Connecticut
Fair Housing Center

January 27, 2012

Delbe Spath, Manager, Tax Credit Programs
Connecticut Housing Finance Authority
999 West Street
Rocky Hill, CT 06067

Dear Mr. Spath,

Thank you for the opportunity to comment on the 2012 Qualified Allocation Plan for the Low-Income Housing Tax Credit Program. While the Connecticut Fair Housing Center[1] recognizes and appreciates the changes that would tend to benefit family developments proposed for areas where schools are thriving and poverty and crime rates are low (hereinafter referred to as "higher opportunity areas")[2], the broader structure of the QAP is weighted in favor of developments in lower opportunity areas. For the reasons set out below, the QAP structure should be significantly changed to foster higher opportunity developments.

This letter will address three major issues with the current QAP and LIHTC program, provide more detailed comments on particular elements of the draft, and offer recommendations on ways to foster higher opportunity development. The key points we would like to highlight are:

1. Higher opportunity developments with the appropriate income mix are sustainable over the long term with fewer additional subsidies then lower opportunity developments and are therefore better investments for Connecticut's LIHTC program.

2. The structure of the draft QAP favors developments in lower opportunity areas, isolating Connecticut's future workforce of color in neighborhoods with struggling schools and high rates of poverty and crime.

3. Encouraging the development of mixed-income housing developments located in higher opportunity areas also promotes racial and economic integration thus fulfilling CHFA's obligation to comply with the state and federal fair housing laws, including its duty to affirmatively further fair housing.

[1] The Connecticut Fair Housing Center is a statewide fair housing organization committed to assisting individual victims of housing discrimination and promoting integration.
[2] The Kirwan Institute for the Study of Race and Ethnicity produced a report for the Center analyzing the availability of "opportunity" in each census tract in Connecticut. The findings of this report are discussed on pg. 3. below.

Disproportionate Points for LIHTC Developments in Lower Opportunity Areas Result in Developments that are Less Financially Sustainable and Perpetuate Segregation

Tax credits can be used to create affordable family housing that is financially sustainable. Placing developments in higher opportunity areas with an appropriate income mix allows the market rate units to off-set the qualified units[3] or at least minimize reliance on additional subsidies. Conversely, off-setting targeted units with market rate units is frequently not possible in areas with depressed rents because the market and targeted rental amounts are not far apart. As a result, lower opportunity projects are less likely to be financially sustainable without the infusion of significant additional subsidies. Such developments are more likely to struggle financially and return to CHFA or DECD in search of further support.[4]

Reorienting the LIHTC program to foster the creation of high opportunity family developments does not mean Connecticut is abandoning its cities. To the contrary, allowing housing choice deconcentrates poverty, revitalizes our cities and promotes smart growth. To the extent LIHTC developments are placed in cities, (1) they must be part of a greater neighborhood plan, (2) they should not contain more than 25% targeted units, (3) they should not add more low-income units to the neighborhood, and (4) they should include relocation options to higher opportunity areas and mobility counseling assistance for existing residents. Creating housing in lower opportunity areas with few targeted units will allow more of an income mix to occur in these communities over the 40 to 50 year span of the LIHTC commitment. We should be investing in our cities, but not with new units of low-income housing.

Placing developments in higher opportunity areas does not mean we abandon other priorities such as supportive housing and rehabilitating public housing. Many of our clients who need supportive housing prefer to reside in higher opportunity areas that have access to healthy food and open space, both of which are conducive to rehabilitation. With regard to Connecticut's public housing stock, many of the moderate income complexes in need of rehabilitation are located in higher opportunity areas. Points should be awarded to these projects with an eye toward which rehabilitation projects are most likely to give low-income children of color – Connecticut's future workforce – access to thriving schools. CHFA should also consider awarding points for applications that include mobility counseling relocation assistance. All of these units should be aggressively marketed to those least likely to apply.

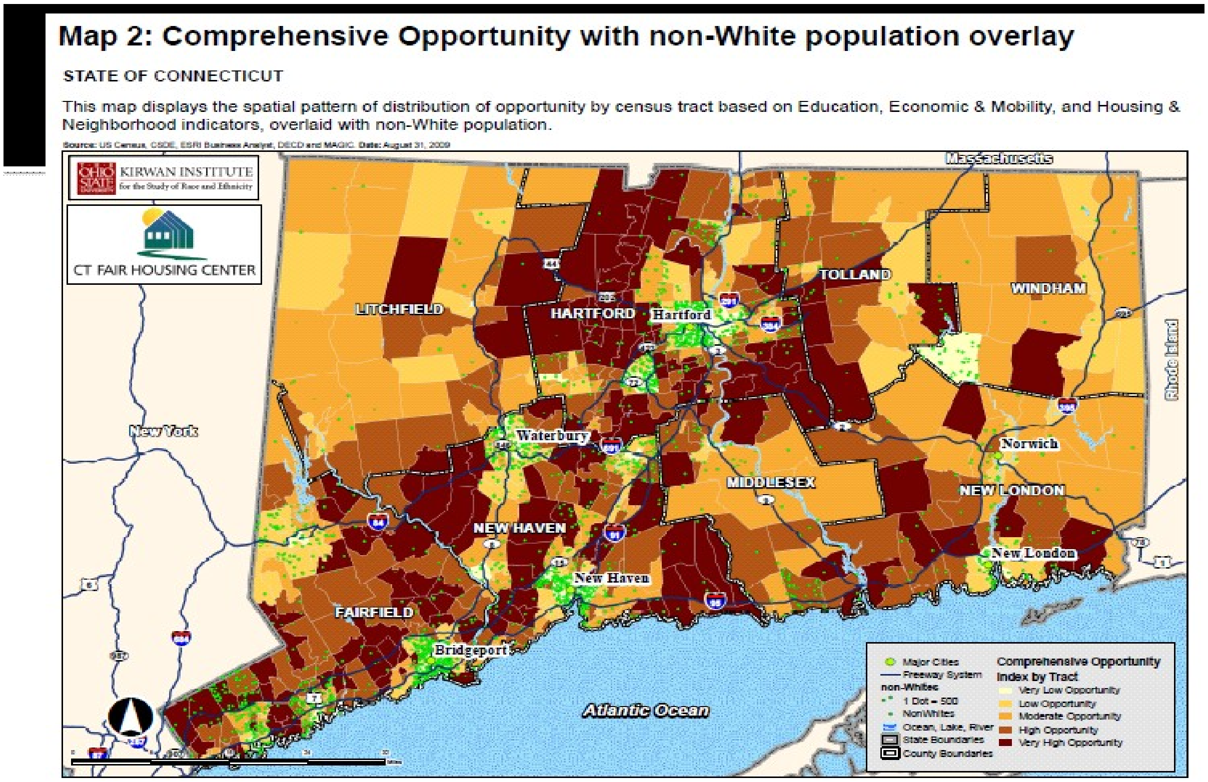
Beyond the financial benefits articulated above, prioritizing higher opportunity developments promotes racial and economic integration. Higher opportunity developments give low-income children of color *immediate* access to excellent schools, not simply the hope that the school system in their current neighborhood might improve while they are still of school-age. Crafting the QAP to generate developments in high opportunity makes sense financially and socially, and promotes integration.

The Current Draft QAP Disadvantages Higher Opportunity Mixed Income Developments

[3] "Qualified Units" refers to a LIHTC development's combined "targeted units", those units affordable to households above 25% and at or below 50% of Area Median Income (AMI), and "deeply targeted units", those units affordable to household at 25% of AMI or below.

[4] We encourage CHFA to assess the extent to which LIHTC developments have required additional credits in order to remain financially viable and consider whether there are locational trends that can be identified.

Our analysis of the placement incentives within the draft relies in part on the Kirwan Institute's 2009 report, *People Place and Opportunity: Mapping Communities of Opportunity in Connecticut* (hereinafter "Opportunity Report") and the historical use of LIHTC. The Opportunity Report uses data such as poverty rates, fourth grade reading and math scores, job growth, mean commute time, and crime figures to rate each census tract in Connecticut.[5] These data points were identified after a review of over fifty years of social science research finding that where you live affects the opportunities you have in your life.



Opportunity Map with Non-white Overlay

By overlaying Connecticut's racial demographics on the opportunity rating of each census tract, the Opportunity Report found that 81% of African-Americans and 79% of Latinos are living in areas of lower opportunity whereas only 25% of non-Hispanic Whites and 44% of Asians live in such communities. The report recommends that we embrace policies that bring strategically targeted resources to lower opportunity areas and connect low-income people of color to areas of higher opportunity – particularly through creating affordable housing options.

The LIHTC program has not embraced such policies in the past. Information provided by CHFA in its annual report with the addition of the most recent LIHTC allocations reveals that 85% of LIHTC developments in Connecticut are located in lower opportunity areas. In addition, 79% of LIHTC developments are in disproportionately minority census tracts (composed of greater than 40% people of color). Thus, the affordable developments created through the use of LIHTC program confine low-income people and people of color in lower opportunity neighborhoods and increase poverty concentration in these neighborhoods.

[5] This report is available at http://research.kirwaninstitute.org/2009/11/29/connecticut-opportunity-mapping-initiative-results-and-resource-;materials/#cb=f3d3d400a13b0d8&origin=http%3A%2F%2Fresearch.kirwaninstitute.org%2Ff29dec07d1bc34&relation=parent.parent&transport=postmessage&type=resize&width=0&height=0

The current draft of the QAP continues this trend by putting higher opportunity mixed-income developments at a disadvantage in three ways. At the outset, the "Application Criteria", Section F. on page 8 is likely to limit LIHTC proposals in higher opportunity. It appears that higher opportunity developments would only *possibly* qualify under b, "Growth Areas, Rural Community Centers, or Neighborhood Conservation Areas" and potentially criterion a., Incentive Housing Zones.[6] We encourage CHFA to undertake an assessment of the extent to which this criterion would limit placement of LIHTC developments in areas with thriving schools. If we are correctly anticipating the limiting affect of these criteria, we encourage that they be eliminated or that there be an additional criterion for higher opportunity or high performing school district developments.

Second, 50% of the LIHTCs available are dedicated to rehabilitating public housing, which is disproportionately located in lower opportunity areas. We recognize that many public housing developments are in need of extensive repairs and that there is a shortage of state and federal funds for rehabilitation. However, as outlined above, allocating such a high percentage of LIHTCs to lower income developments is likely not the best investment of State resources from a financial or social policy perspective and contributes to segregation. Instead, CHFA could create "sister" developments in higher and lower opportunity areas to ensure that the total number of qualified units is maintained and residents are offered a choice about where to reside. CHFA should also consider prioritizing public housing rehabilitation based on whether the local schools are performing at a high level.

Third, once a higher opportunity development submits an application for the 50% of the credits not ear-marked for the rehabilitation of public housing, it is then greatly disadvantaged in the point allocation. In ***Attachment A*** we have compared how two family development proposals would fare under the draft QAP. The hypothetical higher opportunity development in Glastonbury consists of no more than 30% qualified units so as to avoid concentrating poverty. The lower opportunity development in Hartford is 68% targeted/deeply targeted (the majority of LIHTC family developments located in Hartford are 100% targeted). The descriptions of the two developments are as follows:

	Very High Opportunity	**Very Low Opportunity**
Location	**Glastonbury**	**Hartford**
Number of Units	**50**	**25**
Deeply Targeted	**10% (5 units)**	**28% (7 units)**
Targeted	**20% (10 units)**	**40% (10 units)**
Supportive	**16% (8 units)**	**20% (5 units)**

In scoring just two categories, "Rental Affordability" (42 points) and "Municipal Commitment" (21 points) it is clear that the very high opportunity development will never receive funding. Such a development will receive 28 points in these categories combined and lose 32 points. The very low opportunity

[6] Because Incentive Housing Zones must be authorized by each town and full State funding for the Home Connecticut program is not yet in place, it is unclear how much higher opportunity development this will permit.

development is a clear winner, obtaining 50 points and losing only 11. This is true even though the higher opportunity development creates only two fewer targeted/deeply targeted units and three more supportive units than the very low opportunity development. Furthermore, the children living in the higher opportunity development would attend thriving, non-poverty concentrated schools.

This comparison emphasizes two points, first that the point system skews in favor of lower opportunity developments and second, that it does not account for scale. We recognize that the role scale plays in the LIHTC process is a tricky one, both in terms of the kind of projects more likely to be accepted in higher opportunity areas (smaller projects) and in terms of the scale capacities of different kinds (for-profit v. non-profit) developers, but we wanted to highlight the issue.

The point allocations that greatly disadvantage the very high opportunity development are:

- **Points for supportive, targeted and deeply targeted housing (16 maximum points in all).** LIHTC developments in higher opportunity areas are more likely to face community opposition if the percentage of qualifying units is greater than 25%, so the current scoring awarding maximum points for at least 65% qualified units will harm higher opportunity developments. Developments with a 25%/75% low/high income mix are also likely to be more financially sustainable in higher opportunity areas. The targeted and deeply targeted categories also reward developers for concentrating poverty.

  RECOMMENDATION: To avoid concentrating poverty, allow no development to have less than 20% or more than 30% targeted/deeply targeted units. To contend with the scale issue discussed above, consider parallel scoring that awards points for total number of units or for percentages, neither of which should exceed 30% of total units.

- **Points awarded for preserving at-risk affordable housing (5 points).** It is highly unlikely that these points will be awarded to higher opportunity new construction family developments. As illustrated above, such developments are more likely to be financially sustainable and thus will be less likely to need additional subsidy assistance. If LIHTC developments in lower opportunity areas are at risk of conversion it may be that they are not financially sustainable. Therefore, it is better public and fiscal policy to replace those units with higher opportunity LIHTC developments.

  RECOMMENDATION: Remove these points and allocate them to a measure of school success such as percentage of passing scores on 4th grade math and reading assessments. Maximum points would be awarded for placements in districts in the top fifth of performance on 4th grade reading and math assessments. Slightly fewer points should be awarded for those developments in the second highest quintile of this measure.

- **Project Based Rental Assistance (4 points).** Higher opportunity developments with the proper income mix may not need this additional subsidy and, if so, the State can use this valuable resource elsewhere. A project should not be penalized for *not* using such subsidies. In fact in other states, like New Jersey, projects are penalized in the QAP for needing additional subsidies.

In addition, 24 CFR §983.56 limits the percentage of project-based vouchers in any given development to 25% except in certain circumstances, including when the residents are elderly or have disabilities. Therefore, allocating maximum points for developments using project-based rental assistance for 60% or more of the units greatly benefits supportive and elderly housing.[7]

RECOMMENDATION: As an alternative, the use of project-based assistance could be integrated into the financial sustainability section, as long as developments that are fully sustainable without them do not lose points. Also, consider adding the 4 points here to the education measure for a total of 9 points for being located in a high performing school district.

- **Production and Preservation of Units (4 points).** It is not clear how newly created units fit into this category. However, because it creates an incentive to add even more qualifying units to a developments in a lower opportunity areas, it is just encouraging further concentration of poverty.

  RECOMMENDATION: Remove points.

- **Priority Locations (4 points).** The higher opportunity development loses points for not being located in a regional center or a Qualified Census Tract.

  RECOMMENDATION: Add a low crime measure (for example lowest quintile of overall crime occurrence) as an additional way to get the points in this category and as a means of weeding out regional centers and QCTs placement that will not gain the 4 points in this category.

- **Transit Oriented Development (2 points).** A higher opportunity development is less likely to be located within a ½ mile of a train station or a ¼ mile of a bus stop. What these points discount is "Development Oriented Transit" or the possibility of rerouting a bus or adding a stop to allow for stops in the vicinity of the development.

  RECOMMENDATION: Allow 4 points for developments located within a ½ mile of a bus *route*. This will indicate that rerouting is possible. Further consultation with the Department of Transportation might generate additional formulations. Alternatively, consider awarding parallel points for placement within higher opportunity areas with sustained job growth. Already many people are, counter to Smart Growth principles, commuting to these jobs. The QAP can be structured to encourage housing placements near employment centers.

- **Historic Place, Adaptive Reuse or Brownfield Development (2 points).** Points for brownfield development would tend to put higher opportunity proposals at a disadvantage.

[7] 24 CFR §983.56 is available at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=465d5ecf5317f336e3cf16e8e26530e1&rgn=div8&view=text&node=24:4.0.3.1.24.2.41.6&idno=24

RECOMMENDATION: Analyze the impact of this point allocation and consider removing it.

As an alternative to making the changes recommended above, CHFA could consider further dividing the credits in order to meet all of the State's needs. The Massachusetts Draft QAP allocates 50% of the credits to the creating of new units, either through new construction or rehabilitation, 30% to preservation and 20% to HOPE VI (although public housing preservation could be substituted for this). Such a division would allow for the parallel point allocations necessary to generate the best applications for each kind of development.[8] The Connecticut Fair Housing Center would welcome the opportunity to offer further ideas in this proposal.

Fair Housing Obligations Applicable to LIHTC Program

When administering the LIHTC program CHFA is not only required to ensure that the program does not have a disparate impact on people of color, but also to affirmatively further fair housing. One of the threshold steps that CHFA can take to comply with its affirmatively furthering obligation is to collect, and make publically available, data regarding the racial demographics in the areas of current and proposed LIHTC development sites. As a second step, as discussed above, CHFA should draft the QAP to give priority to developments proposed outside of low opportunity minority-concentrated areas. Lastly, CHFA should review LIHTC development affirmative marketing plans, actions and results to be sure they comply with current best practices.

We would welcome the opportunity to work more closely with the CHFA Board and staff to build on innovative steps that housing finance agencies in other states, like Pennsylvania, are taking to promote higher opportunity development both within the QAP and in their LIHTC programs more generally.

Thank you for this opportunity to comment on the 2012 LIHTC draft QAP. We look forward to discussing our recommendations with you.

Sincerely,

/s/

Erin Boggs, Esq.
Deputy Director

[8] The 2012 Draft Massachusetts QAP is available at http://www.mass.gov/hed/docs/dhcd/hd/lihtc/draft2012qap.pdf .