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Low-Income Housing Tax Credit Could Do More to Expand Opportunity for Poor Families

By Will Fischer[1]

As the nation's largest affordable housing development program, the Low-Income Housing Tax Credit (LIHTC) has substantial influence on where low-income families are able to live. But despite some recent improvements, LIHTC falls short of meeting its potential to help poor families move to low-poverty neighborhoods with strong schools and low crime, which research shows can have a range of benefits, including raising children's long-run earnings and chances of attending college. This analysis discusses the potential benefits that LIHTC developments in low-poverty areas can provide to poor families, reviews data on the characteristics of neighborhoods where LIHTC developments are located today (with state-by-state data on the share of LIHTC units in low-poverty neighborhoods listed in the Appendix), and describes steps policymakers could take to improve LIHTC's performance in expanding opportunity.

These steps include strengthening state policies that encourage placement of LIHTC developments in high-opportunity neighborhoods and instituting measures to ensure that those developments are affordable and accessible to families with incomes around or below the poverty line — for example, through improved coordination between LIHTC and rental assistance programs such as Housing Choice Vouchers. LIHTC reform legislation currently before Congress, sponsored by Senator Maria Cantwell (D-WA) and Representative Carlos Curbelo (R-FL), includes several significant provisions that could make LIHTC more effective at expanding opportunity for poor families.

Well-Located Tax Credit Developments Can Expand Opportunity

LIHTC is administered through state housing agencies and provides federal tax credits to support construction or rehabilitation of about 100,000 affordable housing units each year. LIHTC housing is usually set aside for households with incomes at or below 60 percent of the local median income (nationally about double the poverty line) with rents no higher than 30 percent of that maximum income level, and owners must meet these affordability requirements for at least 15 years.[2] As a

[1] Alicia Mazzara and Emily Moss provided data analyses and Rachael Ward provided background research for this paper.

[2] Properties are subject to federal income and rent requirements for 30 years, and some states require that properties remain affordable for even longer periods. After 15 years owners can opt out of the federal requirements, but only if the state housing agency is unable to find an entity that is willing to buy the property and keep the requirements in place.

result, LIHTC units provide decent, stable housing in the communities where they are placed that is affordable to many low-income families.

LIHTC developments in high-opportunity neighborhoods with low poverty, low crime, and strong schools can deliver particularly powerful benefits for their residents. Research shows that living in low-poverty neighborhoods improves adults' mental and physical health, a result that could reflect reduced stress due to lower crime and better access to public exercise space.[3] Living in stable, affordable housing in a low-poverty community has also been linked to higher employment and earnings among adults.[4] Living in a low-poverty neighborhood while young can sharply increase children's adult earnings and chances of attending college and reduce girls' likelihood of becoming single mothers.[5] And if poor children live in stable affordable housing near low-poverty schools, this can substantially improve their reading and math test scores, other research shows.[6]

LIHTC developments can also play an important role in supporting fair access to housing for people of color, a goal that state agencies must advance as part of their legal obligation under the federal Fair Housing Act to "affirmatively further" fair housing. Many people of color live in racially segregated neighborhoods, in part because of a long legacy of public policies that enforced or encouraged segregation.[7] A sizable majority of LIHTC residents are black or Hispanic in the states where data are available;[8] LIHTC developments located outside segregated neighborhoods can expand the housing choices available to those households.

While the benefits of siting LIHTC housing in low-poverty, diverse neighborhoods are considerable, this does not mean that *all* LIHTC housing should be located in those neighborhoods. LIHTC developments can contribute to the revitalization of low-income neighborhoods,[9] an outcome that can be further supported by combining LIHTC housing with substantial investments to address other challenges those neighborhoods may face (such as lack of jobs, high crime, or underperforming schools). There is a strong case that the distribution of LIHTC projects should be balanced, by placing some projects in poorer neighborhoods as part of well-designed revitalization

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[3] Lisa Sanbonmatsu *et al.*, "Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation," National Bureau of Economic Research, November 2011, http://www.huduser.org/portal/publications/pubasst/MTOFHD.html.

[4] Rebecca Casciano and Douglas S. Massey, "Neighborhood Disorder and Individual Economic Self-Sufficiency: New Evidence from a Quasi-Experimental Study," *Social Science Research,* Vol. 41, 2012, pp. 802-810.

[5] Raj Chetty, Nathanial Hendren, and Lawrence Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review,* Vol. 106, No. 4, 2016, pp. 855–902.

[6] Heather Schwartz, "Housing Policy Is School Policy: Economically Integrative Housing Promotes Academic Success in Montgomery County, Maryland," in R.D. Kahlenberg (ed.), *The Future of School Integration,* Century Foundation, 2012.

[7] See, for example, Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America,* Liveright, 2017.

[8] Ingrid Gould Ellen, Keren Mertens Horn, and Yiwen Kuai, "Gateway to Opportunity? Disparities in Neighborhood Conditions Among Low-Income Housing Tax Credit Residents," *Housing Policy Debate,* 2018.

[9] Rebecca Diamond and Tim McQuade, "Who Wants Affordable Housing in their Backyard?" *Journal of Political Economy*, forthcoming.

efforts but also placing enough projects in low-poverty neighborhoods to meaningfully expand low-income families' opportunities to live there.

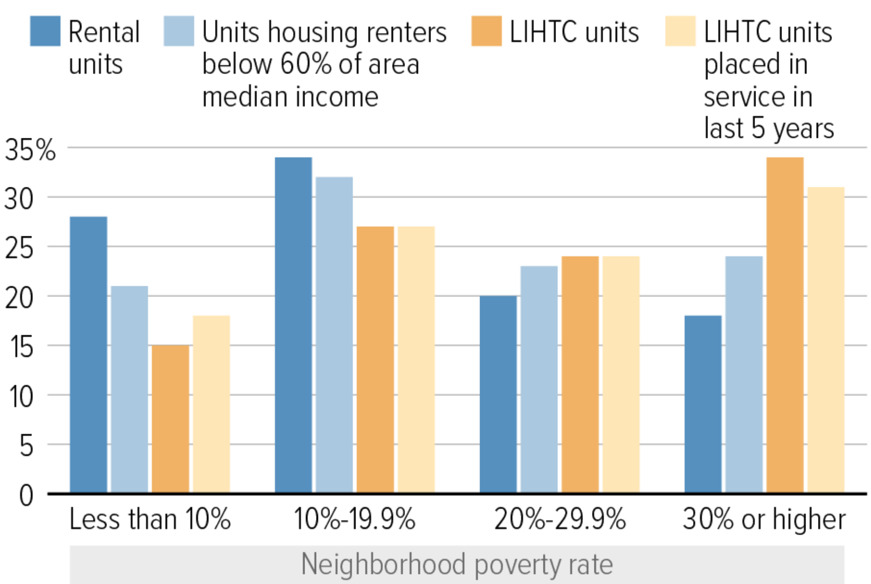
LIHTC Housing Is Disproportionately Located in Higher-Poverty, Racially Concentrated Areas

In practice, however, LIHTC units are disproportionately concentrated in poorer, racially concentrated neighborhoods, indicating that LIHTC is doing less than it could to expand access to opportunity and advance fair housing. Nationally, 34 percent of LIHTC units are in high-poverty neighborhoods (defined as those where at least 30 percent of residents are poor), compared to 18 percent of renter-occupied units. (See Figure 1.) In addition, 56 percent of LIHTC units are located in neighborhoods where at least half of residents are people of color, compared to 40 percent of all rental units.[10]

FIGURE 1

Few Low-Income Housing Tax Credit Units Are in Low-Poverty Neighborhoods

Distribution of housing units by neighborhood poverty



Note: LIHTC = Low-Income Housing Tax Credit. Low-poverty neighborhoods have poverty rates of less than 10 percent. "Neighborhoods" are census tracts.

Source: CBPP tabulations of the 2012-2016 and 2011-2015 American Community Survey, Department of Housing and Urban Development 2016 LIHTC database, and 2011-2015 Comprehensive Housing Affordability Strategy data

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[10] These estimates reflect CBPP analysis of the Department of Housing and Urban Development's (HUD) database of LIHTC projects placed in service between 1987 and 2016, American Community Survey data for 2011-2015 and 2012-2016, and Comprehensive Housing Affordability Strategy data for 2011-2015.

Just 15 percent of LIHTC units are located in low-poverty neighborhoods (those where fewer than 10 percent of residents are poor), while 28 percent of all renter-occupied units are in those neighborhoods. In all but three states, the share of LIHTC units located in low-poverty neighborhoods is smaller than the share of all rental units located there. (The Appendix lists data on the share of LIHTC units in low-poverty neighborhoods in each state).

Indeed, nationally and in most states the share of LIHTC units in low-poverty neighborhoods is lower than the overall share of LIHTC's target population (renters with incomes below 60 percent of the area median) that lives in such neighborhoods. This indicates that those households are more likely to live in low-poverty neighborhoods without LIHTC (although they may receive other housing assistance that helps them live in the neighborhood, or live in housing that is less affordable or of lower quality than LIHTC housing).

These findings are consistent with earlier research showing that LIHTC units are concentrated in neighborhoods that provide limited opportunities by other measures. For example, a recent study found that LIHTC units with two or more bedrooms — those most likely to house children — were served by schools with substantially lower math and English standardized test scores than occupied rental units overall.[11] Another study covering 12 states found that compared to all rental units, LIHTC units were located in areas with lower levels of labor market engagement, higher levels of pollution, and schools that performed relatively poorly.[12]

Furthermore, examining the share of LIHTC developments located in high-opportunity neighborhoods does not accurately reflect the degree to which LIHTC enables *poor* families and people of color to live there. Many LIHTC residents have incomes above the poverty line, and non-poor LIHTC residents tend to live in higher-opportunity neighborhoods than poor LIHTC residents. A study of 12 states found that the share of poor LIHTC residents who lived in high-poverty neighborhoods was 9 percentage points higher than the share of non-poor LIHTC residents who lived in those neighborhoods, and poor LIHTC residents were also more likely to live in neighborhoods that score poorly on most other opportunity measures (such as school performance and environmental quality). Moreover, in nine states where data on race were available, black and Hispanic LIHTC residents lived in lower-opportunity neighborhoods than white residents, even after controlling for higher poverty rates among black and Hispanic residents.[13] Thus, even to the extent that LIHTC provides affordable housing in high-opportunity neighborhoods, the most disadvantaged families may not benefit from that housing.

While LIHTC does less than it could to provide low-income families access to high-opportunity neighborhoods, its performance in this respect has improved to some degree in recent years. Among

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[11] Ingrid Gould Ellen and Keren Mertens Horn, "Housing and Educational Opportunity: Characteristics of Local Schools Near Families with Federal Housing Assistance," Poverty and Race Research Action Council, July 2018, https://prrac.org/housing-and-educational-opportunity-characteristics-of-local-schools-near-families-with-federal-housing-assistance/.

[12] Ellen, Horn, and Kuai, 2018.

[13] The neighborhoods where poor, black, and Hispanic residents lived had higher poverty rates, lower-performing schools, lower environmental quality, and more limited access to jobs, but they had better access to public transportation. Ellen, Horn, and Kuai, 2018.

LIHTC units placed in service from 2012 through 2016, the share located in low-poverty neighborhoods was 18 percent, 3 percentage points more than among all LIHTC units.[14] As discussed below, there is evidence that this modest progress is linked to policy improvements, and there is reason to believe that further policy changes can bring LIHTC closer to meeting its potential to expand opportunity for low-income families.

Policy Changes Can Raise LIHTC's Effectiveness at Expanding Opportunity

Policymakers have strong tools available to broaden the opportunities and housing choices LIHTC provides for low-income families. The discussion below examines policies that can (1) increase the number of LIHTC developments placed in low-poverty, diverse neighborhoods, and (2) give poor households and people of color greater access to developments in low-poverty, diverse areas.

Encouraging Placement of LIHTC Developments in High-Opportunity Neighborhoods

Each year states receive a fixed dollar amount of LIHTCs that they award to developers through a qualified allocation plan (QAP).[15] Developers apply for far more credits each year than states have available, so the process of selecting projects to receive credits gives states leverage to encourage particular types of projects — including those in low-poverty neighborhoods or linked to meaningful revitalization efforts in high-poverty neighborhoods.

Research shows that QAP policies can be effective at raising the share of LIHTC units in low-poverty neighborhoods. A recent study compared the QAPs that states used to allocate credits in 2002 and 2010 and examined poverty rates in the neighborhoods where LIHTCs were allocated over the next three years for each set of QAPs. The study found that states that adopted more or stronger measures supporting development in higher-opportunity areas tended to increase the share of their LIHTC units placed in neighborhoods with poverty rates at or below 10 percent.[16]

Incentives for Developments in High-Opportunity Areas

States can use QAPs to support placement of LIHTC developments in high-opportunity areas in several ways.[17] They can set aside a fixed minimum share of credits to be allocated to those developments, give them more points in the scoring system used to select LIHTC developments, or allow those developments to receive supplemental credits referred to as a "basis boost." These

[14] Data on the location of LIHTC properties placed in service in recent years are incomplete because HUD's database is missing data on some recent properties due to reporting lags. There is no indication that the missing properties are disproportionately in higher-poverty neighborhoods, however, and the increase in the share of units placed in lower-poverty areas is already apparent in the data on projects placed in service in 2012 (which are likely largely complete).

[15] Some LIHTCs are awarded automatically to affordable housing developments that use tax-exempt private activity bonds. These credits are not distributed through QAPs, but states can influence their location through separate policies used to allocate those bonds.

[16] Ingrid Gould Ellen and Keren Mertens Horn, "Points for Place: Can State Governments Shape Siting Patterns of Low-Income Housing Tax Credit Developments?" *Housing Policy Debate,* 2018.

[17] For discussion of provisions in state QAPs designed to reduce segregation and expand access to opportunity, see Sarah Oppenheimer, "Building Opportunity II: Civil Rights Best Practices in the Low Income Housing Tax Credit Program (2015 update)," Poverty & Race Research Action Council, July 2015, https://prrac.org/building-opportunity-ii-a-fair-housing-assessment-of-state-low-income-housing-tax-credit-plans/.

incentives can be targeted on projects that meet a range of opportunity criteria, including low poverty rates, proximity to high-performing schools, or access to jobs. They can also be designed to discourage projects that are located in high-poverty neighborhoods, near existing developments subsidized through LIHTC or other affordable housing programs, or close to harmful features such as environmental hazards.

The effectiveness of such policies will depend heavily on the details and context. For example, the impact of giving more points to applications for developments in high-opportunity areas will depend on how many points are provided for that criterion compared with others in the plan and the full range of other preferences and set-asides used in the plan. Efforts to encourage placement of LIHTC developments in high-opportunity areas will likely be more effective if states regularly assess their impact and modify them if they are not working.

Targeting Revitalization Incentives

An important factor that will influence a QAP's impact will be the state's approach to using LIHTCs to support revitalization in poor neighborhoods. All states are required by federal law to give preference in LIHTC allocations to projects that are located in federally designated high-poverty neighborhoods referred to as qualified census tracts (QCTs)[18] and that contribute to a concerted community revitalization plan (CCRP) — but states have broad flexibility to define what qualifies as a CCRP and what types of preference qualifying projects receive. If a state adopts a loose definition and gives the preference considerable weight, it could cover almost any project in a high-poverty neighborhood and overwhelm incentives for placement of projects in low-poverty, high-opportunity neighborhoods. States could better balance the goals of revitalizing communities and expanding opportunity by only giving preference for projects in high-poverty neighborhoods if they are part of substantial revitalization plans with a realistic chance of transforming the neighborhood.

A review of state policies found that most QAPs do not define what a CCRP is or merely require that an area be designated by a public agency as having such a plan,[19] although a few require that substantial efforts be in place to transform the neighborhood.[20] A December 2016 IRS notice clarified that such a plan must include other components besides the LIHTC project itself, but the federal government still has not provided guidance on what specific characteristics a plan must have to qualify.[21]

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[18] To qualify as a QCT, a census tract must have a poverty rate of at least 25 percent, or at least 50 percent of a tract's households must have incomes below 60 percent of the local median income. All QCTs added together cannot include more than 20 percent of the population of a metropolitan area or non-metropolitan county, so if the population of qualifying tracts exceeds that limit, HUD designates as QCTs the tracts with the highest poverty and low-income concentration rates.

[19] Jill Khadduri, "Creating Balance in the Locations of LIHTC Developments: The Role of Qualified Allocation Plans," Abt Associates, February 2013, https://www.abtassociates.com/insights/publications/report/creating-balance-in-the-locations-of-lihtc-developments.

[20] Matthew Ampleman *et al.*, "Assessment Criteria for 'Concerted Community Development Plans': A Recommended Framework," Poverty & Race Research Action Council, March 14, 2017, https://www.prrac.org/pdf/PRRAC_CCRP_recommendations_3_14_17.pdf.

[21] Internal Revenue Service, "Satisfying the Required Qualified Allocation Plan Preference in Section 42(m)(1)(B)(ii)(III) (Concerning Concerted Community Revitalization Plans)," Notice 2016-77, December 2016, https://www.irs.gov/pub/irs-drop/n-16-77.pdf.

Federal legislation could improve the CCRP requirement. Senator Maria Cantwell and Representative Carlos Curbelo have sponsored bills — which have received broad support from members of both parties in Congress and from housing stakeholders — that would (in addition to reforming LIHTC in other ways) require states to more clearly define CCRPs by developing specific criteria to determine whether a neighborhood has a satisfactory plan. Those criteria include having a clear implementation plan, outcome goals, and a strategy for seeking investment in non-housing infrastructure, amenities, or services (such as education, recreation, and job training).

Basis Boosts

Under LIHTC, a project automatically receives a 30 percent basis boost — that is, a 30 percent increase in the amount of credits the project is eligible for — if the project is located in either (1) a QCT, or (2) a "difficult development area" (DDA) where housing costs are high. This policy provides offsetting location incentives, since QCTs are by definition high-poverty neighborhoods while DDAs are often — though not always — lower-poverty neighborhoods.[22] In addition, states are permitted to award basis boosts to certain projects that meet state-determined criteria. States can use this flexibility to ensure that projects in high-opportunity neighborhoods (including those that don't meet the federal DDA criteria) receive a basis boost if needed. Providing these added credits will mean that the state can support fewer LIHTC units overall, but it will often be worthwhile since the credits can be crucial to making LIHTC developments feasible in high-opportunity neighborhoods, where land and other development costs will often be higher.

Preventing Local Officials from Excluding Affordable Housing

Historically, many states have required approval from local governments for LIHTC allocations or given preference to projects that have that approval. Others have given preference to projects that receive contributions from local governments. These policies can give local governments in high-opportunity communities the power to veto LIHTC developments by disapproving them or refusing to provide a contribution to support them. States are also required to notify local governments about proposed LIHTC projects, which can have the effect of triggering local opposition.

In recent years there has been a growing recognition of the harm these policies cause. A December 2016 Treasury Department guidance document made clear that state agencies aren't required to seek local approval for LIHTC allocations and raised concerns that the practice conflicted with fair housing goals.[23] The Cantwell and Curbelo LIHTC reform bills would go further by prohibiting states from requiring or giving preference for local approval or contributions and eliminating a requirement that they notify local jurisdictions.

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[22] DDAs have only targeted high-cost (often high-opportunity) *neighborhoods* since 2016, when HUD began using "small area difficult development areas" (SDDAs) defined at the zip code level in metropolitan areas. Previously, HUD designated entire metropolitan areas as DDAs, which provided no special incentive for LIHTC projects in high-cost neighborhoods relative to other neighborhoods because all neighborhoods in high-cost metro areas qualified as DDAs and all neighborhoods in low-cost metro areas did not.

[23] U.S. Treasury Department, Revenue Rule 2016-29, December 2016, https://www.irs.gov/pub/irs-drop/rr-16-29.pdf.

Expanding Poor Families' Access to LIHTC Units in High-Opportunity Neighborhoods

While placement of LIHTC developments in higher-opportunity neighborhoods will ensure that some families with incomes below 60 percent of the area median income are able to live in those areas, it will not necessarily do the same for families with incomes below the poverty line. Poor families may have difficulty renting LIHTC units in high-opportunity neighborhoods because they can't afford the rent, face discrimination, or simply aren't aware of available units or familiar with the surrounding neighborhoods. These barriers will likely persist unless states and others take specific measures to address them.

Setting LIHTC Rents at Levels Poor Families Can Afford

Many LIHTC developments set rents at least modestly below the maximum level of 30 percent of 60 percent of the local median income. But the rents are rarely low enough for poor families (who typically have incomes around or below 30 percent of the median) to afford without shifting resources away from other basic needs. In states where data are available, the great majority of LIHTC tenants with incomes below 30 percent of median income either pay more than 30 percent of their income for rent or receive some other form of assistance (such as a housing voucher) to help them pay the rent.[24]

Moreover, LIHTC rents will likely be further out of reach for poor families at developments located in high-opportunity neighborhoods. In lower-income neighborhoods, market rents are often well below 30 percent of 60 percent of median, so LIHTC owners have no choice but to set lower rents (since they wouldn't be able to fill their units if they charged above-market rents). That's rarely true in high-opportunity areas, however, so owners there are usually free to charge rents close to the LIHTC maximum.

States can make LIHTC units affordable to poor families through their QAPs, by requiring developments to set aside some units for those families at affordable rents or giving preference to developments that do so. Since this will reduce the owner's rent revenues, however, it often requires that the development be provided added subsidies (for example, through the federal HOME Investment Partnership, Community Development Block Grant, or National Housing Trust Fund) so that the owner is able to cover operating costs and payments on debt from development costs. Consequently, policies for allocating these added subsidies — which are often set by local agencies or by a different state agency from the one that allocates LIHTC credits — are also important to efforts to make LIHTC developments in high-opportunity neighborhoods affordable to poor families.

Legislation enacted in March 2018 established a new "income averaging option" that can help make well-located LIHTC units affordable to poor families. Under the option a state can allow a LIHTC project to have some units with income ceilings of up to a maximum of 80 percent of the local median income (and rents up to 30 percent of this figure), so long as other units have lower

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[24] Megan Bolton, Elina Bravve, and Sheila Crowley, *Aligning Federal Low-Income Housing Programs with Housing Need,* National Low Income Housing Coalition, December 2014; Katherine M. O'Regan and Keren M. Horn, "What Can We Learn About the Low-Income Housing Tax Credit Program by Looking at the Tenants?" *Housing Policy Debate,* Vol. 23, No. 3, 2013.

ceilings so that the average in the project is no higher than 60 percent of area median income. For example, a development with 100 units could have 30 units at 80 percent of median, 50 units at 60 percent of median, and 20 units at 30 percent of median. Owners could use the added rents from the higher-income units to cross-subsidize lower rents in lower-income units. This will only work when market rents are high enough that families will be willing to pay rents above 30 percent of 60 percent of median to live in a mixed-income property. But that will more often be true in the low-poverty neighborhoods that would expand opportunity most for poor families or in neighborhoods where rents and incomes are rising and low-income families are at risk of displacement.

The Cantwell and Curbelo bills would provide an added tool to states by allowing them to provide a 50 percent basis boost for units that target families with incomes below the higher of 30 percent of area median income or the federal poverty line. This would give the projects where those units are located added credits that would help offset the cost of lowering rents to a level those families can afford. States would be permitted to provide the boost in any neighborhood, but could choose to target it on high-opportunity neighborhoods where it is particularly difficult for the lowest-income families to find housing.

Marketing and Tenant Selection

Even when poor families and people of color can afford LIHTC rents, many may still not access LIHTC housing in high-opportunity areas because they do not apply — sometimes because they are unaware of housing opportunities outside lower-income neighborhoods where their social and family networks are centered — or are not accepted. States can help address these barriers by requiring LIHTC developments to have strong affirmative marketing policies that include targeted outreach to groups that are underrepresented in the neighborhood where the LIHTC development is located. Already, some states have detailed criteria in their QAPs requiring developers applying for LIHTCs to have detailed marketing plans in place. Such marketing should begin months before a project begins to lease and should include outreach in neighborhoods where people of color are concentrated and to service providers that work with underserved populations.

The process that owners use to receive applications and select tenants can also influence access to developments in high-opportunity areas. States could require owners to accept applications in a manner that doesn't discriminate against applicants living in other parts of the metropolitan area (for example, by providing alternatives to in-person applications) or even to share a single waiting list across developments in different communities. Owners should also avoid selection criteria, such as preferences for residents of the locality where the development is located or unnecessarily rigid credit screening, that will tend to discriminate against applicants of color.[25]

Coordination with Vouchers and Other Rental Assistance

Most poor households who live in LIHTC developments today do so with the help of some form of federal rental assistance. This assistance usually enables the family to pay 30 percent of their income for rent, which for most poor tenants will be well below the full LIHTC rent for the property. The most common form of federal rental assistance is Housing Choice Vouchers. Most

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[25] Megan Haberle, Ebony Gayles, and Philip Tegeler, "Accessing Opportunity: Affirmative Marketing and Tenant Selection in the LIHTC and Other Housing Programs," Poverty & Race Research Action Council, December 2012, https://www.prrac.org/pdf/affirmativemarketing.pdf.

vouchers are "tenant-based," meaning that families can use them in units of their choice in the private market.

There is great potential for LIHTC and the voucher program to work together to help poor families rent housing in high-opportunity areas. Voucher holders are permitted to rent anywhere there is a voucher program. But in practice it can be challenging to use a voucher in many low-poverty neighborhoods, in part because there may be few units with rents below the "payment standard" that caps voucher subsidies and some landlords may refuse to accept vouchers. LIHTC is well-suited to address those barriers, since it can be used to develop new rental housing in low-poverty neighborhoods and, once built, that housing will usually (though not always) have rents that are below the voucher payment standard. In addition, federal law prohibits LIHTC owners from discriminating against voucher holders.

When the programs are used together in this way it means that fewer total families are assisted (since the LIHTC unit and the voucher assist the same family), but it can do more to expand access to opportunity for the neediest families. That's because vouchers can enable families with incomes around or below the poverty line to live in LIHTC units in high-opportunity neighborhoods with low poverty rates and strong schools. Such families would otherwise be less likely to have access to decent, stable housing in high-opportunity neighborhoods, compared to the somewhat higher-income families who can afford to rent a LIHTC unit without a voucher.

Despite these advantages, the available evidence suggests that many LIHTC developments rent few or no units to families with vouchers.[26] There are a number of steps, however, that states, local housing agencies, and others can take to enable more voucher holders to rent LIHTC units in high-opportunity neighborhoods.

Perhaps most significantly, states should require LIHTC owners to inform all voucher agencies in the metropolitan area about initial leasing opportunities and periodically about subsequent vacancies, and voucher agencies should pass that information on to voucher holders and inform them that LIHTC owners must accept vouchers. Voucher agencies and other organizations could also take other measures to help voucher holders move to LIHTC developments and other housing in low-poverty neighborhoods. For example, this could include providing families information on schools and other characteristics of high-opportunity areas, assistance in addressing credit problems, funds for security deposits and moving expenses, and advice on transitional issues such as setting up utilities and registering for new schools.[27]

In addition, while all LIHTC owners are prohibited from discriminating against voucher holders, there is no federal system in place to enforce that prohibition. State and local governments could

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[26] Carissa Climaco *et al.*, "Updating the Low-Income Housing Tax Credit (LIHTC) Database: Projects Placed in Service Through 2006," prepared by Abt Associates for U.S Department of Housing and Urban Development, Office of Policy Development and Research, January 2009, www.huduser.gov/portal/datasets/lihtc/report9506.pdf.

[27] For additional information, see Molly Scott *et al.*, "Expanding Choice: Practical Strategies for Building a Successful Housing Mobility Program," Urban Institute and Poverty & Race Research Action Council, February 2013, http://www.prrac.org/pdf/ExpandingChoice.pdf; and Barbara Sard *et al.*, "Federal Policy Changes Can Help More Families with Housing Vouchers Live in Higher-Opportunity Areas," Center on Budget and Policy Priorities, forthcoming.

take steps to ensure that LIHTC owners comply with the prohibition, for example by conducting anonymous testing to identify owners who discriminate and penalizing those that do.

Rental assistance can also be "project-based," meaning that it is tied to a development on a long-term basis. For example, state and local voucher agencies are permitted to project-base a portion of their Housing Choice Vouchers in particular developments. Those agencies can use project-based vouchers to ensure that some LIHTC units are available and affordable to poor families, by allocating some of the project-based vouchers to LIHTC units. States can also allocate LIHTCs to projects in high-opportunity neighborhoods that have ongoing project-based rental assistance (for example through the Public Housing or Section 8 Project-Based Rental Assistance, or PBRA, programs), to support renovation of those projects and preserve the housing opportunities they provide.

Improving Public Data on Demographics of LIHTC Tenants

The location of LIHTC properties is public information and is compiled by the Department of Housing and Urban Development (HUD) in a relatively complete public database, but only limited information is available on the characteristics of the households that live in those properties. As a result, far less is known about the income, racial make-up, and other characteristics of the households the LIHTC program assists, compared to other federal low-income programs. (The data discussed in this paper on the characteristics of LIHTC residents are from small groups of state agencies that gathered relatively complete data and voluntarily agreed to provide it to researchers.)

In addition, almost no data are available on the characteristics of tenants in most individual LIHTC properties. By contrast, HUD regularly posts such data for most developments in project-based assistance programs such as Public Housing and PBRA (with the important limitation that for privacy reasons HUD does not release any data on individual tenants or groups of ten or fewer households).

These information gaps make it hard to determine not only the population served by LIHTC as a whole, but also the degree to which poor families and people of color have access to LIHTC developments in high-opportunity neighborhoods and the types of policies needed to expand that access. They also mean that it is impossible to tell whether an individual development is serving poor families, people of color, and voucher holders — which is crucial information for agencies and advocates seeking to enforce anti-discrimination laws and expand access to opportunity.

Congress enacted legislation in 2008 requiring state agencies to report data to HUD annually on the characteristics of tenants in each LIHTC development (including whether they use a voucher or receive other rental assistance), and directing HUD to compile those data and make them publicly available each year. HUD and most state LIHTC agencies, however, have failed to comply with that requirement.

Most states appear to report incomplete data. HUD's most recent report included data for only 69 percent of LIHTC properties, and at the properties that were included, income data were left out for 20 percent of tenants and racial and ethnic data were missing for 41 percent.[28] Only 11 states reported even partial tenant data for at least 90 percent of the LIHTC properties.

Of equal significance, HUD publicly reports only aggregated state-level data, even though Congress directed it to post the project-level data gathered by states. As a result, the national data can be used to determine how many poor families a state serves (if the state submits complete income data), but not whether those families live in developments in low-poverty, high-opportunity neighborhoods.

HUD should promptly begin releasing the development-level data it receives from states, subject to the same privacy protections it uses for other programs. (The average LIHTC development has 76 units, so HUD could release useful development-level data for most projects without compromising the privacy of individual households.) In addition, states should take measures to improve the quality of the data they submit, and if they fail to do so, Congress should provide HUD with authority to impose sanctions on non-compliant states.

Conclusion

The LIHTC program has the potential to expand poor families' access to low-poverty neighborhoods, which could in turn have powerful positive effects on outcomes for children and others. In practice, LIHTC properties on the whole do less than they could to advance this goal. The program's performance in this area has improved modestly in recent years, however, and this progress seems to have been driven in part by policy improvements. Federal, state, and local policymakers should build on those gains by adopting further measures to increase LIHTC's effectiveness in expanding opportunity.

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[28] U.S Department of Housing and Urban Development, "Understanding Whom the LIHTC Serves: Data on Tenants in LIHTC Units as of December 31, 2015," March 2018, https://www.huduser.gov/portal/publications/LIHTC-TenantReport-2015.html.

Appendix

TABLE A-1

Share of Housing Units in Low-Poverty Neighborhoods by State

State	Occupied Rental Units	Renter Households With Incomes Below 60% AMI	Low-Income Housing Tax Credit (LIHTC) Units	LIHTC Units Placed in Service in the Last 5 Years
Alabama	17%	11%	11%	11%
Alaska	58%	47%	46%	66%
Arizona	25%	15%	6%	1%
Arkansas	14%	9%	8%	4%
California	28%	19%	16%	18%
Colorado	34%	26%	24%	37%
Connecticut	39%	35%	21%	17%
Delaware	38%	27%	16%	12%
District of Columbia	25%	18%	3%	3%
Florida	22%	14%	7%	9%
Georgia	19%	12%	8%	22%
Hawaii	45%	40%	37%	54%
Idaho	19%	14%	13%	11%
Illinois	30%	24%	15%	21%
Indiana	24%	17%	14%	14%
Iowa	35%	32%	30%	26%
Kansas	32%	25%	27%	25%
Kentucky	15%	12%	14%	9%
Louisiana	15%	10%	5%	0%
Maine	27%	20%	21%	26%
Maryland	45%	39%	33%	28%
Massachusetts	37%	35%	16%	21%
Michigan	24%	17%	9%	11%
Minnesota	42%	34%	24%	22%
Mississippi	10%	7%	3%	0%
Missouri	23%	19%	13%	15%
Montana	24%	21%	12%	18%
Nebraska	35%	31%	23%	13%
Nevada	29%	16%	13%	19%
New Hampshire	47%	43%	41%	44%
New Jersey	40%	36%	27%	33%
New Mexico	11%	8%	4%	N/A

State	Occupied Rental Units	Renter Households With Incomes Below 60% AMI	Low-Income Housing Tax Credit (LIHTC) Units	LIHTC Units Placed in Service in the Last 5 Years
New York	27%	21%	13%	11%
North Carolina	21%	13%	12%	18%
North Dakota	44%	41%	43%	59%
Ohio	26%	20%	12%	12%
Oklahoma	17%	13%	9%	21%
Oregon	20%	14%	10%	11%
Pennsylvania	35%	29%	22%	24%
Rhode Island	29%	26%	21%	22%
South Carolina	20%	13%	7%	9%
South Dakota	30%	29%	38%	40%
Tennessee	19%	12%	6%	12%
Texas	27%	16%	13%	19%
Utah	34%	25%	20%	21%
Vermont	34%	33%	29%	24%
Virginia	42%	33%	25%	19%
Washington	34%	26%	21%	20%
West Virginia	13%	9%	13%	0%
Wisconsin	35%	31%	37%	36%
Wyoming	43%	38%	52%	54%
U.S. Total	28%	21%	15%	18%

Note: AMI = area median income. Low-poverty neighborhoods are census tracts where the population in poverty is less than 10 percent.

Source: CBPP tabulations of the 2012-2016 and 2011-2015 American Community Survey, Department of Housing and Urban Development 2016 LIHTC database, and 2011-2015 Comprehensive Housing Affordability Strategy data.