

PRRAC

Poverty & Race Research Action Council

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ASSESSMENT CRITERIA FOR “CONCERTED COMMUNITY REVITALIZATION PLANS”: A RECOMMENDED FRAMEWORK

BACKGROUND

Targeted LIHTC administration can be a powerful means of decreasing concentrations of poverty and supporting individual families’ housing needs. In part, state HFAs can meet this promise by increasing the location of LIHTC units in neighborhoods and communities that offer high-performing schools, low crime rates, access to employment, mass transit, and access to necessities such as healthy food, parks, and recreational facilities.

Currently, LIHTC projects are often concentrated in low-income and racially segregated, minority neighborhoods.ⁱ These neighborhoods typically offer limited opportunities for economic stability and educational success. A 2011 Department of Housing Urban Development (HUD) report found that LIHTC projects are often clustered in neighborhoods with higher rates of poverty and higher concentrations of minorities.ⁱⁱ Unfortunately, LIHTC projects are also rarely located near high-performing public schools, limiting opportunities for school-aged children to fulfill their educational potential.ⁱⁱⁱ For children, growing up in neighborhoods with low-performing public schools, high rates of environmental health hazards, and frequent exposure to violent crime can have dire developmental consequences.^{iv}

Section 42 of the Internal Revenue Code requires that state Qualified Allocation Plans (QAPs)^v give a preference to “projects which are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan (CCRP).”^{vi} Housing Finance Agencies (HFAs) must allocate Low-Income Housing Tax Credits (LIHTC) according to this preference, but a range of state practices exist on this matter.

By definition, each QCT has a high concentration of low-income households.^{vii} Therefore, placing LIHTC projects in QCTs exacerbates the concentration of low-income, minority residents in low-opportunity neighborhoods. Section 42 of the Internal Revenue Code counterbalances this inherent risk by requiring that LIHTC projects located in QCTs be developed pursuant to a CCRP in order to receive this preference. Notice 2016-77 clarified this requirement. Given the lack of federal direction on the criteria for a CCRP, it is not surprising that state approaches to this element of LIHTC administration vary significantly. For instance,

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some states may require a CCRP for LIHTC projects, but do not provide substantial guidance on CCRPs and what they entail.^{viii}

To remedy this situation, we recommend that state HFAs incorporate within their respective QAPs a definition of “concerted community revitalization plan” that sets forth robust criteria to be used in assessing LIHTC projects in QCTs. By defining “concerted community revitalization plan” to include clear criteria, state HFAs can ensure that the LIHTC program is used to provide affordable housing that enhances neighborhood vitality. In doing so, HFAs will both fulfill the intent of the tax code, and act in better concert with the policies of the Fair Housing Act (for example, to avoid reinforcing segregation).

The following recommendations will assist HFAs, as well as project developers and community advocates, in designing and assessing criteria for CCRPs.

RECOMMENDATIONS

We recommend the following criteria for states seeking a coherent framework for defining and evaluating CCRPs. These criteria provide specific and meaningful guidance, while still reflecting how the needs and pressures on communities may vary considerably. For example, where development pressure is intense, CCRPs will likely focus on protecting against the loss of affordable units. In contrast, in neighborhoods with little development pressure and few resources, non-housing development becomes a more important component of revitalization plans. States should note this distinction and consider the variety of goals applicable in varying circumstances.

We have organized our recommendations such that each component of the term “Concerted Community Revitalization Plan,” and the term as a whole, has meaning and effect. Specifically, a state’s evaluation framework should assess the extent to which:

1. A **Concerted** plan will (a) identify any planned private or public development and (b) enumerate resources committed to revitalization;
2. A **Community** plan will (a) set clear geographic boundaries and (b) describe the community itself;
3. A **Revitalization** plan will (a) include housing and non-housing development and (b) coordinate with State and Federal standards;
4. The **Plan** itself will (a) articulate meaningful and achievable goals; (b) identify barriers to revitalization; (c) delineate measures to be taken and a timeline for implementing those measures; and (d) engage community partners and individuals in revitalization planning,

We elaborate on these criteria below. To illustrate how states are already implementing the CCRP requirement, we have provided examples of best practices as well.

1. A *Concerted* Plan Should Describe Any Planned Public or Private Development and Enumerate Resources Committed to Revitalization.

Plans that fulfill the “concerted” requirement of CCRPs will have commitments from multiple collaborators, including members of the community, and will articulate why the plan has a high likelihood of achieving revitalization. The CCRP should state how the proposed LIHTC project would contribute to and benefit from the concerted plan, and specifically describe non-housing investment commitments.

a) Identify any Planned Public and Private Development

CCRP should identify any public and private development in the community, and should differentiate between housing and non-housing development. By describing buy-in from both public and private developers in creating a variety of investments, services, and infrastructure, a CCRP can illustrate that the plan has a higher chance of success.

***Example:** Texas’s 2016 QAP requires evaluation of CCRP’s “targeted efforts” to attract “private sector development of housing and/or business.” The Texas QAP also identifies health care facilities, recreational facilities, and other amenities as non-housing items relevant to a CCRP.^{ix}*

b) Committed Resources

To show that a plan has a high likelihood of success, CCRPs should describe which resources have been committed to revitalization, including non-housing development, by public or private partners and specify strategies for securing additional resources.

***Examples:** The 2016 Texas QAP gives preference to projects in CCRPs with “sufficient, documented and committed funding” already “flowing in accordance with the plan.”^x It requires that any barriers to revitalization be “sufficiently mitigated and addressed prior to the Development being placed into service.”^{xi} Similarly, the Colorado 2016 QAP requests sponsors to show “significant funding commitments,” or “evidence of substantial major investment,” to show “in measurable terms how the community will be impacted.”^{xii}*

2. A Community Plan Will Set Clear Geographic Boundaries and Describe the Community Itself.

Communities can take many shapes and may extend across very different areas. However, CCRPs should characterize the relevant community as a distinct entity so that resources are effectively marshalled for its benefit and in direct coordination with the proposed LIHTC project.

a) Set Clear Geographic Boundaries

A community plan must have defined geographic boundaries. Geographic boundaries may vary depending on their context and between urban and rural areas. Preference should be given only to those proposed LIHTC projects that are actually located within a CCRP’s defined boundaries.

***Examples:** The 2016 Texas QAP states that areas targeted by CCRPs “should be a neighborhood or small group of contiguous neighborhoods with common attributes and problems.”^{xiii} States should at a minimum follow Georgia’s requirement that CCRPs “clearly delineate a target area that includes the proposed project site.”^{xiv}*

b) Describe the Community Itself

Just as the geographic boundaries must be defined in a community plan, community features must be described in order to determine how the plan will serve the neighborhood's needs. The community description should include structures and infrastructure; demographic characteristics and pressures; and economic characteristics and pressures. These details should inform the state's evaluation whether the CCRP sets realistic and meaningful goals.

3. A Revitalization Plan Should Address Housing and Non-Housing Development and Should Reflect Any Related State and Federal Revitalization Programs in Play.

a) Address Housing and Non-Housing Development

Both housing and non-housing developments are necessary to revitalize a community. Without non-housing development, LIHTC may create new low-income housing in areas with few amenities, stranding low-income residents without access to transportation, job opportunities, good schools, and commercial and healthy recreational options.

***Examples:** Pennsylvania's QAP addresses this challenge by requiring that CCRPs include access to public transportation, health care choices, and community serving enterprises.^{xv} Texas's QAP similarly requires review of "targeted efforts" to address non-housing development.^{xvi}*

b) Coordinate with State and Federal Standards

Multiple state and federal programs address revitalization. For example, the HUD Choice Neighborhoods program gives grants to communities that create a Transformation Plan to revitalize their distressed neighborhoods. It focuses on housing infrastructure, economic opportunity, and non-housing neighborhood amenities.^{xvii} A plan that fulfills the Choice Neighborhood requirements may satisfy CCRP requirements.

***Examples:** Indiana's QAP gives additional points to developments in neighborhoods that receive specific types of federal assistance, such as HUD Choice Neighborhoods or designation as a Department of Education-designated Promise Neighborhood.^{xviii} Georgia's QAP treats CCRPs, HUD's Choice Neighborhoods Program, and "local government adopted revitalization plan[s]" as analogous criteria for LIHTC preference, each of which qualifies for three, ten, or two preference points, respectively.^{xix} On a state level, Iowa's 2016 QAP allows additional points for projects located in Great Place Communities, a designation provided by the Iowa Department of Cultural Affairs.^{xx}*

4. A Plan Should Select Goals, Identify Barriers, Delineate Measures to Overcome Those Barriers, and Engage Community Partners and Individuals.

Planning is essential to successful revitalization. Plans are prescriptive documents that articulate: 1) goals to be met, 2) obstacles to be overcome, 3) measures to be implemented and timelines for implementing those measures, and 4) actors to whom necessary actions are assigned. State agencies should treat these basic aspects of planning as minimum criteria consistent with the other

criteria proposed above. CCRPs should accordingly select goals, identify barriers, delineate relevant steps and responsible actors to reach those goals, and include plans for engaging the community.

a) Select Goals

CCRPs should state meaningful, achievable goals before any preference is awarded. Goals should be consistent with the aim of increasing opportunity and preventing the concentration of poverty in rural and urban areas. With these principles in mind, states should consider whether CCRPs:

- Promote mixed-income development;
- Protect against loss of affordable units; and Generate housing and non-housing development.

Examples: *Many states have QAPs that include point preferences for “mixed income” developments, including Colorado, Connecticut, Georgia, Indiana, Maine, Maryland, Nevada, Pennsylvania, South Dakota, and Utah, although not all of these provisions are related to CCRPs. For example, Indiana’s 2016 QAP rewards up to five points for LIHTC that are part of federally assisted revitalization awards that 1) support mixed income development, 2) “[f]acilitate the deconcentration of poverty,” and 3) “[p]rovide for community improvements or amenities.”^{xxi} Pennsylvania’s QAP reserves credits for three or more developments with a CCRP “focused on implementing a ‘mixed income’ strategy.”^{xxii}*

b) Identify Barriers to Revitalization

Any concerted plan should anticipate—and provide for means to overcome—barriers to success. LIHTC developers are already required to fund a market assessment of their projects to determine that the need is sufficient and the project is feasible.^{xxiii} Identifying barriers to development at the community level is an analogous task that can prevent tax credits and local effort from being wasted and ensure that due effort is made to plan for solutions.

Example: *The Texas 2016 QAP requires CCRPs to identify “problems in the revitalization area” such as “long-term disinvestment” and “declining quality of life.”^{xxiv}*

c) Delineate measures to be taken and a timeline for implementing those measures

If any plan is going to be meaningful, it should involve concrete measures on a timeframe meaningful to revitalization. One relevant timeframe for planning is the length of the initial compliance period (15 years) plus the extended use period (30 years total).^{xxv} However, significant revitalization measures should operate on a much quicker timeframe (on the order of a few years) so that LIHTC residents are able to appreciate the benefits of revitalization throughout the period of affordability.

Examples: *Both Georgia and Indiana’s QAPs require CCRPs to name “implementation measures along with specific, current, and ongoing time frames for the achievement of such policies and housing activities.”^{xxvi}*

d) Engage Community Partners and Individuals in Revitalization and Planning

To adequately reflect and respond to local needs, revitalization planning should engage community partners and individuals. CCRPs should indicate which private and public actors will carry out revitalization and which partners have committed resources to the plan. No CCRP should be developed solely or primarily by a LIHTC developer, as such a plan would lack critical insight on other dimensions of revitalization planned by other parties. States should also require community outreach and input, such as public hearings, for each CCRP.

***Example:** In Georgia, CCRPs must document “[d]etails regarding community input and public hearings held prior to the adoption of the plan AND two (2) letters from any combination of non-profit organizations, neighborhood organizations, a development authority, or a local business coalition (e.g. Chamber of Commerce) actively working or investing in the area....”^{xxvii}*

Conclusion

The lack of robust content when defining CCRPs can lead to undesirable policy outcomes. For example, if states place LIHTC projects in qualified census tracts without CCRPs, there is a risk of perpetuating income- and race-based segregation. By defining clear minimum criteria for a CCRP, states can further the purpose of the statute and limit instances in which LIHTC projects intensify concentrations of poverty. We therefore encourage state housing credit agencies to adopt the ten proposed minimum criteria outlined above.

ENDNOTES

- ⁱ See, e.g., Ingrid Gould Ellen, Keren Horn, Yiwen Kuai, Roman Pazuniak, and Michael David Williams, *Effect of QAP Incentives on the Location of LIHTC Properties*, pp. 8-9 (2015).
- ⁱⁱ Casey J. Dawkins, Prepared for U.S. Department of Housing and Urban Development Office of Policy Development and Research, *Exploring the Spatial Distribution of Low Income Housing Tax Credit Properties*, Assisted Housing Research Cadre Report (February 2011), www.prrac.org/pdf/dawkins_LIHTC%20spatial-distribution_081111.pdf.
- ⁱⁱⁱ Ingrid Gould Ellen and Keren Horn, POVERTY & RACE RESEARCH ACTION COUNCIL, *Do Federally Assisted Households Have Access to High Performing Public Schools* (2012), <http://www.prrac.org/pdf/PRRACHousingLocation&Schools.pdf>.
- ^{iv} See Amy Ellen Schwartz, Brian J. McCabe, Ingrid Gould Ellen, and Colin C. Chellman, *Public Schools, Public Housing: The Education of Children Living in Public Housing*, 46 URBAN AFFAIRS REVIEW pp. 68-89 (2010); Patrick Sharkey, Amy Ellen Schwartz, Ingrid Gould Ellen, and Johanna Lacoé, *High Stakes in the Classroom, High Stakes on the Street: The Effects of Community Violence on Students’ Standardized Test Performance*. 1 SOCIOLOGICAL SCIENCE pp. 199-220 (2014).
- ^v On December 27, 2016, the IRS issued a notice (Notice 2016-77) clarifying that HFAs should not allocate housing credit dollar amounts to a LIHTC project located in a Qualified Census Tract (QCT) “unless its development contributes to a concerted community revitalization plan.” The Notice clarified that “the development of a LIHTC project, without more” does not meet the requirement for contributing to a CCRP.
- ^{vi} 26 U.S.C. § 42(m)(1)(B)(ii)(III)

- vii See https://www.huduser.gov/portal/Datasets/QCT/QCTDDA2017_Notice.pdf (To be eligible to be designated a QCT, a census tract must have 50 percent of its households with incomes below 60 percent of the AMGI or have a poverty rate of 25 percent or more. HUD has defined 60% of AMGI as 120% of HUD's Very Low Income Limits (VLILs), which are based on 50% of area median family income, adjusted for high cost and low income areas.)
- viii POVERTY & RACE RESEARCH ACTION COUNCIL, *Building Opportunity II: Civil Rights Best Practices in the Low Income Housing Tax Credit Program (2015 update)* (2015), <http://www.prrac.org/pdf/BuildingOpportunityII.pdf>; See also Jill Khadurri, POVERTY & RACE RESEARCH ACTION COUNCIL AND ABT. ASSOCIATES, INC., *Creating Balance in the Locations of LIHTC Developments: The Role of Qualified Allocation Plans*, p.11 (2013) (finding, based on a 2013 survey of state QAPs, that “most states either provide no definition of what constitutes a concerted community revitalization plan or limit that definition to the ... designation of a geographic area by a public entity as being covered by a plan or a program of some sort, but without further standards for ‘community revitalization.’”)
- ix TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, MULTIFAMILY HOUSING RENTAL PROGRAMS, *2016 Qualified Allocation Plan*, p. 28 (2015), <https://www.tdhca.state.tx.us/multifamily/docs/16-QAP.pdf>.
- x *Id.* at 27.
- xi *Id.* at 28.
- xii COLORADO HOUSING AND FINANCE AUTHORITY BOARD OF DIRECTORS, *LIHTC Qualified Allocation Plan*, p. 51 (2015), https://www.chfainfo.com/arh/lihtc/LIHC_Documents/CHFA_QAP_2016.pdf.
- xiii TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, *supra* note ix at p. 28.
- xiv GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS, *2016 Qualified Action Plan*, App. II, Scoring Criteria, p. 14, http://www.dca.state.ga.us/housing/housingdevelopment/programs/downloads/2016QAPDocs/QAP/2016_QualifiedAllocationPlan.pdf. See also PRRAC, *Creating Balance in the Locations of LIHTC Developments* (February 2013), http://www.prrac.org/pdf/Balance_in_the_Locations_of_LIHTC_Developments.pdf.
- xv PENNSYLVANIA HOUSING FINANCE AGENCY, *Allocation Plan for Year 2016*, p. 7, http://www.phfa.org/forms/multifamily_program_notices/qap/2016_allocation_plan.pdf.
- xvi TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, *supra* note ix at p. 28.
- xvii See https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/cn
- xviii STATE OF INDIANA, *2016-2017 Qualified Action Plan*, p. 61, http://www.in.gov/myihcda/files/Final_2016-2017_QAP.pdf.
- xix GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS, *supra* note xiv at pp. 14-15 (2015).
- xx IOWA FINANCE AUTHORITY, *2016 9% Qualified Action Plan*, p. 27 (2016), available at http://www.iowafinanceauthority.gov/Home/DocumentSubCategory/188?utm_source=Multifamily+News++7.1.15&utm_campaign=Draft+QAP+-+7.1.15&utm_medium=email.
- xxi STATE OF INDIANA, *supra* note xviii at p. 61.
- xxii PENNSYLVANIA HOUSING FINANCE AGENCY, *supra* note xv at pp. 6-7 (2015), http://www.phfa.org/forms/multifamily_program_notices/qap/2016_allocation_plan.pdf.
- xxiii 26 U.S.C. § 42(m)(1)(A) (“[T]he housing credit dollar amount... shall be zero unless ... a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project is conducted before the credit allocation is made and at the developer’s expense by a disinterested party who is approved by such agency.”).
- xxiv TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, MULTIFAMILY HOUSING RENTAL PROGRAMS, *supra* note ix at pp. 27-28.
- xxv 26 U.S.C. §§42(h)(6)(D), (i)(1).

^{xxvi} STATE OF INDIANA, *supra* note xviii at p. 60 (2015); GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS, *supra* note xiv at p. 14 (2015).

^{xxvii} GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS, *supra* note xiv at p. 15 (2015).