

Best Practices: Using the QAP to Create Opportunity in LOUISIANA

March 2013

Outline

- Background
 - Why Location Matters
 - Community Development & Fair Housing
 - LIHTC's Role & QAP's Tools
- Best Practices
 - Developing in High-opportunity Areas
 - Meaningful Concerted Community Revitalization Plans
 - Integrated Supportive Housing
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Sources

Best Practices:

Poverty & Race Research Action Council (PRRAC) and Abt Associates report (2013)

Corporation for Supportive Housing reports (2011 and 2012)

Technical Assistance Collaborative

In-house analysis of 30 QAPs

Data:

PRRAC, Furman Center for Real Estate and Urban Policy, and Moelis Institute for Affordable Housing Policy (2012)

U.S. Census

Background



Why integrated housing is important

Policy reasons:

Gives families choice about where to live

Racial and socio-economic integration and de-segregation

Better paying jobs, schools, and quality of life

Legal considerations:

The Fair Housing Act – racial integration

The *Olmstead* Supreme Court decision – integrated settings for people with disabilities

LIHTC location & schools

LIHTC projects in Louisiana are located near poor-performing and low-income schools

In Louisiana – nearest school to LIHTC projects:

- 88% free and reduced price lunch
- 32nd percentile in Math and English Language Arts

In New Orleans – nearest school to LIHTC projects:

- 91% free and reduced price lunch
- 19% are in bottom 10th percentile
- 19% are in top 50th percentile

LIHTC location, race & income

LIHTC projects in Louisiana are located in high-poverty, low-income, highly racially concentrated communities

2007-2013 Awards:

65% are in census tracts with **higher poverty** than city

60% are in census tracts with **lower income** than city

54% are in census tracts with **higher non-white population** than city (62% in 2011-2013)

77% are in census tracts with more than **20% poverty**

Community development & fair housing

Same goals: opportunity for low-income families

Different approaches

Fair housing: develop affordable housing in high-opportunity communities

Community development: create more opportunity in low-income communities by investing resources and developing/preserving affordable housing

Balance: both are important for choice and families' different priorities

Focus areas

1. **Affordable housing development in *high-opportunity areas***
2. **Affordable housing development in *revitalizing low-income communities***
3. **Options for integrated and stable housing for *people with disabilities***

LIHTC's important role

- Places where vouchers are difficult to use, such as high-opportunity neighborhoods
- Support efforts to revitalize a neighborhood and prevent displacement

Currently

LIHTCs are often placed in areas that already have high supply of low cost market housing.

Rents of LIHTC developments are often identical to the market-rate rents of surrounding properties

The QAP's tools

1. Threshold requirement
2. Set-aside
3. Points
4. Basis boost – Treasury provided flexibility following the Housing and Economic Recovery Act of 2008

Any building that requires a basis boost to be financially feasible can be treated as if it were located in a Difficult to Develop Area (DDA)

High-Opportunity Communities



Defining “high-opportunity”

Kirwan Institute’s “Opportunity Mapping”:

- Sustainable employment
- High performing schools
- Quality health care
- Adequate transportation
- Quality child care
- Safe neighborhoods
- Institutions that facilitate civic and political engagement

Some State QAPs:

- Relatively high median income
- Low poverty rates
- Racial integration
- Proximity to public universities
- Proximity to jobs
- Proximity to high-performing schools

Congressional District allocation

Doesn't necessarily result in development in high-opportunity areas

Doesn't adequately address relative need of the districts (e.g., rent burden)



Problem provisions in QAPs

Amenities as a measure: they do not discuss quality.

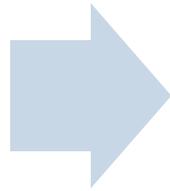
Poor Location: lack of toxic sites, for instance, does not mean the area is high-opportunity

Local approval or support, or local veto: may allow for discrimination and NIMBYism

Best practices: high-opportunity areas

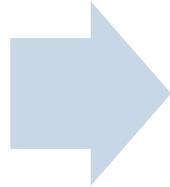
1/3 of QAPs reviewed have incentives for locating LIHTC developments in high-opportunity neighborhoods.

Louisiana



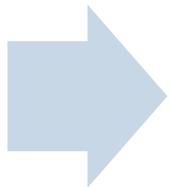
10 points for “geographic diversity” – in census tracts where median income exceeds 120% of the Parish AML.

North Carolina



Threshold requirement – projects cannot be in areas of minority and low-income concentration (exception: CCRP)

Texas



Points and basis boost – median income above county’s, less than 15% poverty rate, elementary school zone with high academic rating

Urban, suburban and rural funding pools (TX)

Community Revitalization



Community Revitalization & Opportunity

- Community revitalization creates **opportunity** for low-income residents
- It may also **displace** current residents as the community becomes more attractive to others
- Affordable housing in low-income communities allows **current** residents to benefit from revitalization efforts
- But only if the community is actually **revitalizing**

Concerted community revitalization plan

- The Internal Revenue Code requires preference in the QAP for developments in Qualified Census Tracts (QCTs)
- The Code also requires preference for projects in a QCT “with a concerted community revitalization plan” (CCRP)
 - The IRS has not defined what a CCRP is

Current practices

Projects are being located in low-income areas without real revitalization plans

- Out of 36 QAPs, none limit basis boost to QCTs with a CCRP
- Some QAPs give points to QCTs and other projects with a CCRP
- Most states use the Code's description of a CCRP

Best practices: defining the CCRP

A few states' QAPs have
meaningful definitions (GA and CO)

Key Standards

- Assessment of the neighborhood's current condition
- Description of plans for overcoming the neighborhood's problems
- Description of the resources that are being or will be devoted to the revitalization effort (not just a plan)

Housing for People with Disabilities



The need for supportive housing

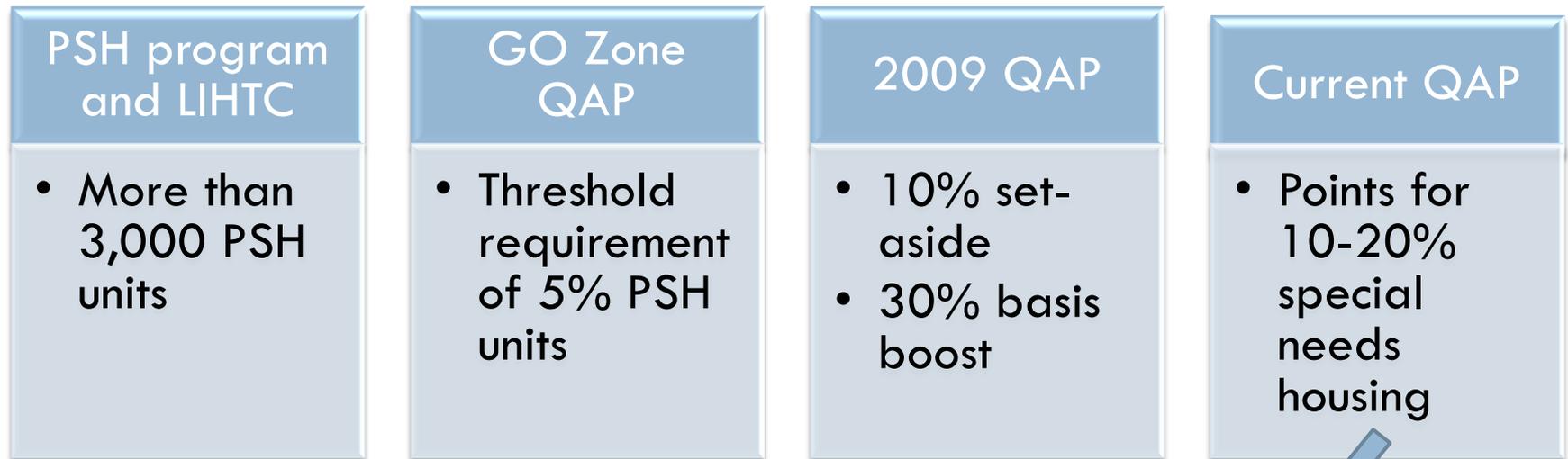
In Louisiana:

- Approximately 240,000 people 18 and older have a disability and an independent living difficulty
- Individuals with disabilities earn 29% less than those without.

In New Orleans:

- Median income:
 - People who do not require supportive housing = \$37,500
 - People who require supportive housing = \$19,250
- Rent:
 - Affordable to person requiring supportive housing = \$480/month.
 - Typical studio = \$730.

Past successes



Includes individuals with children and families

Subsidies and services funding

HUD Section 811 project-based rental assistance

- **\$8.25 million** to subsidize 200 units
- Maximum 25% of units for supportive housing

HOME tenant- based rental assistance

- **\$1.25 million** for security and utility deposit assistance

Medicaid and CDBG

- New changes allow housing supportive **services to be billed through Medicaid**
- DHH has CDBG funds until Medicaid is fully online

Best practices: integrated supportive housing

- A few states have **threshold** requirements of **5-10%** supportive housing units (AK, NC).
- An increasing number of states are entering into *Olmstead* settlements with the DOJ with **20%** supportive housing units (GA 2008, NC & VA 2012)
- Several states have **set-asides** (AZ, MO, OH, TN, VA).

Disability rights community supports integrated settings.

Next Steps & Recommendations



Summary

- Most LIHTC (and other affordable) housing is concentrated in low-income communities near poor-performing schools.
- Integrated housing in high-opportunity places gives low-income families and children better chances for success.
- “Choice” means balancing the goals of revitalizing low-income communities and creating affordable housing in already high-opportunity communities.
- There is great need for affordable, integrated, supportive housing.

LHC has the tools and resources to further address these challenges through the QAP.

Next steps

- Develop Louisiana-specific measures of high-opportunity.
- Develop parameters for a well-defined Concerted Community Revitalization Plan.
- Ensure proper supportive services delivery system and coordinate with the Department of Health and Hospitals.
- Determine creative ways to use Section 811, state's Shelter Plus Care, and HOME more effectively.

Recommendations

- ✓ Include additional incentives, such as a basis boost and points, for developments in **high-opportunity** areas.
- ✓ Include incentives, such as a basis boost and points, for developments in areas with a well-defined **Concerted Community Revitalization Plan**.

Recommendations

- ✓ Create a threshold requirement, set-aside, and/or basis boost to incentivize **10-20% supportive housing** for people with disabilities.
- ✓ Allow tax credits for **lower income levels** in order for Section 811 and other subsidies to go further
- ✓ Replace Congressional District allocation system with **urban, suburban, and rural** funding pools.