



Concerted Community Revitalization in Qualified Allocation Plans

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Concerted Community Revitalization Plans and Achieving Balance in the QAPs



- My observations are based on:
 - Study of 15-year old LIHTC developments, recently completed by Abt Associates and Viva Consulting
 - Preliminary review of current (2012 and 2013) QAPs
 - Largest states
 - Suggestions for states with relevant QAP language
 - Review of literature on neighborhood change and discussions with experts
 - Discussions with staff of two HFAs

Using LIHTC to Provide Opportunities for Families



- LIHTC properties can help families live in locations that provide opportunities by:
 - Creating and preserving affordable housing in:
 - locations that already provide high opportunity
 - gentrifying neighborhoods
 - Supporting meaningful community revitalization plans
- Other worthy uses of LIHTC:
 - Supportive housing
 - Improving housing quality in all types of neighborhoods
- But providing opportunities for families will require balancing the use of a limited resource

To Date LIHTC Rarely Expands Opportunities for Families



- Recently-completed study of LIHTC properties that have passed the 15-year mark found that most LIHTC properties:
 - Provide housing at rents similar to other rental housing in the neighborhood
 - Provide housing in locations where Housing Choice Vouchers are easy to use

- Result: an enormous missed opportunity

The LIHTC 15-Year Study Shows that Some LIHTCs have high risk of market conversion



- LIHTC properties that convert to market rents not affordable for voucher users or other low-income families almost always are in locations that already provide opportunities for families or are gentrifying
- States should place the highest possible priority on preserving these properties as affordable housing
 - QAPs should make these at-risk properties competitive for additional allocations of LIHTC
 - States may also need to use additional resources: soft debt, basis boosts

The LIHTC 15-Year Study Shows that Many Properties Have Substantial Capital Needs



- Properties that were originally rehabilitated rather than new construction often need system replacements after Year 15. Others will develop capital needs by Year 30
- Many will apply for new allocations of LIHTC or already have done so
- Enormous challenge for states: will have to say no to some applications to recapitalize older affordable housing. Otherwise, there will be no room for strategic use of LIHTC to provide opportunities
 - In the face of these pressures, some states are starting to limit recapitalization of older LIHTCs to 4 percent credits

Neighborhood Revitalization in the QAPs



- Most states have not provided further definition of the language in Section 42 on Concerted Community Revitalization Plans
 - Most QAPs are silent beyond repeating the Section 42 language
 - Other QAPs only require designation by a public body that the neighborhood is covered by some sort of plan
 - A few states offer more detailed definitions, including commitments of resources, types of investments

QAP Preferences for Revitalizing Neighborhoods must be seen in context



- QAPs are enormously complicated documents:
 - points
 - set-asides
 - threshold requirements
 - basis posts
 - general policy language
- Most states have strong preferences for preservation regardless of whether a neighborhood is revitalizing
- Requirements related to market studies only apply to creating additional LIHTC housing in highly concentrated neighborhoods

What Should a QAP Definition of a Concerted Community Revitalization Plan Include?



- Scale: providing some good-quality housing does not transform a neighborhood
- Diverse types of housing—mixed-income, mixed tenure
- Investments beyond housing: school improvements and school access; transportation and job access; reducing crime
- Real commitments of resources
- Market context and neighborhood assets
 - Will metropolitan trends support improvement of this neighborhood or make it unlikely?
 - Does the neighborhood have assets: anchor institutions, new infrastructure, proximity to strong neighborhoods?

How should QAPs pursue the goal of preserving Affordable Housing in Gentrifying Neighborhoods?



- Little current focus on this objective: most QAPs either advantage all preservation or define “at risk” as losing current subsidy
- Instead QAPs should ask for evidence that private market forces will lead to loss of affordable rental housing—higher rents, converted use
 - Are rents rising faster than in other areas of the city or metro area?
 - Are higher-income households moving in?
- New infrastructure—transportation, stadiums, employment centers—may help predict gentrification
- Families and schools may be a lagging indicator of gentrification
 - Households without children move in first
 - Families with means use other school options

How should QAPs pursue incentives for current high-opportunity locations?



- How much to tilt the balance in this direction is a policy question for states policy-makers...and for courts applying fair housing law
- Good definitions and apparent incentives can be swamped by other features of the QAP
 - Implicit and explicit preferences for housing in other types of locations
 - Preferences for deep income targeting may make properties in high opportunity locations not competitive. May have to rely on vouchers and affirmative marketing in such locations.
- States need to set objectives, analyze results, and continue to modify their systems
 - For example, Pennsylvania's 2013 QAP has separate competitions for urban locations and suburban/rural locations. Points for high-opportunity neighborhoods were not enough

Possible Next Steps



- More review of QAPs
- More discussions with HFAs on their objectives and how they implement them in the QAPs
- Discussions with developers on how they respond to incentives in QAPs
- Develop specific models for elements of a QAP that can be tailored to a state's characteristics