak Requirements

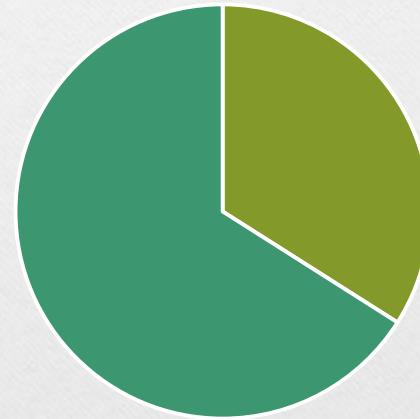
Targeting

Strong Incentives or Requirements



- Number of States with Strong Incentives or Requirements
- States without Strong Incentives of Requirements

Moderate/Weak Incentives or Requirements



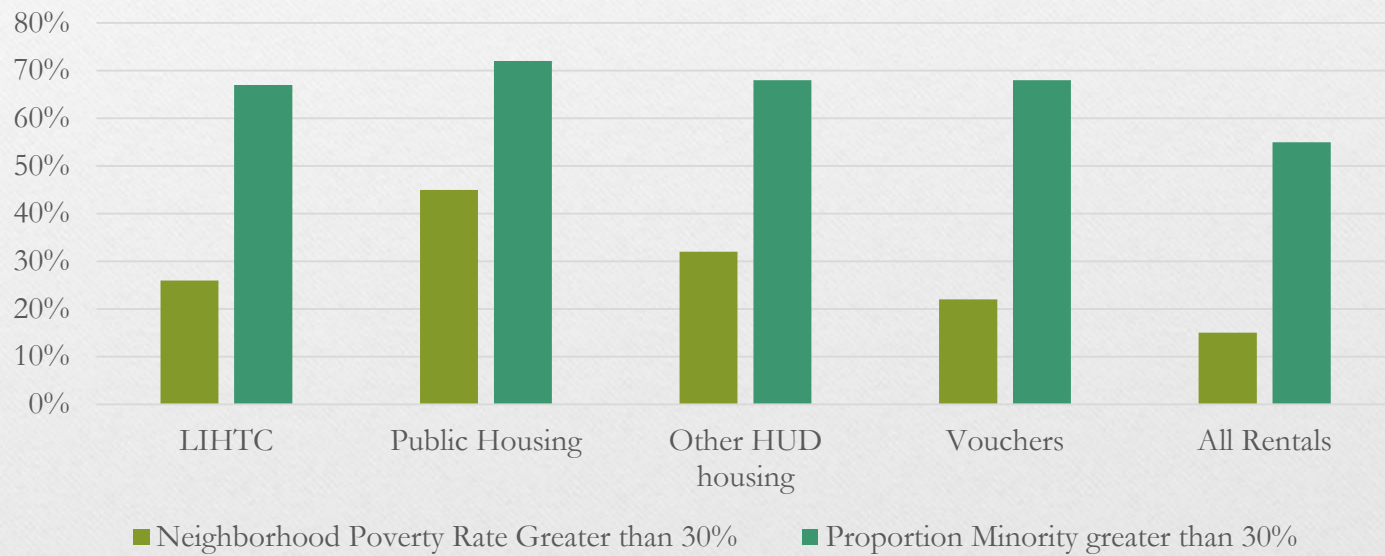
- States with Moderate or Weak Requirements
- Staes without Moderate or Weak Requirements

Countervailing Factors

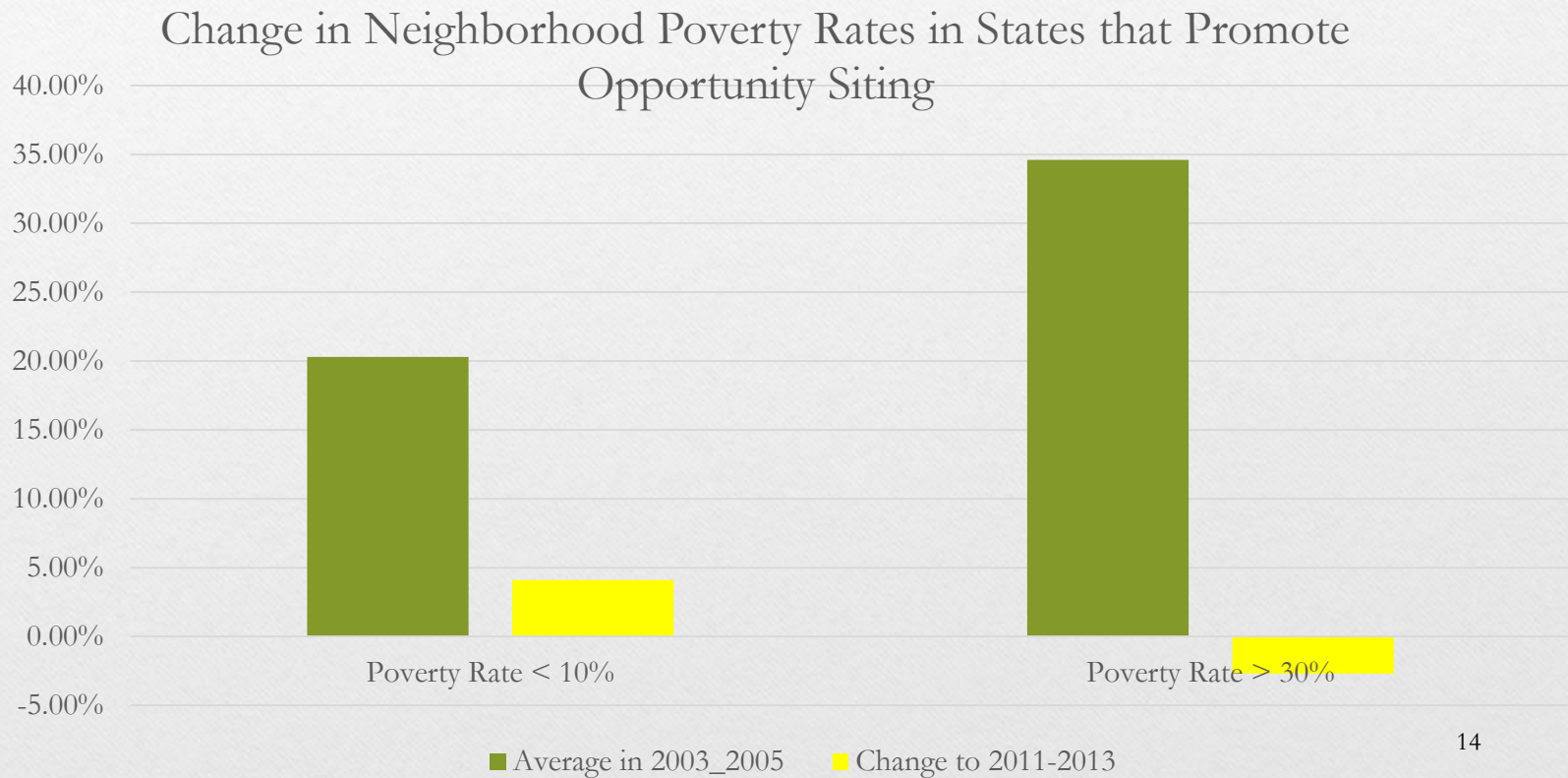
- Incentive for Qualified Census Tract (QCT)
- Ten percent set aside for non-profit developers

Results

Neighborhood Sociodemographic Composition by Housing Type

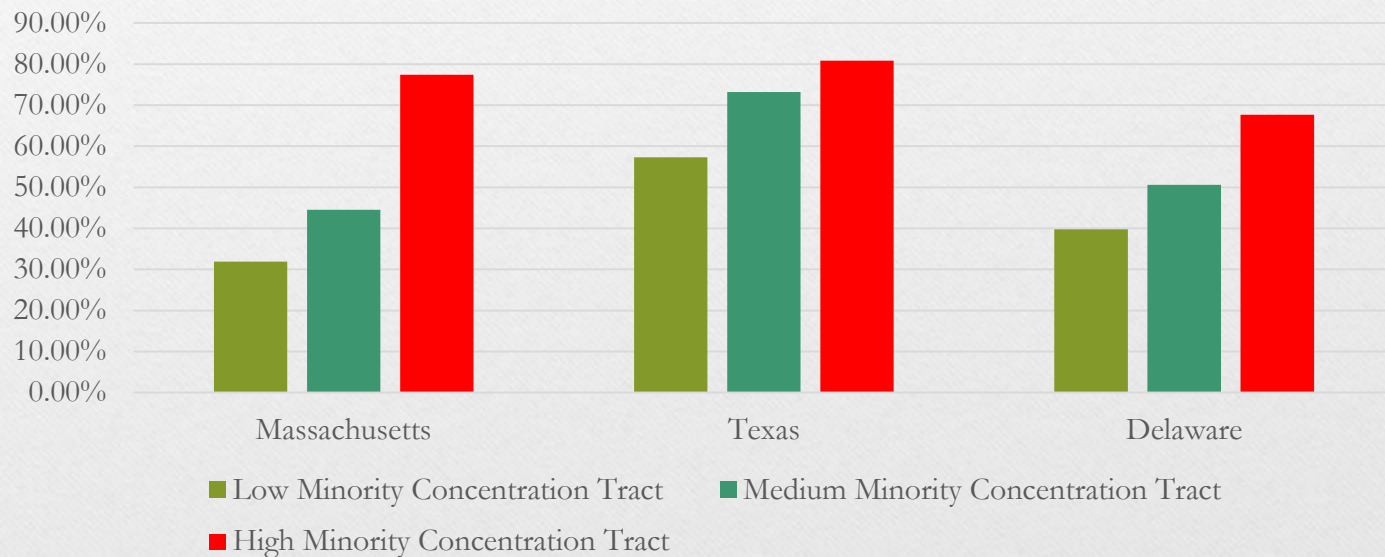


Results



Are LIHTC developments Segregated?

Minority Concentration in LIHTC Developments across
Tract Type



Conclusion: A program of Contradictions

Concentration

- Set aside for Qualified Census Tracts
- Set aside for non-profits

Deconcentration

- Many Qualified Allocation Plans
 - Affirmative Marketing
 - Encourage Deconcentration
 - Discourage Concentration

Conclusion

The Bad

- More Isolated than Vouchers
- Segregation within LIHTC???

The Good

- Less Isolated than Public and other HUD housing
- Segregation within LIHTC???

What Next?

- Data, data, data
 - Need tenant data inform actions
- Qualified Census Tracts
 - Should be kept but should coordinate with fair housing goals
 - Comprehensive Revitalization Plans should consider desegregation and poverty deconcentration
- On net, does the QAP affirmatively further fair housing?